



FREEDOM
INSURANCE
GROUP

Freedom Insurance Group Ltd

ABN 14 608 717 728

Appendix 4D Preliminary Half Year Report 31 December 2016

Lodged with the ASX under Listing Rule 4.2A on 21 February 2017

Reporting Period

This report covers the half year period from 1 July 2016 to 31 December 2016. The previous corresponding period was the half year from 1 July 2015 to 31 December 2015

1. Company details

| | |
|-------------------|------------------------------------------|
| Name of entity: | Freedom Insurance Group Ltd |
| ABN: | 14 608 717 728 |
| Reporting period: | For the half-year ended 31 December 2016 |
| Previous period: | For the half-year ended 31 December 2015 |

2. Results for announcement to the market

The information contained in this report relates to Freedom Insurance Group Ltd (the 'Company') as a continuation of an existing business of Insurance Network Services Australia Pty Ltd and Freedom Insurance Investments Pty Ltd (collectively the 'legal subsidiaries'), which was acquired in December 2015 by the Company (collectively referred to as the 'Group'). The reorganisation was accounted for as a capital reorganisation - refer to the Directors' Report and Financial Statements - 30 June 2016 for further details.

| | | | \$'000 |
|-----------------------------------------------------------------------------------------------------|----|------------|--------|
| Revenues from ordinary activities | up | 129.2% to | 25,715 |
| Profit from ordinary activities after tax attributable to the owners of Freedom Insurance Group Ltd | up | 1419.7% to | 6,170 |
| Profit for the half-year attributable to the owners of Freedom Insurance Group Ltd | up | 1419.7% to | 6,170 |

Dividends

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

Comments

The profit for the Group after providing for income tax amounted to \$6,170,000 (31 December 2015: \$406,000).

Further information on the 'Review of operations' is detailed in the Directors' report which is part of the Interim Report.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|-------------------------------------------|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>17.01</u> | <u>4.52</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of Freedom Insurance Group Ltd for the half-year ended 31 December 2016 is attached.

11. Signed



Signed _____

Date: 21 February 2017

Keith Cohen
Managing Director
Sydney

Freedom Insurance Group Ltd

(Formerly known as Freedom Insurance Group Pty Limited)

ABN 14 608 717 728

Interim Report - 31 December 2016

Freedom Insurance Group Ltd
Contents
31 December 2016



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| | |
|------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Directors | David Hancock Keith Cohen Stephen Menzies Andrew Jensen Katrina Glendinning |
| Company secretaries | Malcolm McCool Anand Sundaraj |
| Registered office | Levels 12 and 13 20 Bond Street Sydney, NSW 2000 Tel: 1300 884 488 |
| Share register | Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford, VIC 3067 Tel: 1300 787 272 |
| Auditor | Crowe Horwath Sydney Level 15, 1 O'Connell Street Sydney, NSW 2000 |
| Stock exchange listing | Freedom Insurance Group Ltd shares are listed on the Australian Securities Exchange (ASX code: FIG) |
| Website | www.freedominsurance.com.au |

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 half-year ended 31 December 2016.

Directors

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

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

Information on the new and existing directors can be found at: www.freedominsurance.com.au/investors/about-us.html

Principal activities

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

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

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

Review of operations

The profit for the Group after providing for income tax amounted to \$6,170,000 (31 December 2015: \$406,000).

For the financial half-year new business annual premium income was \$31,818,000. This is a 174% increase over the corresponding period to 31 December 2015.

The Group's revenue is a mix of upfront commission and fees generated by policy sale and ongoing commission and fees related to the 'in force' book of policies. The main operating expenses are upfront customer acquisition costs and ongoing policy administration costs.

Revenue increased due to the strong growth in sales and a growing book of in force policies. Expense growth reflects scale efficiencies in the business and include one-off costs of \$1,291,000 related to the listing on the Australian Securities Exchange ('ASX'), as detailed in 'Significant changes in the state of affairs' below.

The statutory financial results for the financial half-year and the prior corresponding period were:

| | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 | Change \$'000 | Change % |
|-------------------|-----------------------|-----------------------|------------------|-------------|
| Revenue | 25,715 | 11,218 | 14,497 | 129% |
| Expenses | 16,733 | 10,558 | 6,175 | 58% |
| Profit before tax | 8,982 | 661 | 8,321 | 1259% |
| Profit after tax | 6,170 | 406 | 5,764 | 1420% |

Significant changes in the state of affairs

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

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

On 7 October 2016, NobleOak Life Ltd and the Group mutually agreed to terminate their Product Development and Distribution Agreement to new business. In February 2017, the Group transitioned to Swiss Re Life & Health Ltd ('Swiss Re') as the insurer of the products that it distributes.

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

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

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

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



David Hancock
Chairman



Keith Cohen
Managing Director

21 February 2017

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

Dear Board Members

Freedom Insurance Group Ltd

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.

As lead audit partner for the review of the half-year financial statements of Freedom Insurance Group Ltd for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



CROWE HORWATH SYDNEY



LEAH RUSSELL

Senior Partner

Date this 21st day of February 2017

Freedom Insurance Group Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



| | | Consolidated | |
|--------------------------------------------------------------------------------------------------------------------|-------------|---------------------|--------------------|
| | Note | 31 Dec 2016 | 31 Dec 2015 |
| | | \$'000 | \$'000 |
| Revenue | 4 | 25,715 | 11,218 |
| Expenses | | | |
| Employee benefits expense | | (8,527) | (5,370) |
| Depreciation expense | | (2) | (18) |
| Management and professional fees | | (516) | (152) |
| Marketing and promotion | | (3,111) | (2,849) |
| Occupancy costs | | (635) | (185) |
| Telecommunication and information technology expense | | (1,185) | (723) |
| Non-operating expenses | | (1,291) | (575) |
| Other expenses | | (547) | (244) |
| Finance costs | | (919) | (441) |
| Profit before income tax expense | | 8,982 | 661 |
| Income tax expense | | (2,812) | (255) |
| Profit after income tax expense for the half-year attributable to the owners of Freedom Insurance Group Ltd | | 6,170 | 406 |
| Other comprehensive income for the half-year, net of tax | | - | - |
| Total comprehensive income for the half-year attributable to the owners of Freedom Insurance Group Ltd | | 6,170 | 406 |
| | | Cents | Cents |
| Basic earnings per share | 15 | 3.45 | 0.30 |
| Diluted earnings per share | 15 | 3.42 | 0.30 |

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

Freedom Insurance Group Ltd
Statement of financial position
As at 31 December 2016



| | | Consolidated | |
|---------------------------------------|-------------|---------------------|--------------------|
| | Note | 31 Dec 2016 | 30 Jun 2016 |
| | | \$'000 | \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 23,638 | 7,119 |
| Trade and other receivables | 6 | 4,073 | 4,095 |
| Net present value of trail commission | | 4,483 | 3,165 |
| Other | | 312 | 655 |
| Total current assets | | 32,506 | 15,034 |
| Non-current assets | | | |
| Other financial assets | 7 | 3,702 | 3,477 |
| Intangibles - goodwill | | 5,818 | 5,818 |
| Net present value of trail commission | | 28,279 | 20,498 |
| Total non-current assets | | 37,799 | 29,793 |
| Total assets | | 70,305 | 44,827 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 3,869 | 3,828 |
| Borrowings | 9 | - | 11,631 |
| Income tax | | 1,323 | 16 |
| Employee benefits | | 315 | 153 |
| Provisions | | 12,496 | 7,776 |
| Total current liabilities | | 18,003 | 23,404 |
| Non-current liabilities | | | |
| Deferred tax | | 5,628 | 4,475 |
| Employee benefits | | 75 | 53 |
| Total non-current liabilities | | 5,703 | 4,528 |
| Total liabilities | | 23,706 | 27,932 |
| Net assets | | 46,599 | 16,895 |
| Equity | | | |
| Contributed capital | 10 | 32,589 | 8,416 |
| Reserves | 11 | 49 | 688 |
| Retained profits | | 13,961 | 7,791 |
| Total equity | | 46,599 | 16,895 |

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

Freedom Insurance Group Ltd
Statement of changes in equity
For the half-year ended 31 December 2016



| 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 half-year | - | - | 406 | 406 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 406 | 406 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 7,599 | - | - | 7,599 |
| Return of capital | (1,675) | - | - | (1,675) |
| Transfer on conversion of loans payable | 500 | (500) | - | - |
| Equity component of convertible notes issued | - | 579 | - | 579 |
| Balance at 31 December 2015 | <u>7,234</u> | <u>579</u> | <u>5,175</u> | <u>12,988</u> |
| Consolidated | Contributed capital \$'000 | Reserves \$'000 | Retained profits \$'000 | Total equity \$'000 |
| Balance at 1 July 2016 | 8,416 | 688 | 7,791 | 16,895 |
| Profit after income tax expense for the half-year | - | - | 6,170 | 6,170 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 6,170 | 6,170 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 10) | 23,485 | - | - | 23,485 |
| Share-based payments | - | 49 | - | 49 |
| Transfer on conversion of loans payable | 688 | (688) | - | - |
| Balance at 31 December 2016 | <u>32,589</u> | <u>49</u> | <u>13,961</u> | <u>46,599</u> |

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

Freedom Insurance Group Ltd
Statement of cash flows
For the half-year ended 31 December 2016



| | Consolidated | |
|-----------------------------------------------------------------------|---------------------|--------------------|
| Note | 31 Dec 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Profit before income tax expense for the half-year | 8,982 | 661 |
| Adjustments for: | | |
| Depreciation and amortisation | 2 | 18 |
| Share-based payments | 49 | - |
| Finance costs - non-cash | 739 | 42 |
| Interest received | (28) | (6) |
| Interest and other finance costs paid | 180 | 399 |
| | 9,924 | 1,114 |
| Decrease in trade and other receivables | 22 | 1,188 |
| Decrease/(increase) in prepayments | 217 | (340) |
| Increase in other operating assets | (9,099) | (4,863) |
| Decrease in trade and other payables | (24) | (852) |
| Increase/(decrease) in employee benefits | 184 | (11) |
| Increase in other provisions | 4,720 | 1,557 |
| | 5,944 | (2,207) |
| Interest received | 28 | 6 |
| Interest and other finance costs paid | (180) | (399) |
| Income taxes paid | (1) | - |
| Net cash from/(used in) operating activities | 5,791 | (2,600) |
| Cash flows from investing activities | | |
| Payment for purchase of business, net of cash acquired | - | (321) |
| Payments for investments | (225) | - |
| Payments for property, plant and equipment | (2) | - |
| Payments for security deposits | - | (98) |
| Proceeds from release of security deposits | 126 | - |
| Net cash used in investing activities | (101) | (419) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 10 15,000 | - |
| Proceeds from borrowings | - | 6,410 |
| Payments for share buy-backs | - | (1,675) |
| Share issue transaction costs | 10 (1,171) | - |
| Repayment of borrowings | 9 (3,000) | - |
| Net cash from financing activities | 10,829 | 4,735 |
| Net increase in cash and cash equivalents | 16,519 | 1,716 |
| Cash and cash equivalents at the beginning of the financial half-year | 7,119 | 1,301 |
| Cash and cash equivalents at the end of the financial half-year | 23,638 | 3,017 |

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

Note 1. General information

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

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

Levels 12 and 13
20 Bond Street
Sydney, NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended 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 during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017.

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

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.

Note 4. Revenue

| | Consolidated | |
|---------------------------------------------|----------------------|----------------------|
| | 31 Dec 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| <i>Sales revenue</i> | | |
| Commissions | 15,846 | 5,557 |
| Net present value trail commission movement | 9,098 | 4,864 |
| Rebates | - | 547 |
| Administration fees | 703 | 244 |
| | <u>25,647</u> | <u>11,212</u> |
| <i>Other revenue</i> | | |
| Interest | 28 | 6 |
| Other revenue | 40 | - |
| | <u>68</u> | <u>6</u> |
| Revenue | <u><u>25,715</u></u> | <u><u>11,218</u></u> |

Note 5. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|----------------------|---------------------|
| | 31 Dec 2016 | 30 Jun 2016 |
| | \$'000 | \$'000 |
| Cash at bank | 21,617 | 6,325 |
| Cash on deposit | <u>2,021</u> | <u>794</u> |
| | <u><u>23,638</u></u> | <u><u>7,119</u></u> |

Note 6. Current assets - trade and other receivables

| | Consolidated | |
|-----------------------------------------------|---------------------|---------------------|
| | 31 Dec 2016 | 30 Jun 2016 |
| | \$'000 | \$'000 |
| Trade receivables | 4,270 | 4,291 |
| Less: Provision for impairment of receivables | <u>(208)</u> | <u>(208)</u> |
| | <u>4,062</u> | <u>4,083</u> |
| Other receivables | - | 1 |
| Receivable from related parties | <u>11</u> | <u>11</u> |
| | <u><u>4,073</u></u> | <u><u>4,095</u></u> |

Note 7. Non-current assets - other financial assets

| | Consolidated | |
|---------------------------------------------------------|---------------------|---------------------|
| | 31 Dec 2016 | 30 Jun 2016 |
| | \$'000 | \$'000 |
| Investment in NobleOak Life Ltd - unlisted held at cost | <u><u>3,702</u></u> | <u><u>3,477</u></u> |

Note 8. Current liabilities - trade and other payables

| | Consolidated | |
|---------------------|---------------------|--------------------|
| | 31 Dec 2016 | 30 Jun 2016 |
| | \$'000 | \$'000 |
| Trade payables | 650 | 1,008 |
| Commissions payable | 1,016 | 682 |
| Other creditors | 1,524 | 1,228 |
| Accruals | 679 | 910 |
| | <u>3,869</u> | <u>3,828</u> |

Note 9. Current liabilities - borrowings

| | Consolidated | |
|---------------------------|---------------------|--------------------|
| | 31 Dec 2016 | 30 Jun 2016 |
| | \$'000 | \$'000 |
| Convertible notes payable | - | 8,631 |
| Loans payable | - | 3,000 |
| | <u>-</u> | <u>11,631</u> |

Convertible notes payable

The convertible notes were automatically converted into ordinary shares in the Company, at a discount rate of 20% on face value on the listing of the Company on the Australian Securities Exchange.

Loans payable

The \$3,000,000 loans payable expired on 28 November 2016 and was repaid.

Note 10. Equity - contributed capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2016 | 30 Jun 2016 | 31 Dec 2016 | 30 Jun 2016 |
| | Shares | Shares | \$'000 | \$'000 |
| Ordinary shares - fully paid | <u>239,723,495</u> | <u>163,633,670</u> | <u>32,589</u> | <u>8,416</u> |

Movements in ordinary share capital

| Details | Date | Shares | \$'000 |
|----------------------------------------------------------------------------|------------------|--------------------|---------------|
| Balance | 1 July 2016 | 163,633,670 | 8,416 |
| Share issue | 24 November 2016 | 42,857,142 | 15,000 |
| Conversion of convertible notes payable and accrued interest into shares | 28 November 2016 | 33,232,683 | 9,305 |
| Transfer of reserve on conversion of convertible notes payable into shares | 28 November 2016 | - | 688 |
| Share issue costs | | - | (1,171) |
| Tax on share issue costs | | - | 351 |
| Balance | 31 December 2016 | <u>239,723,495</u> | <u>32,589</u> |

Share buy-back

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

Note 11. Equity - reserves

| | Consolidated | |
|------------------------------|---------------------|--------------------|
| | 31 Dec 2016 | 30 Jun 2016 |
| | \$'000 | \$'000 |
| Share-based payments reserve | 49 | - |
| Convertible note reserve | - | 688 |
| | <u>49</u> | <u>688</u> |

Share-based payments reserve

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

Convertible note reserve

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

Note 12. Equity - dividends

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

Note 13. 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 - 31 Dec 2016 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Assets | | | | |
| Net present value of trail commission | - | - | 32,762 | 32,762 |
| Total assets | - | - | 32,762 | 32,762 |
| Consolidated - 30 Jun 2016 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Assets | | | | |
| Net present value of trail commission | - | - | 23,663 | 23,663 |
| Total assets | - | - | 23,663 | 23,663 |

There were no transfers between levels during the financial half-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.

The fair value of trail commission is estimated using a discounted cash flow method and involves the use of judgements. The key judgements are as follows:

- Discount rate: 7.7% (30 June 2016: 7.7%);
- Premium age re-rate (where applicable): 7.0% (30 June 2016: 7.0%); and
- Policy lapses: 16.0% (30 June 2016: 16.0%).

Note 14. Contingent liabilities

There are no contingent liabilities as at 31 December 2016 or 30 June 2016.

Note 15. Earnings per share

| | Consolidated | |
|-------------------------------------------------------------------------------------------|--------------|-------------|
| | 31 Dec 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Profit after income tax attributable to the owners of Freedom Insurance Group Ltd | 6,170 | 406 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 178,625,424 | 134,053,367 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | 1,584,185 | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 180,209,609 | 134,053,367 |
| | Cents | Cents |
| Basic earnings per share | 3.45 | 0.30 |
| Diluted earnings per share | 3.42 | 0.30 |

The weighted average number of ordinary shares for the comparative period is calculated based on the number of ordinary shares that would have been in existence had the capital reorganisation occurred at 1 July 2015.

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 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, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Hancock
Chairman



Keith Cohen
Managing Director

21 February 2017

Freedom Insurance Group Ltd and Controlled Entities

Independent Auditor's Review Report to the Members of Freedom Insurance Group Ltd

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Freedom Insurance Group Ltd (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Freedom Insurance Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Freedom Insurance Group Ltd is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Yours sincerely

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Senior Partner

Date this 21st day of February 2017