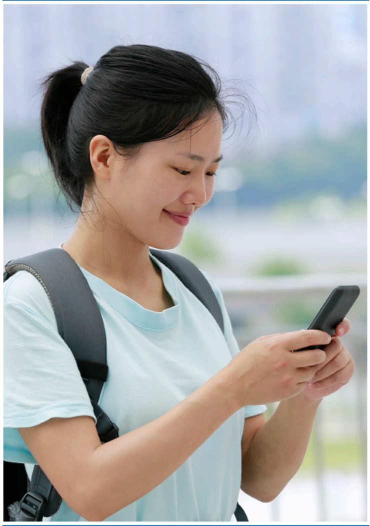
Cover-More GROUP LIMITED

ANNUAL REPORT 2014

CONTENTS

$369.1m pro-forma gross travel insurance sales[1]
up 20.1% on FY2013

9.6eps
pro-forma earnings per share based on NPATA



China leading online travel agent
Qunar signs distribution agreement

OUR 2014 PERFORMANCE

In our first six months as a publicly listed company Cover-More Group has delivered the growth we said we would. We have pushed deeper into Asia, used our e-commerce expertise to push into new business channels in Australia, demonstrated our focus on customer-led innovation and expanded our core medical assistance capability to include employee assistance.

Our numbers tell the story, as you will see and read here. But our story is deeper than that. As a specialist travel insurance and medical assistance provider, we save lives, protect dreams and help people get on with their lives. It's all we do. That's why we are good at it.

In this, our first annual report since we listed on the Australian Securities Exchange (ASX) on 19 December 2013, we present our performance and the fundamentals of the business model and assistance culture that underpin our strong leadership position in Australia and our expanding global reach.

$51.9m pro-forma EBITDA[1]

up 26.9% on FY2013

7.2cps

fully franked dividend which comprises:
4.0cps dividend for FY2014
3.2cps special dividend

$64.8m pro-forma net sales[1]

medical assistance

>35,000

lives saved, dreams protected, holidays mended

>1.4 million employees helped to get on with their lives and their jobs

2.2 million customers

Capital light

Seven countries

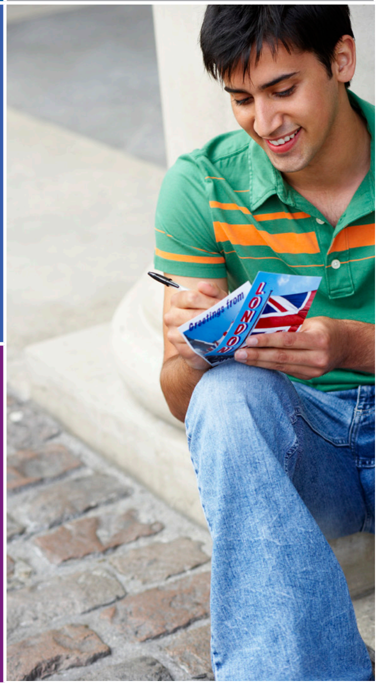
Australia, China, India, Malaysia, New Zealand, Singapore, UK

Symbiotic relationship

between travel insurance and medical assistance

NRMA
SGIO
SGIC

New partnership with Insurance Australia Limited



Market resilient

to economic, foreign exchange rates, geopolitical shocks

>500,000 calls

this year

>1,000 employees in our global group

1. Refer to the Pro-forma performance analysis section of the Annual Report for a reconciliation between the statutory result and the pro-forma result.

REPORT FROM OUR CHAIRMAN

Six months ago, we offered investors the opportunity to become shareholders in Cover-More Group Limited. Now, on behalf of your Board of Directors, I am pleased to present Cover-More's first annual report as an ASX-listed company.

Cover-More's first set of financial results is pleasing and outperformed the prospectus forecasts in terms of growth, earnings and cash flow generation.

Key financial highlights include:

- 20.1% growth in pro-forma gross travel insurance sales to $369.1 million
- 9.7% higher pro-forma EBITDA of $51.9 million, compared with the prospectus forecast of $47.3 million ;
- 11.3% higher pro-forma NPATA of $30.6 million, compared with the prospectus forecast of $27.5 million;
- 14.1% higher pro-forma NPAT of $25.1 million, compared with the prospectus forecast of $22.0 million; and
- Operating cash generation before capital expenditure of $50.5 million, compared favourably with the pro-forma prospectus cash flow forecast of $46.7 million

These results were supported by a $3.4 million EBITDA benefit from the impact of an underwriter profit share relating to FY2012. Excluding the impact of this underwriter profit contribution would decrease the FY2014 pro-forma EBITDA performance to $48.5 million, which is still an 18.6% growth over FY2013 EBITDA and a $1.2 million outperformance over the pro-forma prospectus forecast.

Based on this strong financial performance, the Board of Cover-More has declared a fully franked dividend for the first six months of trading of 4.0 cents per share plus a fully franked special dividend of 3.2 cents per share. This result is 3.6 cents higher per share than forecast in the prospectus and represents for shareholders a dividend 100% higher than forecast in the prospectus. Management should be commended for their cash management during this initial period as a listed company and the stronger than anticipated profit result.

The business has maintained a conservative gearing level, with net debt at the end of the financial year being roughly 0.5 x EBITDA.

Operationally, the business has continued to perform strongly, and it is pleasing to see the continued development of Cover-More's strategy in Asia. Cover-More's Asian operations grew EBITDA at 75.9% in FY2014 and now represent 9.8% of group EBITDA. Cover-More has recently signed a distribution arrangement with Qunar, one of China's leading online travel agents, and is expected to start to sell travel insurance in China, underwritten by CCIC, in FY2015.

In Australia, Cover-More continued to perform strongly and established an intermediary arrangement with Insurance Australia Limited and is now selling travel insurance for NRMA Insurance, SGIO and SGIC. This illustrates the continued strength of Cover-More in the Australian market and the benefit of the investments that Cover-More has made in technology and innovation over the past three years.

The management team of the business has continued to evolve to reflect operational and strategic targets and the challenges associated with a growing geographical spread of operations.

The outlook for Cover-More in the new year remains robust. Although we cannot predict growth in air travel or changes in consumer sentiment and spending habits over the coming year, we can influence the way we engage in our market and to that end the business is focused on expanding its geographical footprint, channels to market and e-commerce innovation. Cover-More's focus remains and will always be on how to assist travellers in their times of need and provide them with seamless medical and travel assistance second to none.

As signalled to investors at the time of the prospectus, my role as Chairman was for an interim period and was to continue through Cover-More's first year as a listed company. With the successful transition of Cover-More to a listed company and the achievement by the company of its prospectus forecasts, it is my intention to now begin that process and transition out of the Chair role during the coming financial year. The Board will also consider adding additional directors to complement the existing Board.

I thank our customers and shareholders for their continued support for Cover-More. I would also of course like to thank all the employees and management at Cover-More on whom we depend on for our success.

The Board and management look forward to continuing to deliver results on your behalf.

Michael Alscher
Chairman, Cover-More Group

YEAR IN REVIEW AND THE YEAR AHEAD: GROUP CEO

The past year has been a significant one for Cover-More. We have successfully transitioned from being a private company to a public company, achieved or exceeded all our prospectus objectives, earned more than $50 million[1] of EBITDA for the first time and diversified our earnings base with almost 33% of our earnings coming from our Health operations and nearly 10% of earnings emanating from our Asian operations. Cover-More is continuing to build for the future with innovation and refinement of our e-commerce capabilities, product offerings and global operating platform.

The past 12 months has seen a significant period in the evolution of Cover-More. In part, this has been due to welcoming a new group of shareholders, a significant step for any company. From my perspective, it has also been a significant year in terms of operational achievements.

The business has made progress in delivering unique benefits to our agency partners—deepening their relationships with travellers and improving commercial gains through the implementation of process improvements, integration of our e-commerce platforms and our focus on driving commercial outcomes. More broadly, Cover-More has continued to focus on building growth platforms driven by innovation which is diversifying Cover-More's revenue and earnings across products, channels and geography.

In addition, Cover-More has made significant strides in our 'one global platform' project where we expect to generate material operational savings in the medium term. I believe that Cover-More serves customers better now than we did 12 months ago. We are continuing to innovate in the travel and medical assistance markets to help people as they explore the world and, through our investment in employee assistance, to help them as they do their jobs.

Protecting Cover-More's agency and intermediary customers

At the core of Cover-More's success is our 28 years of service to the agency channel in Australia. This core has allowed Cover-More to build scale in our operations and ensure we genuinely understand how travellers want to travel and what they need in order to feel protected and safe. In essence, this core ensures that Cover-More can develop and refine propositions that both our agents and travellers can rely on.

Cover-More continues to fiercely guard the agency channel through the ongoing introduction of products and services which add unique value to travellers and ongoing connectivity between our agents and travelling customers. Similarly in the intermediary channel, our teams continue to focus on building bespoke, innovative solutions which best capitalise on the nuances afforded through our partners' distribution networks.

Our teams continue to display an innate desire to surprise and delight our agency and intermediary partners and their customers, through innovation and an unwavering commitment to operational excellence. In the past 12 months, Cover-More has:

- rolled out improved operational reporting for travel agents to allow them to understand how and why travellers buy insurance and what steps we can jointly undertake to optimise agency sales

1. Commentary on financial performance in this Group CEO section refers to the Pro-forma performance section of the Annual Report.

- assisted Flight Centre with the launch of the new online *you*Go travel insurance site
- upgraded our Global SIM offering to simplify the making and receiving of phone calls overseas, at substantial cost savings to traditional telephony charges and
- implemented a full travel insurance solution to a valued, new partner, Insurance Australia Limited's NRMA Insurance, SGIO and SGIC brands and worked hard to ensure that we commercially realise the potential that these strong brands represent in their respective markets.

From March to June 2014, we saw evidence of a softening in outbound leisure travel demand, which corresponded with declines in consumer confidence surrounding changes associated with the Australian Federal Government budget.

Cover-More's experience over many similar cycles, is that lulls in the travel market are typically short lived. During such lulls we have the opportunity to further strengthen our relationships with our customers by focusing on means by which our partners are able to enhance their profitability, even while the volume of outbound travellers is subdued. In this context, the 20.1% growth in the Cover-More's gross travel insurance sales in agency and intermediary business over the past 12 months has been particularly pleasing.

Continuing innovation and building a long term growth platform

Cover-More's organisational character revolves around developing strategies to achieve long-term, sustainable growth, through the alignment of economic interests with our partners and risk carriers. As set out in the prospectus, Cover-More is focused on four major growth levers: e-commerce, product innovation, Asian expansion, and further development of our medical assistance capabilities. Over the past 12 months, Cover-More has continued to successfully execute against each of these growth levers.

1. Growth in e-commerce revenue

Cover-More has invested significantly in developing a leading e-commerce team and a proprietary optimisation platform, Impulse. Cover-More believes that we have developed leading algorithms that can increase the conversion of offerings of airlines and other intermediary partners through effective integration into partner technology platforms.

Over the past year, Cover-More has grown our e-commerce, intermediary and direct EBITDA by 43.8%, and it now accounts for 29.1% of the group EBITDA. Key milestones of Cover-More's e-commerce success in the past 12 months include:

- securing Air New Zealand as a key partner and completing integration of Impulse into their booking platforms across New Zealand, United Kingdom and Australia;
- launching our e-commerce optimisation platform, Impulse, with Malaysia Airlines in India and New Zealand;
- completing the integration of Impulse into Flight Centre's online domestic web platform;
- launching a new B2C site in the United Kingdom; and
- launching *you*Go travel insurance, a direct-sell travel insurance product in collaboration with Flight Centre in Australia.

2. Continued product innovation

At the centre of Cover-More's innovation commitment is the focus of our team on the customer. We call it spending a 'day in the life of a customer'. This involves walking in the shoes of our customers to fully comprehend the 'unmet needs' which exist in each customer journey.

Our team's aim is to surprise and delight with solutions which add compelling value to enhance the travel experiences of end-users, while improving the commercial benefits and recurring interactions between our partners and their customers.

Key product innovation milestones of Cover-More's business over the past 12 months include:

- launching the Global SIM product bundled into travel insurance with several key intermediary partners including Malaysia Airlines, Medibank, NRMA Insurance, SGIO, SGIC plus a number of Australia's automobile clubs;
- developing and deploying performance-enhancing agent sales dashboards to drive increased sales conversions for distribution partners—this has allowed our trainers and agent partners to better understand the dynamics behind agent sales and how individual performance can be improved; and
- developing and integrating a technology platform designed to enhance offer, conversion and average sale value for a major distribution partner while greatly increasing efficiency and employee involvement.

3. Leveraging Cover-More's experience into Asia

Cover-More is focused on leveraging the scale, capabilities and systems refined in our Australian operation into the developing Asian travel insurance market. It is important that we are in a position to shape the consumer value propositions in these markets as they develop and as the number of travellers grow and expectations from consumers increase.

Cover-More occupies a position of prominence in Asia already with operations in India, Malaysia, Singapore and China. Key success points of Cover-More in Asia in the past 12 months include:

- growing Asian EBITDA by 75.9% to $5.1 million, now representing 9.8% of group EBITDA—up from 7.1% in FY2013;
- integrating our Indian business operations subsequent to the acquisition of the remaining 56% of shares, post-IPO;
- being awarded Best Travel Insurance Provider in India by the Travel Agents Association of India; (management believe that we are now the second largest travel insurance provider in a market which is expected to grow at a CAGR of 22%);
- establishing a platform to commence the distribution of travel insurance in China in FY2015, with the signing of an underwriting arrangement in China with CCIC, a subsidiary of China Re, and establishing a foundation agreement with one of China's leading online travel agents, Qunar; and
- building operations in Malaysia, with 18 people now employed by Cover-More in Malaysia in sales, e-commerce and travel insurance and medical assistance operations.

4. Continued expansion of medical assistance capabilities

Cover-More believes that it is important to control the entire travel insurance value chain, including the provision of 24 hour medical assistance to facilitate both high-quality patient outcomes, while managing the claims costs for sustainability.

This focus on our core medical assistance platform across multiple jurisdictions has enabled Cover-More to build a unique medical capability. Cover-More now employs or engages more than 280 employees in our global medical team—10 doctors, 38 registered nurses, numerous psychologists, case managers and support professionals—who focus on delivering unique care in times of difficulty and need, to many thousands of travellers and employees.

This medical assistance capability is at the heart of Cover-More's DNA and we believe that the commercial opportunities resident within this area of business have considerable potential. In the past 12 months Cover-More has:

- grown medical assistance EBITDA by 27.8% and outperformed prospectus forecasts;
- integrated the business activities of the group's employee assistance business, DTC, into Cover-More following the IPO in December 2013 and commenced assimilation of operational activities;
- secured a global technology partner's ASEAN contract in the Philippines, Singapore, Thailand, Indonesia, Malaysia and Vietnam; and
- implemented an integrated health management program with a global industrial organisation which identifies risk across its employee base and applies proactive and preventative intervention to improve the health productivity and engagement of its workforce—this contract is a first of its kind for our employee assistance business.

Global platform with control of the value chain

With our focus on geographic expansion, Cover-More commenced a global platform project in FY2014 with an aim for all business units to be operating on a common operating platform, with aligned processes, within the next 18 months.

To date, Australia and New Zealand have fully transitioned on to the common operating platform and within the coming months Malaysia, China and the United Kingdom will transition also. Within the next year, additional work will be conducted to integrate India also on to this global platform.

This focus on common processes is central to Cover-More's objective of ensuring that the business be able to 'load-share' resources and avoid unnecessary duplication and cost between geographies. By focusing on common processes, development costs can be efficiently managed, e-commerce platforms can be integrated and back-office infrastructure shared.

In the medium term, I believe that there can be material improvements to customer service standards, speed to market and operating cost savings through this investment in infrastructure that we have been undertaking.

Performance against prospectus expectations

From a financial perspective, Cover-More has had a strong year meeting or exceeding prospectus forecasts. The business achieved 20.1% growth in pro-forma gross travel insurance sales, 26.9% growth in pro-forma EBITDA, and 38.5% growth in NPATA. At all levels, Cover-More has met or exceeded prospectus objectives over the past 12 months.

This strong growth has been achieved through increased diversification at a channel, product and geographical level. E-commerce, intermediary and direct and medical assistance now represent 29.1% and 32.8% of group EBITDA respectively.

This diversification means that the quality of Cover-More earnings has improved over time and the business and medical assistance is becoming less dependent on any one channel, geography or segment.

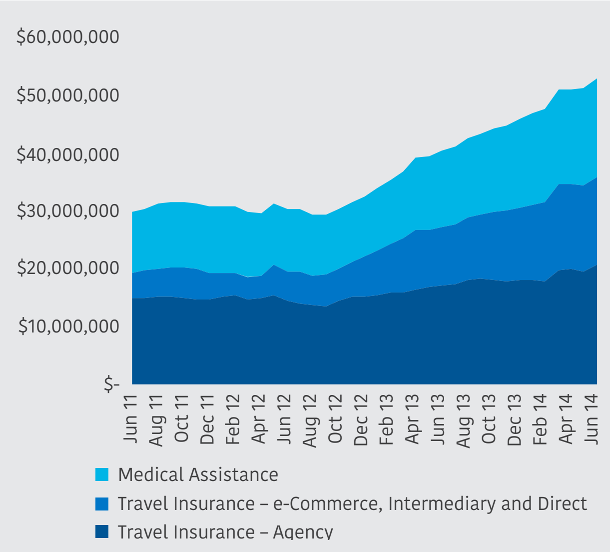
Segment

June year end (A$m)	2011	2012	2013	2014
Travel insurance	97.8	105.8	135.6	154.3
Medical assistance	48.2	55.7	60.6	64.8
Net revenue	146.0	161.5	196.2	219.1
Travel insurance	20.4	20.5	29.2	35.9
Medical assistance	11.1	11.3	13.3	17.0
Corporate	(1.8)	(1.6)	(1.6)	(1.0)
EBITDA	29.7	30.2	40.9	51.9

Geography

June year end (A$m)	2011	2012	2013	2014
Australia, NZ, UK	137.4	151.3	184.8	203.6
Asia	8.6	10.2	11.4	15.5
Net revenue	146.0	161.5	196.2	219.1
Australia, NZ, UK	28.7	29.2	39.6	47.8
Asia	2.8	2.6	2.9	5.1
Corporate	(1.8)	(1.6)	(1.6)	(1.0)
EBITDA	29.7	30.2	40.9	51.9

EBITDA by channel (rolling twelve months)[1]



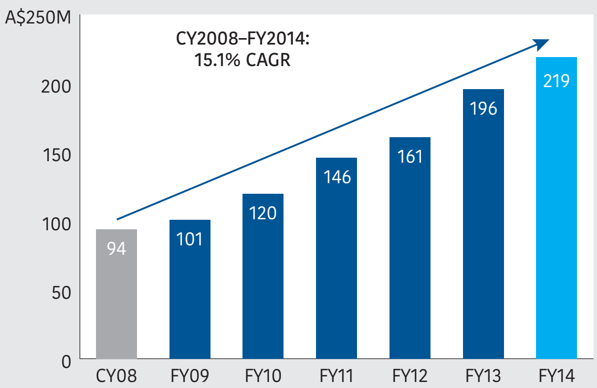
1. *Pro forma consolidated EBITDA for Cover-More's Travel Insurance and Medical Assistance segments only. Excludes corporate segment.*

Cover-More's FY2014 result highlights the longer term performance trends in the business. As set out below, Cover-More has consistently achieved strong growth, attractive margins, strong cash flow conversion and remains a relatively low user of capital as it grows.

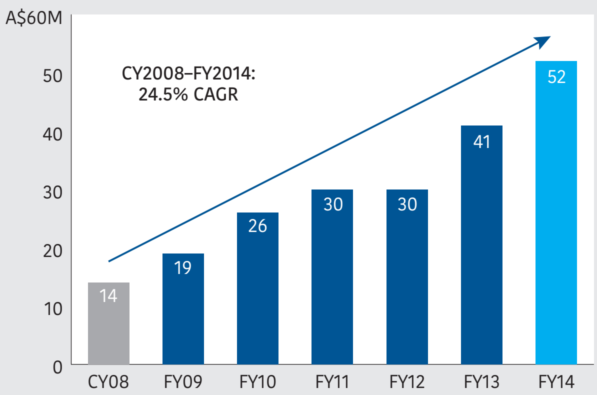
Cover-More long term performance trends

Consistent growth	• Net revenue growth of 15.1% p.a. since 2008 • Strong EBITDA growth (24.5% since 2008)
Attractive margins	• Attractive EBITDA/net revenue margins with margins increasing by 59% since CY08 due to increased scale • Short tail insurance with the ability to adjust pricing to maintain margins on a timely basis
Strong cashflow conversion	• Strong conversion of EBITDA into operating cash flow (pre -tax and capex) • Operating free cash flow before capital expenditure of $50.5m, which illustrates that the business converted almost all of the $51.9m of EBITDA into cash flow in FY14
Capital light	• Claims risk borne by Cover-More's underwriting partners • Low working capital business – typically receiving payments for services before costs are incurred

Pro-forma consolidated net revenue (A$m)[1]



Pro-forma consolidated EBITDA (A$m)[1]



1. *Refer to Section 4 of the Prospectus for FY2011 to FY2014 pro forma consolidated net revenue and EBITDA, including details of the pro forma adjustments applied. CY2008 to FY2011 are based on statutory accounts and management accounts and have been reduced for new ASX board costs ($1.3m of costs p.a.), but do not include pro forma contributions form the India and China businesses in these years.*

The year ahead

My objective for FY2015 will be that it is a year of focusing on *multiples*.

Cover-More will continue our focus on diversification and growth through *multiple channels*, with *multiple partnerships* and in *multiple markets*.

In Australia, our aim is to continue to leverage Cover-More's Impulse technology into *multiple channels* and grow our direct channel, convert new intermediary partners in travel, financial services and health insurance markets and deploy technology solutions to the agency channel to enhance conversion rates and increase average sale values.

We will pursue *multiple partnerships* in both Australia and internationally. We will focus on building new partnerships, like the recently signed Qunar agreement, and continuing to grow our existing customers' businesses both in Australia and where they have a larger geographic footprint, internationally.

Our commitment will be to continue to challenge ourselves and our partners with an obsession on product and service innovation and find compelling new ways to grow their business, as well as ours.

Cover-More will focus on growing our international operations and leveraging our success in Australia into our Asian operations, both from a revenue and operational level. To facilitate this, Cover-More has recently announced two organisational changes.

- The creation of the new position of CEO Asia to drive further expansion into China, India and South Asia, including Malaysia. This new role illustrates the focus that Cover-More has on these fast growing Asian markets and the potential growth we believe can be achieved in these markets. George Saunders, Cover-More's current COO Australia will move into this regional executive role and has relocated to Singapore. George has a strong track record of getting business done in this region.
- The creation of a new position of Group COO. This role will focus on leveraging the single global operating platform that Cover-More has been developing to drive operational efficiency, risk mitigation and best practice. John Murphy, Group CFO, will fill this role which is reflective of his strong operational focus at Cover-More and his history of success in COO roles prior to joining Cover-More. Cover-More will appoint a new Group CFO in FY2015.

Achievement of our *multiple objectives* in FY15 will depend on the continued efforts of our Cover-More team who has consistently focused on making travellers lives simpler and safer, enhancing the physical and mental health and well-being of the employees of our corporate business partners and providing a lifeline of expert help, when things go wrong.

I am proud of what Cover-More has achieved over the past 12 months and I believe the business and our global teams are well positioned to capitalise on our global opportunities and in doing so, deliver strong returns for our shareholders.

I thank all employees for their extraordinary efforts over the past 12 months and our shareholders for their support of our business.

Peter Edwards
Group Chief Executive Officer

OUR BUSINESS

The Cover-More business we operate today is characterised by three important and distinctive traits: scalability, sustainability and value chain control.

In 2014, Cover-More is a specialist travel insurance and medical assistance provider with a capital light, no-claims-risk, diversified business model that we believe is difficult to replicate in most of the world's fast-growing travel markets.

Cover-More's 28-year-old business in Australia initially grew rapidly in parallel with the retail travel agency channel and the increasing propensity of Australians to travel overseas and to travel often.

For the first 25 years of our 28 year history, the travel agency channel virtually dominated our sales distribution. Then as Australian travellers began turning online and to other channels to purchase travel and travel insurance, Cover-More invested in a strategic transformation of our business model to drive:

- sustainability through multi-channel distribution, customer-led innovation and careful management of gross margins
- scalability and innovation through expertise in e-commerce and technology and
- control of the value chain through alignment of economic interests with underwriters and distribution partners and investment in our medical assistance platform.

We have leveraged our core competencies and our specialist focus into a broad and deep set of long-term client relationships with leading travel and intermediary players and corporate customers.

We have integrated travel insurance sales, using proprietary optimisation technology, into the booking engines of two international airlines, Air New Zealand and Malaysia Airlines—and we have expanded into Asia and beyond with businesses in China, India, Malaysia, Singapore, New Zealand and the United Kingdom.

Core business

Cover-More is comprised of two business lines: travel insurance and medical assistance, including employee assistance.

However, we operate our business as a whole drawing on the symbiotic relationship between travel insurance and medical assistance.

We believe that operating in both markets allows Cover-More to provide high quality service levels to our customers while managing and containing costs appropriately, building trust with key distribution partners and developing innovative products.

This is best demonstrated by considering our diverse spread of customers and distribution partners.

Travel Insurance

Travel Retail

Cover-More maintains a leading position in the Australian retail agency channel through high quality distribution partnerships with travel groups including Flight Centre Travel Group and Helloworld, formerly Jetset Travelworld Group.

At a time when many consumers are turning online to purchase everything from groceries to travel, Cover-More continues to drive value into the retail travel insurance value proposition with initiatives such as our Global SIM and our currency card, the latter is planned for FY2015.

We continue to invest in process improvements, integration and optimisation initiatives, sales incentives and marketing activities that support travel agents and seek to lift travel insurance sales conversion rates.

We are not an insurer. Our DNA is different. It is grounded in medical assistance for international travellers. Our business model is built on best practice, lowest cost and compelling customer value and our people are driven by an entrepreneurial spirit and a desire to provide the Cover-More brand experience to more people in more countries.

In Australia, Cover-More provides travel insurance to customers who are both domestic and international travellers through:

- more than 20,000 active agents in Australia including Flight Centre, Helloworld/Jetset Travelworld Group, Travellers Choice and Magellan Travel Group
- more than 7,000 active agents and representatives in India including Cox and Kings, Kuoni-SOTC and Kesari networks.

Retail travel partners in India

Travel insurance—online and intermediary distribution

Cover-More provides fully integrated, outsourced solutions for distribution partners who seek to present branded travel insurance products to their customers.

At the centre of our expertise in this channel is our proprietary, online optimisation engine, Impulse. In real time, Impulse is able to utilise traveller data for example, age and destination, to provide an optimal travel insurance product with the highest revenue per offer.

Dynamic offer variables include benefits, call to action, opt in or opt out, product, price and how the offer is presented. Cover-More's Impulse engine currently powers airlines booking engines for Air New Zealand and Malaysia Airlines, and online distribution for NRMA Insurance, SGIO, SGIC, Medibank and other intermediary partners.

We also provide travel insurance through direct channels e.g. online/e-commerce or m-commerce and telephone/call centres.

Intermediary travel partners

Medical assistance—emergency

Cover-More's business includes a highly credentialed Chief Medical Officer and medical teams of doctors, nurses and case managers in Sydney, Brisbane, Kuala Lumpur and Shanghai. They are supported by integrated telephony and IT platforms as they manage more than 400,000 travel medical assistance calls and manage more than 35,000 overseas medical assistance cases each year.

This medical assistance capability is at the heart of why travellers invest in travel insurance.

Our integrated medical assistance capabilities provide a comprehensive offering for customers and provide Cover-More with management and oversight of medical claims costs and service levels.

Cover-More provides travel medical assistance to travel insurance policyholders and to more than 50 external companies including large international insurers and European-based assistance companies.

Medical Assistance

Emergency

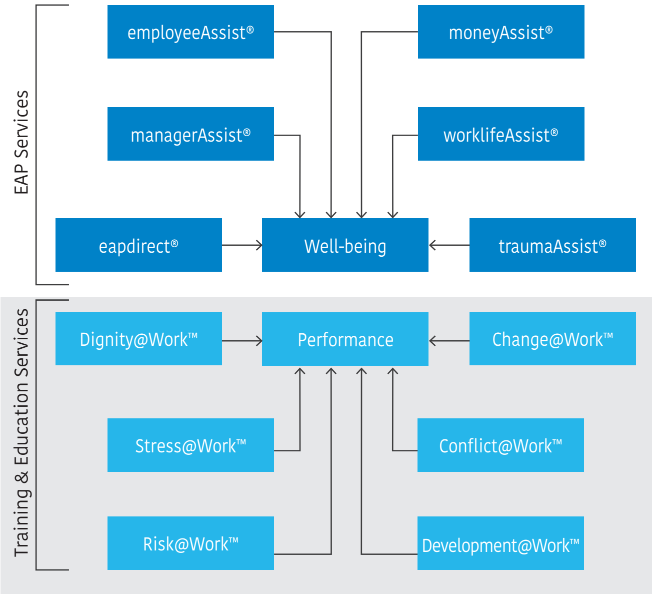
Medical assistance—employee

Cover-More's employee assistance business Davidson Trahaire Corpsych (DTC) services over 1.4 million employees each year, taking 150,000 assistance calls, and coordinating 3400 responses to traumatic events.

These services are sponsored by employers as a benefit for their employees and to strengthen workplace health and productivity and have become collectively known as Employee Assistance Programs (EAPs).

Cover-More's employee assistance competency has a specialised focus on enhancing employees' integrated psychological, social, physical and financial well-being and mitigating key workplace risks that adversely impact employees' well-being such as stress, bullying, mental health, organisational conflict/change issues. Our employee assistance services include counselling services for employees and managers.

Cover-More DTC has evolved the business to provide a blend of reactive and proactive support for organisations and their employees and services include:



Workplace well-being (EAP) services helping corporate employers improve the health of employees through work place based health programs including:

- support and risk management following workplace incidents and major traumatic events such as major floods and bushfires
- short-term counselling to deal with work and life issues, longer-term issues requiring extended treatment are referred for treatment outside EAP
- coaching and support for managers dealing with workplace issues
- seminars on work and life issues.

Performance management services consists of more proactive applications of advice training, interventions and case management designed to:

- reduce workplace risk
- enhance employee health and build capability and resilience
- build respectful workplaces
- deal with workplace conflict issues.

Springboard Health and Performance, part of Cover-More DTC, has particular expertise in workplace health, risk and performance management. The team specialises in partnering with employers to improve health outcomes, increase productivity and enhance overall performance across an organisation, aiming to deliver best practice solutions that generate quantifiable health improvements.

Through DTC, Cover-More serves over 700 organisations including seven of the ten largest companies in Australia, by revenue, including major mining, telecommunications and banking companies.

Employee Assistance

Core competencies

Cover More Group's business model focuses on four core competencies:

- **customer-led innovation**
  - allows Cover-More to increase the value of a customer to our distribution partners and us, decrease the price sensitivity around core travel insurance products and increase sales conversion rates. In addition, we believe strategic, customer-focused innovation can increase the longevity of the relationship with the customer—examples are Global SIM, our planned currency card and travel-related apps
- **control of the value chain** in both medical assistance and travel insurance
  - in Australia Cover-More manages the provision of medical assistance, product development and pricing, sales, customer service, pre-departure medical assessments, claims processing and payment though Cover-More does not carry claims risk
  - this allows Cover-More to offer customers integrated travel insurance and medical assistance services, while also ensuring management of service delivery and containment of costs
- **our technology platforms** are scalable and robust and deliver a competitive advantage in attracting and retaining new partners and customers by enabling:
  - efficient provision of Cover-More's services, including policy quoting and issuing

- integration with customers' booking paths including straight through processing and workflow management
- innovation and responsiveness for partners and customers' sales and product needs on a global basis

we see our technology platforms as a competitive advantage of the business, as illustrated by the sales uplift achieved at Malaysia Airlines after the implementation of Impulse in 2013

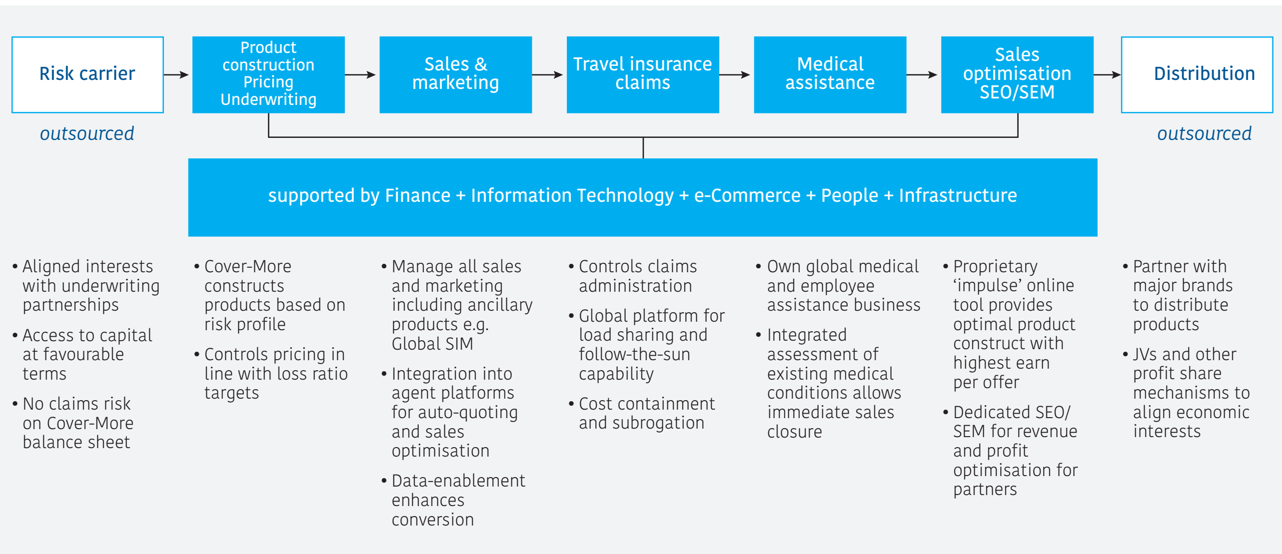
- **expert management and processes**
  - Cover-More has established and developed a management team with significant specialist skills and experience in the sector—we believe this specialist focus enables Cover-More to be more responsive and nimble to meet customer and partner needs
  - Cover-More is focused on building accountable management teams and processes that support our business—these include clear accountabilities for sales, operational and profit objectives, talent mapping and performance appraisals.

Our specialist focus on these four core competencies has allowed Cover More to compete successfully with large domestic and international general insurers and become the leading travel insurance and medical assistance provider in Australia.

Currently, Cover More is in the process of applying this business model to selected new markets in Asia

Business model

Cover-More's business model involves an intimate control of the value chain and is essentially 'book-ended' by aligned economic interests with both underwriting partners i.e. risk carriers and distribution partners. It is a business model that is both efficient and difficult for competitors to replicate.



Efficiency of the Cover-More business model

- **Significant barriers to entry**: 28 years of traveller data and claims history provide comfort for underwriting partners. Strong alignment of economic interests with underwriting and distribution partners.
- **Upstream control**: Cover-More controls product design, risk selection, pricing, medical assistance and claims processing.

- **Downstream alignment and agility**: strong alignment of economic interests with distribution partners through JVs and other mechanisms
  - Flight Centre is Cover-More's largest distribution partner with exclusive distribution agreement to 2019
  - Impulse drives sales optimisation for airline booking engines, partner websites and intranets and provides agility in designing and delivering solutions that fit the needs of each distributor with a proven impact on sales.
- **Vertical integration**: in medical assistance and claims with global scale driving optimised approaches in high cost and remote markets.
- **Holistic online presence for partners**: delivery of online solutions across all distribution channels on a global basis. Applications developed to maximise every partner branded opportunity.
- **Income generation**: from activities across the value chain, achieving scale and synergy within the specialist niche of travel insurance.

Our underwriting relationships

Cover-More is not an insurer. We are not directly at risk for claims expenses related to any insurance products as a result of our arrangements with third party underwriters.

The underwriting risk for travel insurance products is borne by:

- Great Lakes Australia, a wholly owned subsidiary of Munich Re for products distributed in Australia, New Zealand and the United Kingdom
- National Insurance Company Limited for products distributed in India
- eTiQa Insurance Berhad for products distributed in Malaysia
- China Continent Property & Casualty Insurance Company Limited (CCIC), part of China RE, for products distributed in China.

Cover-More's geographic expansion and current reach

The scalability of Cover-More's business model and the transferability of our operating platforms has led to the establishment of business operations in China, India, Malaysia, Singapore, New Zealand and the United Kingdom.

With 28 years of acquired experience, intellectual property and technological expertise in the provision of travel insurance and medical assistance in Australia, Cover-More has moved into global markets and moved to replicate our business model where it makes sense to do so.

Market overview: travel insurance

A detailed study by international research specialists, Finaccord, in 2013 estimated the size of the Asia Pacific travel insurance market in 2012 as US$3.6 billion, with forecast growth to US$5.2 billion in 2016, a compound annual growth rate (CAGR) of 10%.

Cover-More's core markets of Australia, India and China had an aggregate size of US$1.5 billion in 2012, with forecast growth to US$2.6 billion in 2016, a 15% CAGR.

Australia has a large share of the Asia Pacific travel insurance market, relative to its population, due to the higher propensity for individuals to travel abroad for further distances and longer periods of time. This means travellers are likely to incur higher travel expenses, and have an awareness of potential risks associated with travel, which drives a tendency to take out insurance.

Travel insurance is expected to grow rapidly in the developing markets in which Cover-More operates, including India and China, as individual wealth rises and international travel grows.

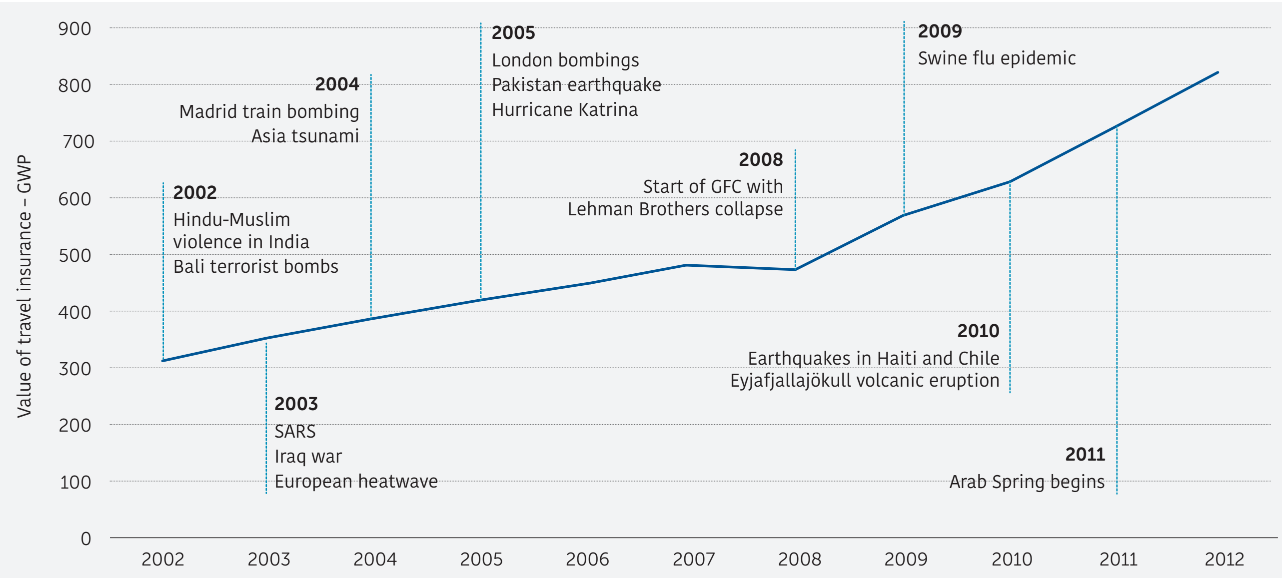
Over the past ten years, the Australian travel insurance market has grown at a CAGR of 9%, and the Indian and Chinese markets have grown at a CAGR of 18% and 23%, respectively, based on gross written premium (GWP).

Strong growth is expected to continue, with a forecast CAGR over 2012–2016 of 6%, 22% and 21%, in Australia, India and China respectively, according to Finaccord.

History demonstrates the resilience of the travel insurance market

The overall key driver of travel insurance sales is growth in the outbound travel market. The global rise of various budget services e.g. airlines and accommodation has helped to make travelling overseas and domestically more affordable. In addition, global travel volumes have been further encouraged through increased passenger capacity.

The following graphic demonstrates the resilience of the Australian travel insurance market in the past decade despite global economic and geopolitical shocks.



Source: Euromonitor (2013)

The market in China

- Growth will continue to be driven by outbound travel volumes which in turn is driven by the wealth effect i.e. the increasing wealth of China's middle class.
- While travel insurance penetration rates and average premium values are still low in China, there is little doubt about the development trends that will continue to influence these factors.
- Travel insurance market forecast to grow to US$1.05 billion by 2016, a CAGR of 20.6%.
- Foreign trips forecast to increase from 83.2 million in 2012 to 145 million in 2016, a CAGR of 14.9%.
- Stand-alone travel insurance policies sold are expected to rise from 21.6 million in 2012 to 40.6 million in 2016, a CAGR of 17.1%.
- The traditional retail channel is strong in China though online travel agents (OTAs), such as Qunar and Ctrip, and airlines are increasing their share of distribution.

The market in India

- The travel insurance market is de-commoditising as benefit levels increase and penetration rates grow.
- As in China, the retail channel is strongest though online travel agents, banks and airlines are increasing share of distribution.
- Travel insurance market forecast to grow to US$630 million by 2016, a CAGR of 21.9%.
- Foreign trips are forecast to increase from 14.9 million in 2012 to 22 million in 2016, a CAGR of 10.2%.
- Stand-alone travel insurance policies sold are expected to rise from 11.5 million in 2012 to 17.5 million in 2016, a CAGR of 11.1%.

The market in Australia

- The travel insurance market is forecast to grow to US$926 million by 2016, a CAGR of 6.4%.
- Foreign trips are forecast to increase from 8.2 million in 2012 to 10.3 million in 2016, a CAGR of 5.8%.
- Stand alone travel insurance policies sold are expected to rise from 4.52 million in 2012 to 5.25 million in 2016, a CAGR of 3.8%.
- Currently Cover-More has >40% of the travel insurance market in Australia.
- While retail remains a strong channel in Australia, online and intermediary channels are increasingly significant.

Growth: strategic position and objectives

Cover-More is focused on four key growth levers:

- e-commerce including leveraging Cover-More's proprietary technology optimisation engine, Impulse, to increase sales conversions, for example for key airline partners
- product innovation such as Global SIM and currency card
- Asian expansion including the commencement of travel insurance sales in China and transfer of various customer-focused innovations and e-commerce capabilities to India
- medical assistance including the broadening of medical assistance services with employee assistance and exploring various health line, absenteeism management and corporate travel insurance opportunities

	Current position	Near to medium term objectives
e-Commerce	• Proven success of Impulse platform with key partners. • Completing integration of Impulse into Air New Zealand booking platforms across NZ, UK and Australia. • Integrated Impulse into Flight Centre's online domestic web platform. • Launched new B2C site in UK and *you*Go travel insurance, a direct-sell product with Flight Centre in Australia.	• Integration of Impulse into travel agency partners' consultant desktops and online booking platforms. • Capitalise on Impulse in new geographies. • Implement Impulse with business partners at source facilitate time critical, bespoke offers. • Diversify more strongly into verticals to ensure successes are easily translated into compelling reasons to deal with Cover-More.
Product innovation	• Launched Global SIM with Malaysia Airlines, Medibank, NRMA Insurance, SGIO, SGIC plus Australian automobile clubs. • Deployed agent sales dashboards to drive increased sales conversions for distribution partners. • Developed technology platform to enhance offer, conversion and average sale value for major distribution partner.	• Capture potential with partners' customers before, during and after travel: - single view of customer - currency cards - expansion of offer through Global SIM. • Continue DITLOC reviews of all activities to ensure continued de-commoditisation and customer-led innovation.
Asian expansion	• Established platform for distribution of travel insurance in China in FY2015; underwriting arrangement with China Re and distribution agreement with Qunar. • Strengthening market position in India in travel insurance and global assistance. • Building operations in Malaysia, with 18 people now employed by in sales, e-commerce and travel insurance and medical assistance.	• Drive growth and operations agenda with new CEO Asia in place building on knowledge, skill and technological base in Australia. • Secure additional intermediary partners in India, China and South Asia. • Conclude 'one platform project' and deliver operational efficiencies, financial return and improvements in service levels.
Medical assistance	• Leading provider of medical assistance and employee assistance in Australia. • Initial integration of employee assistance and medical assistance and assimilation of operational efficiencies. • Secured global employee assistance contract in ASEAN region. • Corporate relationships with seven of the 10 largest Australian companies, by revenue, and 700 organisations.	• Continue integration of operational platforms across employee and medical assistance activities. • Move offer from reactive to proactive management of traveller and employee safety, physical and mental health and well-being. • Broaden assistance services and explore health line and absenteeism management opportunities. • Leverage DTC's corporate relationships into corporate travel insurance market.

WHAT MAKES COVER-MORE DIFFERENT?

We are not an insurer. Our DNA is different. It is grounded in medical assistance for international travellers, our business model is built on best practice, lowest cost and compelling customer value and our people are driven by an entrepreneurial spirit and a desire to provide the Cover-More brand experience to more people in more countries.

Cover-More is a company with a history of growth in Australia that is seeking more growth in Asia and globally. But there is no hubris about the way we conduct ourselves—we understand that global success will only be achieved through local understanding and local relevance and that global business partnerships will only endure through mutual respect and mutual goals.

We are currently Australia's leading travel insurance and medical assistance company and one of the world's true specialist travel insurance providers. Since 1986, we have built a solid and unique business in Australia and now, we believe we are ready for another decade of growth as we seek to capitalise on our presence in China, India, Malaysia, Singapore, the United Kingdom and New Zealand.

We are a company of people who value commercial creativity, pragmatism and customer-focused innovation. We see opportunity where others see challenge and we are focused on a global growth horizon which includes both the vibrant economies of Asia and the recovering markets of Europe.

Our life savers: at the heart of who we are

At the heart of Cover-More is our global medical assistance team—10 doctors, 38 registered nurses, numerous psychologists, case managers and support professionals—who focus on delivering unique care in times of difficulty and need, to many thousands of travellers and employees.

They are the life savers. The helping hands. The compassion at the end of the phone.

This is hard, emotionally-draining and complicated work. And not always full of happy endings.

What does a day look like for our medical assistance team? Here are some recent cases.

- Two Australians involved in a motor vehicle accident in Vancouver are admitted to ICU. Both are in a serious condition.
- A young Australian holidaying in Greece suffers spinal injuries after a fall. We are not sure he will walk again.
- Our medical team in China is present during complications in the birth of a 27-week-old premature baby in Shanghai when her mother goes into labour en route home from Europe. The baby survives.
- Three Australian children are killed in a motor vehicle accident in Denmark and are survived by their mother, who was driving, and a baby passenger.
- A young Australian girl breaks her back in a skydiving accident in Switzerland.

Last year, Cover-More provided cover for more than 1.8 million travellers in Australia alone—more than any other travel insurance provider in the country. That's 1.8 million people who trusted us to focus on what matters should something go wrong for them overseas.

Each week we receive over 2,000 calls for help and we conduct over 400 acute medical interventions and evacuations each year including some of the most complex medical retrievals of any assistance organisation, anywhere.

At any one time, we have more than 1,500 medical assistance cases open.

What we do involves:

- 24 hour, seven day world-class emergency medical assistance and health support
- a highly professional, dedicated and multilingual team including emergency medicine specialists, general medical practitioners, registered nurses, counsellors, experienced case managers and assistance coordinators
- immediate, high-quality service supported by our purpose-built and state-of-the-art contact centres housing sophisticated telephony and IT infrastructure
- a workforce of highly trained nurses, all of whom have Advanced Cardiac Life Support (ACLS) certification
- multi-lingual capabilities and access to telephone interpretation and document translation services, helping customers overcome language difficulties while seeking assistance in non-English speaking locations.

DELIVERING ON OUR GROWTH PRIORITIES

A commitment to customer-led innovation, robust distribution partnerships, operational excellence and geographic expansion underpin Cover-More's strong performance in FY2014 and our growth aspirations for the future.

Cover-More Group has performed strongly in Australia and our strategy in Asia continues to deliver top and bottom line growth. We recently signed a foundation agreement with Qunar, one of China's leading online travel agents, and we will start to sell travel insurance in China in FY2015, underwritten by China Continent Property and Casualty Insurance Company (CCIC).

In Australia, Cover-More continued to perform particularly well, establishing an intermediary arrangement with Insurance Australia Limited and their brands, NRMA Insurance, SGIO and SGIC. This illustrates the continued strength of Cover-More in the Australian market.

Another highlight of the year was the performance of our e-commerce optimisation platform, Impulse, following its launch in India and New Zealand with Malaysia Airlines and integration of the platform into the Air New Zealand booking platform.

We have a proven management team in place focused on our strategic growth levers: further growth in e-commerce directly and in conjunction with distribution partners, product innovation, Asian expansion through market tailored strategies, and further development of our medical assistance capabilities.

Our continued commitment to, and focus on, these growth levers, has seen Cover-More deliver strong financial outcomes for FY2014, across all measures, as shown below.

	Prospectus	Pro-forma FY2014	
Gross sales	$427.3m	$433.9m	✓
EBITDA	$47.3m	$51.9m	✓
NPAT	$22.0m	$25.1m	✓
Pro-forma operating free cash before Capital Expenditure	$46.7m	$50.5m	✓
Capital expenditure	$4.4m	$4.3m	✓
Cash conversion ratio	89%	89%	✓
Pro-forma Net debt	$57.0m	$25.0m	✓
Pro-forma FY2014 Earnings per share (based on NPATA)	9.0cps	9.6cps	✓
Dividend	3.6cps	7.2cps	✓

TRUE STORIES: SAVING LIVES AND PROTECTING DREAMS

Cover-More knows that one of the clearest ways to communicate who we are and what we stand for is through the stories and experiences of our customers and their families and loved ones.

Ravi Devoil, age 14 months.

Fourteen-month-old Ravi was diagnosed with a brain tumour during a family holiday to Europe with his parents, Christopher and Kelly, and four-year-old sister Mena. Ravi suffered a seizure in Vienna and when rushed to hospital, a CAT scan revealed a large tumour on his brain.

Four days after being admitted to hospital the tumour was removed in a 10-hour operation and then Ravi spent several weeks in recovery and rehabilitation to allow movement back into his arms and legs.

The hospital in Austria required upfront payment from Ravi's parents, but at approximately 600 euros per day on the children's ward and 1000 euros per day in intensive care, our medical assistance team negotiated with the hospital so that Cover-More paid upfront and Christopher and Kelly could concentrate on Ravi's treatment and recovery.

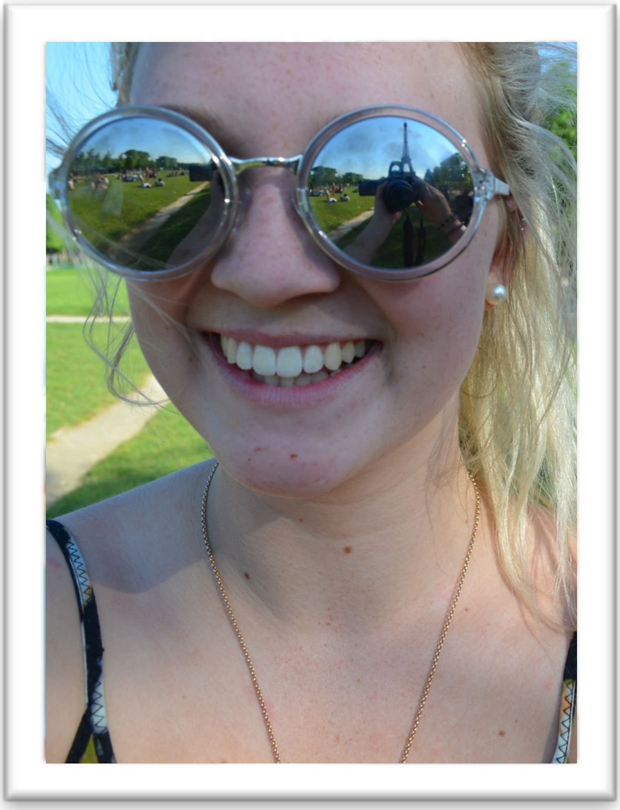
We also liaised regularly with Ravi's treating medical team in Vienna, as well as Christopher and Kelly, to ensure Ravi's treatment and recovery was progressing well. Approximately seven weeks after his first admission to hospital, Ravi was given medical clearance to fly home. Our doctor and nurse escorted Ravi and Kelly on a business class flight to Melbourne, where they were met by Christopher and Mena who had flown home on an earlier flight.

Ravi was admitted to the Royal Children's Hospital in Melbourne. He continues to recover well.

As a specialist travel insurance and medical assistance provider, we save lives, protect dreams and help people get on with their lives. It's all we do. That's why we are good at it.

"Throughout our stay in Vienna, Cover-More staff were in constant contact with us to check if there was any additional help or advice we required. Cover-More helped us by immediately paying our hospital bill and quickly paid our claim for the extra accommodation expenses we had as a result of our extended stay in Vienna and reimbursed us for the unused flights, train trips, hotel accommodation and tours we were unable to make as a result of Ravi's illness and his ongoing treatment. I would recommend Cover-More to anybody."

CHRISTOPHER DEVOIL, RAVI'S DAD



Emma Carey, age 21 years.

Emma was on a three-month trip backpacking through Europe with her best friend when she decided to go tandem skydiving with an experienced instructor in Switzerland. During the dive, Emma's instructor lost consciousness when the ropes for the main chute and the safety chute twisted around his neck—neither chute inflated properly meaning that Emma and her instructor fell too quickly and hit the ground at speed.

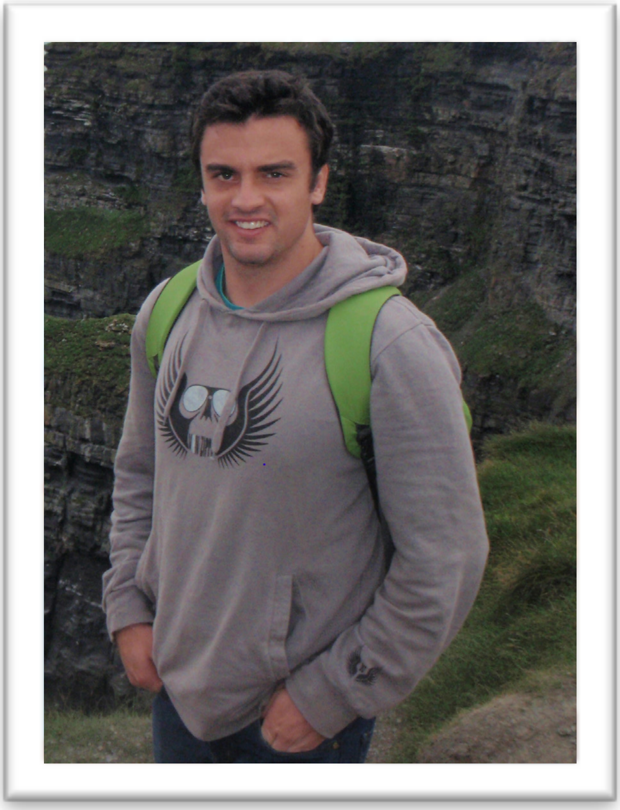
Paramedics at the scene put Emma on a spinal board and moved her into a helicopter, which flew her to a hospital in Bern for emergency treatment. Her medical team found that Emma had fractured her back, her L1 vertebrae and her pelvis. The fracture to her L1 was a compression injury which meant that the vertebrae was not severed, so there was a possibility that Emma would recover to walk again.

Immediately after Emma's accident, the skydiving school contacted our team in Australia. Cover-More quickly arranged for Emma's mother and sister to fly to Switzerland to be by her side. We also booked accommodation for them close to the hospital so that they could be with Emma as much as possible.

Emma underwent two serious spinal surgeries to mend the damage to her vertebrae and reset her pelvis. Once Emma was stable and medically fit to fly, we arranged an air ambulance to medically repatriate Emma home to Sydney for specialist treatment and rehabilitation at the spinal unit of Sydney's Prince of Wales Hospital. Emma stayed at Prince of Wales for three months recovering, rehabilitating and learning to walk again.

"Flight Centre recommended that I get travel insurance with Cover-More. I knew that I had to get it, but you never think you're going to use it. If it wasn't for Cover-More I don't know how I would have returned to Australia. They paid for my two surgeries and my hospital stay, as well as the (air ambulance) flight home to Australia. I just feel like the luckiest girl in the world. When you're told you might never walk again and then you can… I have a whole new perspective on life."

EMMA CAREY



Daniel Mannix, age 24 years.

Dan was on a four-month trip with two friends through the United States and Europe.

The trio arrived in San Francisco in the late afternoon and booked into their hostel before going out to see some of the city's sights. Dan was 'king hit' and was taken to a local hospital—his nose was fractured on both sides and he also had a fractured eye socket and cheekbone. Doctors were concerned that he could lose sight in his right eye.

Dan required extensive facial surgery. He had four plates inserted around his eye and reconstructive surgery on his nose. He remained in hospital for four days following the surgery and then in San Francisco for two weeks to recover. Dan's surgeon advised him and his friends that he was not able to fly for two weeks following the surgery, so the group altered their travel plans to stay together and ensure Dan recovered.

Cover-More covered Dan's hospital bills, which amounted to more than $135,000. We reimbursed Dan and his two friends for the extra accommodation they needed in San Francisco during Dan's recovery, as well as for the flights they missed due to their altered travel plans.

"It was a massive relief to have Cover-More supporting me. I have no idea what I would have done if I didn't have Cover-More. I probably would have had to drop out of uni if I didn't have (travel insurance with) Cover-More. If I ever travel again, I'll definitely be booking with Cover-More."

DAN MANNIX

PEOPLE CREATE SUCCESS

People are the core reason Cover-More Group has grown into the company we are today and people will be the core reason we continue to achieve our vision and fulfil our ambitions.

After claims costs, people represent the single largest investment Cover-More makes every year.

Today we have a global workforce of more than 1,000 spread across Australia, New Zealand, the United Kingdom, Malaysia, Singapore, China and India. This has grown from just 33 people in 1993.

Cover-More continues to invest in people—once we find the right people, we invest in their future, ensuring they have the right skills to be part of our high performance culture.

> *Companies succeed because of people. I want our people to develop beyond what, today, they believe they can. It is a personal passion of mine to ensure that we develop skills and talent within our business to underpin the success of the global growth aspirations that we hold for Cover-More.*
>
> GROUP CEO, PETER EDWARDS

We value our high performance culture characterised by clear accountabilities and individual empowerment—clear, unambiguous job roles, measurable and relevant KPIs and access to best practice training to develop capabilities and career enhancement opportunities.

We value leadership. We ensure that the investments we make in the development of our leaders align with their individual career ambitions for compelling mutual benefit.

We value talent. Our business is growing rapidly into Asia requiring us to leverage our existing talent to support new business growth.

> *Cover-More offers opportunity, responsibility and ownership. This is a company which offers belief in you as a person. It's also the product. It's a product you can stand behind, it's a premium product. It's great to know that the customer is actually getting benefit from our product which could save their life.*
>
> SIMON ZELAS, HEAD OF SALES GROWTH

"So we put our hands up like the ceiling can't hold us"

MACKLEMORE AND RYAN LEWIS, CAN'T HOLD US, 2012.

The growth is challenging, it's hard work but it's definitely rewarding. I think there are great things ahead and we've accomplished great things in a short period of time.

MEREDITH STAIB, GENERAL MANAGER, ASSISTANCE OPERATIONS

Management team and development processes

Cover-More has established and developed a management team with significant specialist skills and experience in the sector.

Cover-More is focused on building accountable management teams and processes that support our business. These include clear accountabilities for sales, operational and profit objectives, talent mapping and performance appraisals. In Australia, Cover-More has implemented an annual cycle of performance feedback, goal setting and employee surveys and net promoter score analysis.

Employee engagement

In 2013, Cover-More introduced a new approach to employee engagement with a global Engagement Survey, conducted confidentially by a third party provider, followed by focus group research to distil a list of actions that would make a meaningful response to employee feedback.

We achieved a pleasing 91% employee participation in the 2013 Engagement Survey, followed by a rapid turnaround of survey results and then organisation of employee focus groups.

The focus group process was designed to help us dive deeper into the survey findings to understand key drivers and also define meaningful actions that we could take as a business for our employees.

Cover-More is committed to an employee engagement process that invites honest and open feedback from our employees and one that is rewarded with equally open and honest discussion and action from Cover-More.

Developing our future leaders

In March 2014, Cover-More introduced a new and contemporary program to develop our future leaders. We selected a group of participants who, through our talent identification and management program, had shown us that they had the qualities to lead Cover-More into the future, into new growth frontiers.

We developed a special leadership development program, our inaugural **Leadership Frontiers** program.

We have designed this course to be non-traditional, challenging, inspiring and enjoyable and it also delivered professional certification for a Diploma of Management.

Leadership Frontiers is a development experience blending unique projects, on-the-job activities, classroom training and online tools to give our future leaders a holistic and challenging experience which will progressively build their leadership capacity and effectiveness.

PRO-FORMA PERFORMANCE ANALYSIS (UNAUDITED)

Cover-More has prepared pro-forma results on a similar basis to the pro-forma forecasts presented in our IPO prospectus published in December 2013.

The following pages provide an overview of pro-forma performance against the prospectus forecast for FY2014 and also a comparison to FY2013. The original tables are included in Section 4 of the IPO prospectus.

Reconciliation of Statutory Revenue and NPAT to Pro-forma Revenue and NPAT

The pro-forma accounting basis used to determine FY2014 actual performance is on the same basis as that used in the IPO prospectus. This pro-forma basis primarily reflects the acquisitions that Cover-More Group Limited has made since 1 July 2012 as if they had occurred prior to 1 July 2012 and also backdates the operating and capital structure that was in place following completion of the IPO as if it had been in place as at 30 June 2012.

In addition, certain other adjustments have been made for non-recurring items arising due to the IPO and associated business combinations.

Table A: Pro-forma adjustments to the audited statutory consolidated income statement for FY2013, the statutory consolidated prospectus forecast income statement for FY2014 and the audited statutory consolidated income statement for FY2014.

A$ in millions	FY2013	Prospectus Forecast FY2014	FY2014
Statutory revenue[1]	150.5	193.7	**190.2**
Interest income	(0.5)	(0.4)	**–**
Pro-forma impact of historical acquisitions	44.0	22.4	**22.2**
Other pro-forma adjustments	2.2	–	**1.5**
Underwriter (UW) profit share	–	–	**5.2**
Pro-forma revenue	196.2	215.7	**219.1**
Statutory NPAT	6.8	13.3	**15.7**
Pro-forma impact of historical acquisitions	6.0	(7.7)	**(7.8)**
Public company costs	(1.3)	(0.6)	**(0.5)**
Other non-recurring items	1.7	–	**0.4**
Offer costs (IPO transaction costs)	–	16.8	**17.4**
Amortisation	0.7	(1.7)	**(1.7)**
Interest adjustment (Debt structure costs)	7.5	4.7	**3.9**
Income tax effect	(4.8)	(2.8)	**(2.3)**
Pro-forma NPAT[2]	16.6	22.0	**25.1**

1. FY2013 Statutory revenue adjusted to exclude other income.

2. FY2014 pro-forma NPAT agrees to pro-forma FY2014 NPAT including UW profit share in Table B.

Pro-forma Income Statement

Table B below sets out the pro-forma consolidated income statement for FY2014 compared to the prospectus forecast for FY2014 and the pro-forma consolidated income statement for FY2013.

Table B: Summary pro-forma consolidated income statement for FY2013, the summary pro-forma consolidated prospectus forecast income statement for FY2014 and the summary pro-forma consolidated income statement for FY2014.

A$ in millions	Pro-forma FY2013	Prospectus forecast FY2014	Pro-forma including UW profit share FY2014	UW profit share FY2014	Pro-forma excluding UW profit share FY2014
Gross Travel Insurance Sales	307.3	363.3	**369.1**	(5.2)	**363.9**
Gross Medical Assistance Sales	60.5	64.0	**64.8**	–	**64.8**
Gross Sales – Total	367.8	427.3	**433.9**	(5.2)	**428.7**
Net Travel Insurance Sales	135.7	151.7	**154.3**	(5.2)	**149.1**
% of Gross Travel Insurance Sales	*44.2%*	*41.8%*	*41.8%*	*100.0%*	*41.0%*
Net Medical Assistance Sales	60.5	64.0	**64.8**	–	**64.8**
Total Net Revenue	196.2	215.7	**219.1**	(5.2)	**213.9**
%	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Cost of Sales	(117.2)	(127.3)	**(125.9)**	1.8	**(124.1)**
Gross margin	79.0	88.4	**93.2**	(3.4)	**89.8**
%	*40.3%*	*41.0%*	*42.5%*	*65.4%*	*42.0%*
Employment overheads	(20.5)	(23.5)	**(23.7)**	–	**(23.7)**
Occupancy costs	(6.3)	(5.8)	**(5.8)**	–	**(5.8)**
Other overheads	(11.3)	(11.8)	**(11.8)**	–	**(11.8)**
Total overheads	(38.1)	(41.1)	**(41.3)**	–	**(41.3)**
EBITDA	40.9	47.3	**51.9**	(3.4)	**48.5**
%	*20.8%*	*21.9%*	*23.7%*	*65.4%*	*22.7%*
Depreciation	(3.2)	(3.0)	**(3.1)**	–	**(3.1)**
Amortisation of capitalised IT and software	(1.8)	(2.0)	**(1.9)**	–	**(1.9)**
EBITA	35.9	42.3	**46.9**	(3.4)	**43.5**
%	*18.3%*	*19.6%*	*21.4%*	*65.4%*	*20.3%*
Amortisation of acquired intangibles	(7.8)	(7.8)	**(7.8)**	–	**(7.8)**
EBIT	28.1	34.5	**39.1**	(3.4)	**35.7**
%	*14.3%*	*16.0%*	*17.8%*	*65.4%*	*16.7%*
Net interest expense	(3.1)	(3.0)	**(2.8)**	–	**(2.8)**
Forex gains/ losses	–	–	**(0.2)**	–	**(0.2)**
Income tax expense	(8.4)	(9.5)	**(11.0)**	1.0	**(10.0)**
NPAT	16.6	22.0	**25.1**	(2.4)	**22.7**
%	*8.5%*	*10.2%*	*11.5%*	*46.2%*	*10.6%*
NPATA	22.1	27.5	**30.6**	(2.4)	**28.2**
%	*11.3%*	*12.7%*	*14.0%*	*46.2%*	*13.2%*

FY2014 EBITDA of $51.9 million was 26.9% higher than FY2013 and exceeded IPO prospectus pro-forma EBITDA forecast for FY2014 by $4.6 million.

FY2014 performance includes a material positive impact from underwriter profit share in relation to the 2012 underwriting year, reflecting the fact that claims performance for that underwriting year was lower than the risk premium paid to the underwriter. As noted in an ASX announcement issued on 6th March 2014, management believes that the circumstances that gave rise to an underwriter profit share of this materiality are highly unlikely to recur in future reporting periods. No underwriter profit share was included in the FY2014 forecast in the IPO prospectus; to give a clearer view of underlying trading, FY2014 performance has been adjusted in the pro-forma tables in this section to normalise for the impact of that underwriter profit share.

For the sake of brevity, the remaining commentary in this section will only refer to FY2014 performance excluding the impact of underwriter profit share.

Net Revenue

Net Revenue at $213.9 million was 0.8% lower than the prospectus forecast and 9.0% ahead of FY2013.

Travel Insurance

Travel Insurance Net Revenue of $149.1 million was 9.9% higher than FY2013, driven by an increase of 18.4% in Gross Travel Insurance Sales (“GTIS”). Net Revenue growth is lower than GTIS growth primarily due an increase in the contribution from Asia, where the ratio of commission to GTIS is higher than in Australia, New Zealand and the UK.

FY2014 GTIS at $363.9 million was marginally higher than the prospectus forecast; however the ratio of Travel Insurance Net Revenue at 41.0% was lower than the IPO Prospectus forecast of 41.8%. This variance was due to higher claims costs in Australia during the second half of FY2014, where rate increases to recover medical claims inflation were put on hold with an objective of generating increased volumes. Due to the temporary downturn in Australian outbound travel volumes in the last quarter of FY2014, this strategy was less effective than anticipated, leading to modest rate increases following year end to restore margins.

Medical Assistance

Medical Assistance Net Revenue of $64.8 million was 7.1% higher than FY2013, and slightly higher than the prospectus forecast.

Gross Margin

The gross margin of $89.8 million was 13.7% higher than FY2013 and 1.6% higher than the prospectus forecast. The gross margin ratio of 42.0% was higher than the prospectus forecast, due to improved productivity and the slightly below forecast value of Net Travel Insurance Revenue.

Overhead

Overheads of $41.3 million were largely in line with the prospectus forecast and at 8.4% higher than FY2013, were contained at a level well within the 13.7% increase in gross margin.

EBITDA

FY2014 EBITDA was $48.5 million, up 18.6% on FY2013 and 2.5% ahead of the prospectus forecast for FY2014. The EBITDA ratio of 22.7% was ahead of the prospectus forecast and FY2013, mainly due to above-forecast productivity in the medical assistance operating segment and the slightly below-forecast ratio of Net Travel Insurance Revenue to GTIS.

Pro-forma Performance by Segment

Operating Segments

Table C below sets out the pro-forma consolidated income statement by operating segment for FY2014 compared to the prospectus forecast for FY2014 and the pro-forma consolidated income statement by operating segment for FY2013.

Table C: Summary pro-forma consolidated income statement by operating segment for FY2013, the summary pro-forma consolidated prospectus forecast income statement by operating segment for FY2014 and the summary pro-forma consolidated income statement by operating segment for FY2014.

A$ in millions	Pro-forma FY2013	Prospectus forecast FY2014	Pro-forma including UW profit share FY2014	UW profit share FY2014	Pro-forma excluding UW profit share FY2014
Travel Insurance	135.6	151.7	**154.3**	(5.2)	**149.1**
Medical Assistance	60.6	64.0	**64.8**	–	**64.8**
Net revenue	196.2	215.7	**219.1**	(5.2)	**213.9**
Travel Insurance	52.6	58.8	**62.8**	(3.4)	**59.4**
Medical Assistance	26.4	29.6	**30.4**	–	**30.4**
Gross margin	79.0	88.4	**93.2**	(3.4)	**89.8**
Travel Insurance	29.2	33.0	**35.9**	(3.4)	**32.5**
Medical Assistance	13.3	15.8	**17.0**	–	**17.0**
Corporate/Unallocated/ Intersegment eliminations	(1.6)	(1.5)	**(1.0)**	–	**(1.0)**
Pro-forma EBITDA	40.9	47.3	**51.9**	(3.4)	**48.5**

Operating segment performance was largely in line with the IPO prospectus, with most of the above-forecast variance in EBITDA being generated by improved productivity in the medical assistance segment as evidenced in its above-forecast gross margin. The positive variance in Corporate/Unallocated costs compared to the IPO forecast is due to the fact that corporate costs since IPO have been allocated to the operating segments, where the IPO forecast had been prepared on the basis that they would not.

Geographic Segments

Table D below sets out the pro-forma consolidated income statement by geography for FY2014 compared to the prospectus forecast for FY2014 and the pro-forma consolidated income statement by geography for FY2013.

Table D: Summary pro-forma consolidated income statement by geography for FY2013, the summary pro-forma consolidated prospectus forecast income statement by geography for FY2014 and the summary pro-forma consolidated income statement by geography for FY2014.

A$ in millions	Pro-forma FY2013	Prospectus forecast FY2014	Pro-forma including UW profit share FY2014	UW profit share FY2014	Pro-forma excluding UW profit share FY2014
Australia, NZ, UK	184.8	200.4	**203.6**	(5.2)	**198.4**
Asia	11.4	15.3	**15.5**	–	**15.5**
Net revenue	196.2	215.7	**219.1**	(5.2)	**213.9**
Australia, NZ, UK	73.7	80.8	**85.0**	(3.4)	**81.6**
Asia	5.3	7.6	**8.2**	–	**8.2**
Gross margin	79.0	88.4	**93.2**	(3.4)	**89.8**
Australia, NZ, UK	39.6	44.2	**47.8**	(3.4)	**44.4**
Asia	2.9	4.6	**5.1**	–	**5.1**
Corporate/Unallocated	(1.6)	(1.5)	**(1.0)**	–	**(1.0)**
Pro-forma EBITDA	40.9	47.3	**51.9**	(3.4)	**48.5**

Geographic segment performance was largely in line with the prospectus forecast. Asia showed strong growth over FY2013, with net revenue up 36.0%, gross margin up 54.7% and EBITDA up 75.9%. The above-forecast contribution from Asia is also notable, itself mainly due to strong trading performance in India.

Corporate expenses analysis

As noted above, corporate expenses post-IPO have been allocated to the operating segments, where the IPO prospectus had been prepared on the basis that they were not. Tables E and F below show the overall corporate expenses for FY2014 for comparison with the IPO prospectus forecast and FY2013.

Table E below sets out the pro-forma corporate expense allocation by operating segment for FY2014 compared to prospectus forecast for FY2014 and pro-forma FY2013.

Table E: Pro-forma corporate expenses by operating segment for FY2013, the prospectus forecast corporate expenses by operating segment for FY2014 and the corporate expenses by operating segment for FY2014.

A$ in millions	Pro-forma FY2013	Prospectus forecast FY2014	Pro-forma FY2014
Corporate expenses allocated to Travel Insurance	–	–	**(0.6)**
Corporate expenses allocated to Medical Assistance	–	–	**(0.1)**
Corporate/Unallocated	(1.6)	(1.5)	**(1.0)**
Total corporate expenses	(1.6)	(1.5)	**(1.7)**

Table F below sets out the pro-forma corporate expense allocation by geography for FY2014 compared to prospectus forecast for FY2014 and pro-forma FY2013.

Table F: Pro-forma corporate expenses by geography for FY2013, the prospectus forecast corporate expenses by geography for FY2014 and the corporate expenses by geography for FY2014.

A$ in millions	Pro-forma FY2013	Prospectus forecast FY2014	Pro-forma FY2014
Corporate expenses allocated to Australia, NZ, UK	–	–	**(0.6)**
Corporate expenses allocated to Asia	–	–	**(0.1)**
Corporate/Unallocated	(1.6)	(1.5)	**(1.0)**
Total corporate expenses	(1.6)	(1.5)	**(1.7)**

Financial position

Table G below sets out the net borrowings of the Group as at 30 June 2014 compared to pro-forma 30 June 2013.

Table G: Net borrowings for pro-forma FY2013 compared to FY2014.

A$ in millions	Pro-forma 30 June 2013	Audited Statutory 30 June2014
Borrowings[1]	(65.0)	**(45.6)**
Cash and cash equivalents	8.0	**20.6**
Net borrowings	(57.0)	**(25.0)**

1. *2014 borrowings include $45.8 million drawn down on banking facilities and are net of $0.5 million costs associated with banking facility capitalised (Pro-forma 2013: borrowings include $64.4 million drawn down on banking facilities net of $0.5 million costs associated with banking facility capitalised).*

At 30 June 2014 undrawn bank facilities of $26.7 million were available for use and a further $4.4 million had been used as a guarantee for lease obligations.

Reconciliation of Statutory Cash Flow to Pro-forma Cash Flow

Table H below sets out the adjustments made to statutory basis cash flows to arrive at the pro-forma cash flows for FY2014, the prospectus forecast for FY2014 and FY2013.

Table H: Pro-forma adjustments to the audited consolidated cash flow statements for FY2013, the prospectus consolidated cash flow statements forecast for FY2014 and the audited consolidated cash flow statements for FY2014.

A$ in millions	FY2013	Prospectus forecast FY2014	FY2014
Statutory operating free cash flow after capital expenditure[1]	32.5	23.2	**25.1**
Pro-forma impact of historical acquisitions	11.3	5.7	**6.2**
Offer costs	–	14.5	**14.4**
Cash impact of other pro-forma adjustments	0.3	(0.7)	**0.6**
Other statutory adjustments	(0.6)	(0.4)	**(0.1)**
Pro-forma operating free cash flow after capital expenditure[2]	43.5	42.3	**46.2**

1. *The statutory operating free cash flow after capital expenditure has been adjusted to include initial public offer costs recognised through profit & loss and excludes income taxes paid. The FY2014 statutory operating free cash flow after capital expenditure of $25.1 million is calculated as follows:*

Net cash inflow from operating activities		*$33.2 million*
Add:	*– Income taxes paid*	*$10.2 million*
Deduct:	*– IPO costs recognised in consolidated income statement*	*($14.4 million)*
	– Payments for plant, equipment and intangible assets	*($3.9 million)*
Adjusted statutory operating free cash flow after capital expenditure		**$25.1 million**

2. *FY2014 pro-forma operating free cash flow after capital expenditure agrees to pro-forma FY2014 operating free cash flow after capital expenditure including UW profit share in Table I.*

Pro-Forma Cash Flow

Table I below sets out the pro-forma consolidated cash flow statement for FY2014 compared to the prospectus forecast for FY2014 and the pro-forma consolidated cash flow statement for FY2013.

Table I: Summary pro-forma consolidated cash flow statement for FY2013, the summary pro-forma consolidated prospectus forecast cash flow statement for FY2014 and the summary pro-forma consolidated cash flow statement for FY2014.

A$ in millions	Pro-forma FY2013	Prospectus forecast FY2014	Pro-forma including UW profit share FY2014	UW profit share FY2014	Pro-forma excluding UW profit share FY2014
EBITDA	40.9	47.3	**51.9**	(3.4)	**48.5**
Non-cash items in EBITDA	1.5	0.2	**(0.4)**	–	**(0.4)**
Change in Working Capital	7.1	(0.8)	**(1.0)**	0.6	**(0.4)**
Operating free cash flow before capital expenditure	49.5	46.7	**50.5**	(2.8)	**47.7**
Capital expenditure					
Capitalisation of software	(3.1)	(2.5)	**(2.9)**	–	**(2.9)**
Net payments for property, plant and equipment	(2.9)	(1.9)	**(1.4)**	–	**(1.4)**
Total capital expenditure	(6.0)	(4.4)	**(4.3)**	–	**(4.3)**
Operating free cash flow after capital expenditure	43.5	42.3	**46.2**	(2.8)	**43.4**

Operating free cash flow after capital expenditure is $1.1 million above the prospectus forecast, mainly due to the positive variance in EBITDA. Better than forecast working capital management has been offset by non-cash items. Capitalisation of software was $0.4 million higher than the prospectus forecast due to costs incurred relating to the travel insurance implementation in China, which was not included in the prospectus forecast.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Cover-More Group Limited and its controlled entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Group listed on the ASX on 19 December 2013, and as it is in its first year of operation as a listed Group, the Board has determined it will not early adopt the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles) released on 27 March 2014. The Group will report against the 3rd edition in its next annual report for the period ended 30 June 2015.

This Corporate Governance Statement reports against the 2nd edition of the ASX Principles. This statement incorporates the disclosures required by the ASX Principles under the headings of the eight (8) core principles. All of these practices, unless otherwise stated, were in place since the Group listed on the ASX on 19 December, 2013.

The Corporate Governance Statement was approved by the Board on 25 August 2014.

Further information on the Group's corporate governance policies and practices can be found on Cover-More's corporate website at www.covermore.com

Principle 1: Lay solid foundations for management and oversight

Functions of the Board and Management

The Board of Directors is responsible for the overall strategic direction of the Group, including its corporate governance, and operates in accordance with the principles set out in its Charter, which is available on Cover-More's website.

The Charter provides guidelines for the operation of the Board including in relation to:

- Setting the strategy for the Group, including operational and financial objectives, and ensuring that there are sufficient resources for this strategy to be achieved;
- Appointing and, where appropriate, removing the Chief Executive Officer and Company Secretary, approving other key executive appointments and planning for executive succession;
- Overseeing and evaluating the performance of the Chief Executive Officer and the Executive Leadership Team through a formal performance appraisal process having regard to the Group's business strategies and objectives;
- Establishing policies on meeting legal, regulatory and occupational health and safety requirements and standards;
- Overseeing the identification of key risks faced by the Group and the implementation of an appropriate internal control framework to ensure those risks are managed to an acceptable level;
- Approving the Group's budgets, including operational and capital budgets, and the approval of significant acquisitions, expenditures or divestitures;
- Approval of the annual and half-yearly financial reports, and dividends to be paid to shareholders; and,
- Ensuring the market and shareholders are fully informed of material developments.

The responsibility for the operation and administration of the Group is delegated by the Board to the Chief Executive Officer and the Executive Leadership Team. The Board ensures that the Chief Executive Officer and Executive Leadership Team (which includes the Chief Financial Officer), are appropriately qualified and experienced to discharge their responsibilities.

The Board can delegate areas of responsibility to Sub-Committees which are able to focus on a particular issue and provide informed feedback to the Board. Where Sub-Committees are established, they function in accordance with Charters approved by the Board.

To assist the Board in the discharge of its responsibilities, the Board has established the following Sub-Committees:

- Audit and Risk Management Committee; and,
- Remuneration Committee

The Board may also establish other Sub-Committees from time to time to deal with issues of special importance.

Senior Executive performance evaluation

The Board reviews the performance of the Chief Executive Officer and Executive Leadership Team on an annual basis. Performance is measured against a set of key performance indicators which have been established with reference to the Group's strategy and the individual's responsibilities. Performance evaluations of senior executives were carried out in September 2013 and will be undertaken again in September to October 2014.

The Remuneration Committee annually reviews and makes recommendations to the Board in relation to the remuneration arrangements for the Chief Executive Officer, Directors and the Executive Leadership Team.

Principle 2: Structure the Board to add value

Board composition

The names of the members of the Board as at the date of this report are as follows:

- Mr Michael Alscher (Chairman) – Non-Executive Director
- Ms Sam Mostyn – Independent Non-Executive Director
- Mr Louis Carroll – Independent Non-Executive Director
- Mr Stephen Loosley – Independent Non-Executive Director
- Mr Trevor Matthews – Independent Non-Executive Director
- Ms Lisa McIntyre – Independent Non-Executive Director
- Mr Peter Edwards – Executive Director and Chief Executive Officer

The Board's composition is determined with regard to the following criteria:

- A majority of independent Non-Executive Directors and a Non-Executive Director as Chairman.
- A majority of Directors having extensive experience in the industries that the Group operates in, with those that do not, having extensive experience in significant aspects of financial reporting and risk management in large ASX Listed Companies.
- Re-election of Directors at least every three (3) years (except for the Chief Executive Officer).
- The size of the Board is deemed to be appropriate to facilitate effective discussion and efficient decision making.
- There is a sufficient number of Directors to serve on Board sub-committees without overburdening the Directors or making it difficult for the Directors to effectively discharge their responsibilities.

With regards to Director Independence, the Board has adopted specific principles which state that an Independent Director must not be a member of management and must comply with the following criteria:

- Not, within the last three (3) years, have been employed in an executive capacity by Cover-More or any other member of the Group.
- Not be directly involved in the audit of Cover-More or any of its subsidiaries.
- Not be a principal of a professional adviser or consultant to Cover-More where the amount paid during the year for that advice or services exceeded 5% of the total fees earned by that firm or 5% of Cover-More's consolidated Group revenue in the three (3) years prior to becoming a director, or an employee materially associated with the service provided.

- Not be a supplier, or an officer of or otherwise associated directly or indirectly with a supplier to Cover-More where the amount paid during the year by Cover-More to that supplier exceeded 5% of the consolidated group revenue of that company or 5% of Cover-More's consolidated Group revenue.
- Not be a customer, or an officer of or otherwise associated directly or indirectly with a customer of Cover-More where the amount paid during the year by that customer to Cover-More exceeded 5% of the consolidated group revenue of that company or 5% of Cover-More's consolidated Group revenue.
- Not be a substantial shareholder or be associated either directly or indirectly with a substantial shareholder.
- Has no material contractual relationship with any entity within the Group other than in the capacity as a Director.
- Not have close family ties with any person who falls within any of the categories described above.
- Not have been a director of Cover-More for such a period that their independence may have been compromised.

The Board is comprised of seven (7) Directors, the majority of whom, five (5) are independent Non-Executive Directors.

The Board considers that each of Sam Mostyn, Lisa McIntyre, Trevor Matthews, Louis Carroll and Stephen Loosley are free from any business or any other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of the Director's judgement and is able to fulfil the role of an Independent Director.

Peter Edwards and Michael Alscher are not currently considered by the Board to fulfil the role of Independent Director. Peter is the Chief Executive Officer of the Group and holds approximately 2% of the Shares of the Company as at the date of this report. Michael Alscher is the Managing Partner and founder of Crescent Capital Partners, which holds approximately 13% of the Shares of the Company as at the date of this report.

The Board undertakes an annual review of the extent to which each Non-Executive Director is independent, having regard to the criteria set out in its Charter and the information provided by the Directors at each Board meeting. Directors also provide an annual declaration to the Company to confirm their directorships, shareholdings and any other relevant interests.

The *ASX Principles* provide that a Company should establish a nomination committee. Taking into account the brief period since listing, the size of the company and the composition of the Board, the Board has determined not to establish a nomination committee at this time. The functions that would be performed by such a committee are undertaken by the Board.

Individual details of the Directors, including period in office, Board committee memberships, qualifications, experience and skills are set out in the information on Directors section on pages 49 to 51 of the Directors' Report.

Role of the Chairman

The Board Charter provides that the Chairman should be a Non-Executive Director. The Chairman is responsible for the leadership of the Board. This includes taking responsibility for ensuring that the Board functions effectively and that the Company complies with the continuous disclosure requirements of the ASX. The Chairman's responsibilities are set out in the Board Charter and include:

- Providing effective leadership to the Board in relation to all Board matters;
- Representing the views of the Board to the public;
- Facilitating the effective contribution of all directors;
- Convening regular Board meetings throughout the year and ensuring that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual directors;
- Guiding the agenda and conduct of all Board meetings;
- Reviewing the performance of non-executive directors;
- Overseeing non-executive director and senior management succession; and
- Promoting constructive and respectful relations between the Board and management

Michael Alscher fulfilled the role of Chairman during the year. As Mr Alscher did not qualify as an Independent Director, the Company did not comply with the ASX Recommendation 2.2 “The chair should be an independent director” during this period. However, the Board considers it is appropriate to have a period of transition from Mr Alscher to an independent Chair because of Mr Alscher’s long term involvement in and deep understanding of the Cover-More business.

Remuneration Committee

The Remuneration Committee oversees the appointment and succession planning process of the Chief Executive Officer and Executive Leadership Team. A copy of the Committee’s Charter is available on Cover-More’s website.

The Remuneration Committee comprises Mr Louis Carroll (Chairman), Ms Sam Mostyn and Mr Stephen Loosley, being a majority of Independent Non-Executive Directors. Details of the Remuneration Committee members, their qualifications, skills and experience are set out on pages 49 to 51 of the Directors Report and their attendance at Committee Meetings during the period is detailed on page 52. The Board had determined that, following listing, it would carry out the remuneration related responsibilities until such time as it was deemed appropriate to establish a remuneration committee. The Remuneration Committee was established in June 2014, therefore the Company did not comply with ASX Recommendation 8.1 for the entire period under review.

The Board directly oversees the nomination, appointment and succession planning process of Directors. When a vacancy exists or there is a need for a particular skill, the Board will determine the selection criteria that will be applied. The Board will then identify suitable candidates, with assistance from an external consultant if required, and the Chair will undertake the initial interviews and assessment of the selected candidates.

Directors are initially appointed to office by the Board and must stand for re-election at the Group’s next annual general meeting of shareholders. Directors must then retire from office and be nominated for re-election at least once every three years with the exception of the Chief Executive Officer.

Directors’ performance evaluation

The Board, with guidance from the Remuneration Committee, undertakes an assessment of its collective performance, the performance of the individual Directors, the Chief Executive Officer and the Executive Leadership Team on an annual basis.

The Chairman meets each Director on an individual basis to discuss their performance and to provide feedback. The results of this discussion, including any key areas for development, are formally documented.

Each Board Sub-Committee annually reviews the fulfilment of its responsibilities as set out in its charter and provides a report with a summary of issues and recommendations for the Board’s review. Upon review the Board will then provide their feedback to the Board Sub-Committee including any endorsement of the recommendations made.

Performance evaluations were carried out in August 2014 and were compliant with the Group’s established practices.

Induction and Education

The Board, with the assistance of the Company Secretary, is responsible for implementing an effective training and education program for all new and existing Directors. The Board is required to regularly review the effectiveness of the program to ensure Directors maintain the skills and knowledge required to perform their role effectively.

Any new Directors will undergo a formal induction program in which they are given a full briefing on the Group, its operations and the industry in which it operates. Where possible, this will include meetings with senior executives and provision of a due diligence package on the Group. Furthermore, to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

No new Directors have been appointed since listing on the ASX in December 2013 and each of the current Directors were provided with a thorough induction program through their involvement in the due diligence process as part of listing on the ASX.

Independent professional advice and access to information

Each Director has the right of access to all relevant information in the Group in addition to access to the Group's Executive Leadership Team. Each Director also has the right to obtain independent professional advice at Cover-More's expense on matters arising in the course of their Board and Committee duties, after obtaining the Chair's approval. A copy of any such advice shall be provided to all other Directors and they must be advised if the Chair's approval is withheld.

Insurance

The Group has in place a Directors and Officers liability insurance policy providing a specified level of cover for current and former Directors and Officers of the Group against liabilities incurred whilst acting in their respective capacity.

Company Secretary

All Directors have direct access to the Company Secretary who is responsible to the Board through the Chairman on all matters relating to the conduct and functions of the Board and Committees. The Company Secretary's responsibilities are set out in the Board Charter which is available on the Cover-More website.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Group recognises the importance of establishing and maintaining high ethical standards in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Group.

The Group has established a Code of Conduct to guide the behaviours of the Directors, managers and employees of the Group, a copy of which is available on Cover-More's website. New employees are introduced to the Code of Conduct as part of their induction training. Employees sign a declaration confirming receipt of the Code of Conduct and their compliance with it. Periodic training is then provided throughout the course of their employment.

Unethical practices, including fraud, legal and regulatory breaches, and policy breaches are required to be reported on a timely basis to management. Reporting parties are able to do so without fear of reprisal or retribution as their identity and report are kept in the strictest confidence. As set out below, external third party reporting procedures are available to employees to provide them with the assurance that their identity will be kept confidential at all times.

Whistle Blowing Policy

The Group has in place a Whistle Blowing Policy and operates a Whistle Blowing Service through an independent third party which facilitates confidential and secure reporting of potential misconduct within the Group.

Employees are therefore provided with a secure service through which they can report potential misconduct such as illegal activity, fraudulent activity, corrupt practices, harassment or discrimination, misleading or deceptive conduct of any kind, unethical behaviour and health, safety or environmental hazards.

Matters raised under the Whistle Blowing service are reported to the Board through the Audit and Risk Management Committee. The Whistle Blowing Policy and external Whistle Blowing Service are reviewed periodically for their effectiveness.

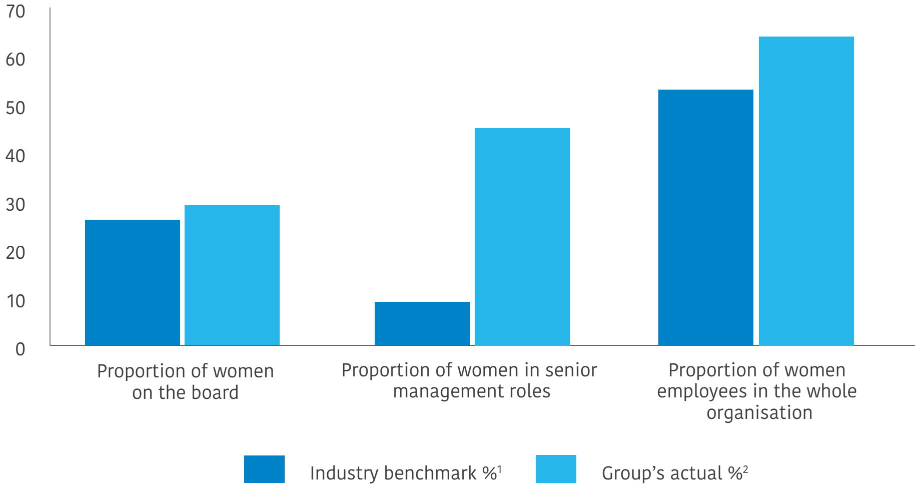
Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity, cultural background, impairment or disability, sexual preference and religion. The Group is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent. A copy of the Company's Diversity Policy is available on Cover-More's website.

Gender diversity

Throughout its history as a private group, Cover-More has been an industry leader in terms of the number of women in senior management positions and the number of women employees in the Group. This culture has now been extended, as a publicly listed group, to include the number of women on the board.

The following chart shows the representation of women in the Group, compared to industry averages.



1. Source: *"Women on Boards 2013"; "2012 Australian Census of Women in Leadership"; "IBSA Environment Scan 2013" for Diversified Financials Industry provided by Ernst & Young.*
2. *Group's actual data excludes Indian subsidiary, a new subsidiary acquired during the year, which is still in the process of integrating into the Group's practice.*

It is Cover-More's objective to remain better than the industry average, in all three categories.

Share Trading Policy

The Group has established a share trading policy which governs trading in the Company's shares and applies to all Directors and employees of the Group. A copy of this policy is available on Cover-More's website.

Under this share trading policy, an employee, manager or Director must not trade in any securities of the Company at any time when they are in possession of material unpublished, price sensitive information in relation to those securities.

Before commencing to trade, managers and employees must first obtain the permission of the Company Secretary to do so. Directors must obtain the permission of the Chairman, who must obtain the permission of another member of the Board in relation to their own trading. Unless there are exceptional circumstances, trading may not occur during "closed periods," which are the 6 weeks leading up to and 24 hours after the release of the half year results and full year results, and the 2 weeks leading up to and 24 hours after the holding of the Annual General Meeting. In the event of exceptional circumstances, trading may only occur with the approval of the Chief Executive Officer, the Chairman, or their delegate.

As required by the ASX listing rules, Cover-More notifies the ASX of any transaction conducted by Directors in the securities of the Company.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

An Audit and Risk Management Committee ("the Audit Committee") has been established by the Board.

The Audit Committee's role and responsibilities, composition, structure and membership requirements and the nature and frequency of its reporting to the Board are documented in a Charter which is available on Cover-More's website.

The Committee comprises at least three members who are Non-Executive Directors with a majority of Independent Directors. As at the date of this report, the members of the Committee are Mr Trevor Matthews (Chair), Mr Michael Alscher and Ms Lisa McIntyre. Mr Trevor Matthews and Ms Lisa McIntyre are Independent Non-Executive Directors and Mr Michael Alscher is the Non-Executive Chair of the Group. The Directors' Report includes details of the qualifications and experience of these members on pages 49 to 51.

The Chief Financial Officer and external auditor are routinely invited to attend Audit Committee meetings and there is an open invitation for all Directors to attend. Management are invited to attend Committee meetings and participate in discussions relating to specific issues as required by the Audit Committee.

The Committee's key responsibilities and functions are to:

- Oversee Cover-More's relationship with the external auditor and the external audit function generally;
- If applicable, oversee Cover-More's relationship with the internal auditor and the internal audit function generally;
- Oversee the preparation of the financial statements and reports;
- Oversee Cover-More's financial controls and systems;
- Review, monitor and approve Cover-More's financial licensing and regulatory compliance systems and risk management policies, procedures and systems; and
- Manage the process of identification and assessment of any material financial and non-financial risks (including enterprise risks and risks in relation to occupational health and safety) that may impact the business.

The Audit Committee is empowered to investigate any matter, with full access to all books, records, company operations, management and staff. It is also authorised to obtain at the Group's expense such independent accounting, legal, compliance, risk management or other professional advice it considers necessary to fulfil its duties.

Selection and Rotation of External Auditor

The Audit Committee is responsible for recommending to the Board the appointment, removal or replacement of the external auditor, the terms of appointment, any re-appointment and fees. The Audit Committee is responsible for recommending procedures for the rotation of external audit engagement partners and annually reviewing the external auditor's performance and independence.

Principle 5: Make timely and balanced disclosure

Cover-More has established policies and procedures to ensure timely and balanced disclosure of all material matters concerning the Group in accordance with the ASX Listing Rules.

These policies and procedures include a comprehensive Disclosure Policy that includes processes for the identification and assessment of matters that may have a material impact on the price of Cover-More's securities, notifying those matters to the ASX, posting relevant information on the Group's website and issuing media releases. The Disclosure Policy is available on Cover-More's website.

Matters involving potential market sensitive information must first be reported to the Chief Executive Officer either directly or via the Company Secretary. The Chief Executive Officer will then advise the Chair of the Board and the other Directors as required. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Company to comply with the Information Disclosure requirements of the ASX.

Once the appropriate course of action has been agreed upon, either the Chief Executive Officer or Company Secretary, being the only authorised officers of the Group who are able to disclose such information, will disclose the information to the ASX. Board approval is required for market sensitive information such as financial results, material transactions or upgrading/downgrading financial forecasts. Board approval of disclosures is minuted in the meetings of the Board of Directors or by circular resolution.

Principle 6: Respect the rights of shareholders

Cover-More has established a Shareholder Communication Policy which describes the Company's approach to promoting effective communication with shareholders which includes:

- The Cover-More website, which includes an investor calendar and contact details, and is kept up-to-date to maintain effective communication with shareholders and stakeholders;
- The Annual Report, including relevant information about the operations of the Group during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Report can be accessed either through the ASX website or Cover-More's website;
- The half year and full year financial results are announced to the ASX and are available to shareholders via the ASX website or Cover-More's website;
- All announcements made to the market and related information are made available to all shareholders under the investor information section of Cover-More's website, after they have been released to the ASX;
- Detailed notices of shareholder meetings are sent to all shareholders in advance of the meeting;
- Shareholding and dividend payment details are available through the Group's share registry provider, Link Market Services Limited.

The Board encourages full participation by shareholders at the Annual General Meeting (AGM) to ensure a high level of Director accountability to shareholders and shareholder identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions. The shareholders are requested to vote on matters such as the adoption of the Group's remuneration report, the granting of options and shares to Directors and changes to the Constitution. Shareholders also have the opportunity to ask questions leading up to or at the AGM and to meet the Board and Senior Executives in person.

The external auditor attends the Annual General Meeting to answer any questions concerning the audit of the Group and the contents of the Auditor's Report.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed resolutions, or make comments on the management of the Company prior to the AGM. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

Electronic Communications

The Company's contact details are available on the Cover-More website. Shareholders can submit an electronic query to the Company via the website, email the Company at investorrelations@covermore.com.au or contact its Share Registry, Link Market Services.

Available to shareholders is the option to receive all shareholder communications (including notification that the Annual Report is available to view and Notices of Meeting) by email. Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders.

Principle 7: Recognise and manage risk

Risk management framework

Cover-More recognises that a robust risk management framework is essential for corporate stability, protecting the interests of its stakeholders and for sustaining its competitive market position and long term performance.

The following objectives drive the Group's approach to risk management:

- Having a culture that is risk aware and supported by high standards of accountability at all levels within the organisation;
- Promoting and achieving an integrated risk management approach whereby risk management forms a part of key organisational processes;
- Supporting more effective decision making through better understanding and consideration of risk exposures;
- Safeguarding the Group's assets and protecting and improving shareholder value in the short to medium term by ensuring emerging and existing risks are identified, monitored and managed.

In achieving effective risk management, Cover-More recognises the importance of leadership. As such, the Board and Executive Leadership Team have responsibility for driving and supporting risk management across the Group.

The risk management framework is designed to identify, assess, monitor and manage all material business risks and to identify material changes to the company's risk profile. These risks may include, but are not limited to: operational risks; risks arising from competitor, policyholder, client or partner activity; strategic and financial risks; contractual, regulatory and compliance risks; reputational and brand risks; and risks related to technology, product, service delivery and people.

Audit and Risk Management Committee

The Audit Committee has been established by the Board to assist the Board fulfil its risk management responsibilities.

Pursuant to its Charter, the Audit Committee has been delegated responsibility by the Board to oversee the implementation and review of risk management and related internal compliance and control systems throughout the Group. The functions of the Audit Committee include:

- Reviewing and evaluating the adequacy and effectiveness of the risk management framework established by management to identify, treat, monitor, report and manage key enterprise risks;
- Evaluating the adequacy and effectiveness of the Group's internal compliance and control systems, including accounting and financial controls; and,
- Overseeing the establishment and maintenance of processes to ensure there is an adequate system of internal control and management of business risks.

Major issues, findings and recommendations discussed at Audit Committee meetings are reported to the Board by the Chair of the Audit Committee. Audit Committee papers are distributed to all Board members.

Corporate reporting

The Board has delegated responsibility to management for the design and implementation of a risk management and internal control system to manage the Group's material business risks, and to report on whether those risks are being effectively managed.

The Chief Executive Officer and Chief Financial Officer have reported and declared in writing to the Board as to the effectiveness of the Group's management of its material business risks, in accordance with Recommendation 7.2 of the ASX Corporate Governance Principles.

The Board has received the relevant declarations from the Chief Executive Officer and Chief Financial Officer in accordance with s295A of the *Corporations Act 2001* confirming that the Company has in place a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

As previously stated in Principle 2, the Board has established a Remuneration Committee whose role is documented in a Charter that is approved by the Board.

The objective of the Remuneration Committee is to assist the Board in determining appropriate remuneration arrangements for the Directors, Chief Executive Officer and Executive Leadership Team. These objectives include:

- Reviewing the adequacy and form of remuneration of Independent Non-Executive Directors;
- Ensuring that the remuneration of the Independent Non-Executive Directors is reflective of the responsibilities and the risks of being a Director of the Group;
- Reviewing the remuneration of the Chief Executive Officer and Executive Leadership Team;
- Comparing the remuneration of the Chief Executive Officer and Executive Leadership Team to companies within similar industries and of similar size to ensure that the remuneration on offer can attract, retain and properly reward performance which will translate into long term growth in shareholder value;
- Reviewing key performance indicators of the Chief Executive Officer and Executive Leadership Team on an annual basis to ensure that they remain congruent with the Group's strategies and objectives;
- Reviewing incentive performance arrangements; and
- Reviewing proposed remuneration arrangements for new Director or Executive appointments.

The Committee will submit their recommendations to the Board regarding the remuneration arrangements and performance incentives for the Chief Executive Officer and Executive Leadership Team. The Board will review these recommendations before providing their approval.

Details of the Group's remuneration structure and details of key Executive Management remuneration and incentives are set out on pages 52 to 63 of the Remuneration Report contained within the Directors' Report. The Remuneration Report also contains details of the structure of Non-Executive Director Remuneration.

Checklist of corporate governance principles and recommendations

Principles and Recommendations		Compliance
Principle 1 – Lay solid foundations for management and oversight Companies should establish and disclose the respective roles and responsibilities of the Board and management.		
1.1	Establish the functions reserved for the Board and those delegated to senior executives and disclose those functions.	Complying
1.2	Disclose the process for evaluating the performance of senior executives.	Complying
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Complying
Principle 2 – Structure the Board to add value Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.		
2.1	A majority of the Board members should be independent.	Complying
2.2	The Chair should be an independent director.	Not complying
2.3	The roles of the Chair and the Chief Executive Officer should not be exercised by the same individual.	Complying
2.4	The Board should establish a nomination committee.	Not complying
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Complying
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Complying
Principle 3 – Promote ethical and responsible decision-making Companies should actively promote ethical and responsible decision-making.		
3.1	Companies should establish a code of conduct and disclose the code as to: • the practices necessary to maintain confidence in the company's integrity. • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complying
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Complying
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Complying
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Complying
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complying
Principle 4 – Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.		
4.1	The Board should establish an audit committee.	Complying
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent Chair, who is not Chair of the Board • has at least three members.	Complying
4.3	The audit committee should have a formal charter	Complying
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Complying

Principles and Recommendations		Compliance
Principle 5 – Make timely and balanced disclosure Companies should promote timely and balanced disclosure of all material matters concerning the company.		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complying
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Complying
Principle 6 – Respect the rights of shareholders Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complying
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complying
Principle 7 – Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control.		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complying
7.2	The Board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complying
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complying
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Complying
Principle 8 – Remunerate fairly and responsibly Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.		
8.1	The Board should establish a remuneration committee.	Complying (part of period)
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent Chair • has at least three members.	Complying
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complying
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Complying

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Cover-More Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were directors of Cover-More Group Limited during the financial year and up to the date of this report, unless otherwise stated:

Michael Alscher (Chairman, appointed on 14 November 2013)
Sam Mostyn (appointed on 2 December 2013)
Peter Edwards (appointed on 14 November 2013)
Louis Carroll (appointed on 2 December 2013)
Stephen Loosley (appointed on 2 December 2013)
Trevor Matthews (appointed on 2 December 2013)
Lisa McIntyre (appointed on 2 December 2013)
Nathanial Thomson (appointed on 14 November 2013 and resigned on 2 December 2013)
Peter Lyon-Mercado (appointed on 14 November 2013 and resigned on 2 December 2013)

The following persons were directors of ASTIS Holdings Limited (previously ASTIS Holdings Pty Limited), the previous parent company, prior to Cover-More Group Limited becoming the ultimate parent of the Group on 19 December 2013:

Michael Alscher (resigned on 20 February 2014)
Peter Edwards
Louis Carroll (resigned on 20 February 2014)
David Ferguson (resigned on 14 February 2014)
Steven Sequeira (resigned on 8 January 2014)
Nathanial Thomson (resigned on 20 February 2014)
Michael Caristo (resigned on 20 February 2014)

Principal activities

The principal activities of the Group during the year were providing specialist and integrated travel insurance and medical assistance services within Australia, New Zealand, India, Malaysia, Singapore, China and the United Kingdom.

Dividends

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

	2014 $'000	2013 $'000
A selective dividend for the year ended 30 June 2013 of $1.73 per share was paid on 4 October 2012	**–**	2,328
Final ordinary dividend for the year ended 30 June 2013 of 54 cents (2012 – 0 cents) per share paid on 2 October 2013	**7,932**	–
Interim ordinary dividend for the year ended 30 June 2014 of 69 cents (2013 – 0 cents) per share paid on 2 October 2013	**10,124**	–
	18,056	2,328

On 25 August 2014 the directors declared a final ordinary dividend (fully franked), in respect of the period from the IPO to 30 June 2014, of $12.700m (4.0 cents per share) to be paid on 26 September 2014.

The directors have also declared a special dividend (fully franked) of $10.160m (3.2 cents per share) to be paid on 26 September 2014.

Operating and financial review

The profit for the Group after providing for income tax amounted to $15.650m (30 June 2013: $6.781m).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity. The following table summarises the key reconciling items between statutory profit before income tax attributable to the shareholders of Cover-More Group Limited and EBITDA.

	2014 $'000	2013 $'000
Profit before income tax	**24,451**	10,293
Depreciation and amortisation expense	**10,545**	9,257
Interest income	**(369)**	(570)
Interest expense	**7,060**	11,718
Foreign exchange gains/losses	**206**	(230)
Adjusted EBITDA	**41,893**	30,468

The Group continued to engage in its principal activities, the results of which are disclosed in the attached financial statements.

The financial position of the Group is sound with net assets of $206.998m at 30 June 2014 (2013: $6.129m).

The profit before income tax has increased to $15.650m in 2014 due to underwriter profit share, organic growth, lower finance costs and the impact of acquisitions during the year. This has been partially offset by the initial public offer costs and the acceleration of share-based payment expenses.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

Refinancing of the borrowing facility

On 18 September 2013 the Group completed a modification and extension of the existing debt facilities which were due to expire on 20 December 2013. The amended and restated debt agreement was valid for a term of two years and increased the total debt facilities available to the Guarantor Group from $41.000m to $75.400m. The Group completed a further refinancing by way of an amendment and restatement of existing facilities with a financial close on the date of the initial public offering of shares in Cover-More Group Limited being 19 December 2013. The amended and restated debt agreement is valid for a term of three years and the revolving term cash facility remained unchanged at $64.400m but the undrawn multi-option working capital facility increased from $11.000m to $12.500m.

Buyback of redeemable preference shares

On 4 October 2013 ASTIS Holdings Pty Ltd (became ASTIS Holdings Limited on 12 December 2013) entered into a selective buy-back agreement with the redeemable preference shareholders of the company. Under the terms of the selective share buy-back agreement, ASTIS bought back 45.8% of the redeemable preference shares, being a total of 25,274,749 fully paid redeemable preference shares for a total of $25.275m. ASTIS paid the interest accrued on the redeemable preference shares bought back of $15.261m.

Incorporation of Cover-More Group Limited

On 14 November 2013 Cover-More Group Limited was incorporated.

Incorporation of Cover-More Finance Pty Ltd

On 14 November 2013 Cover-More Finance Pty Ltd, a wholly-owned subsidiary of Cover-More Group Limited, was incorporated.

Listing on ASX and capital raising

On 19 December 2013, Cover-More Group Limited was listed on the Australian Securities Exchange (ASX code: CVO) and started unconditional trading on the ASX on 23 December 2013. Contributed equity increased by $205.591m (from $14.476m to $220.067m) as the result of the issue of shares and transaction costs, net of tax. Details of the movements in contributed equity are disclosed in note 21 of the financial statements.

The cash received from the issue of new share capital was used to: pay existing investors as partial consideration for the acquisition of ASTIS of $414.877m; pay the Indian vendors as consideration for the acquisition of the remaining Indian Vendor Shares of Karvat Cover-More Assist Pvt. Limited by Cover-More Singapore for $23.300m; repay existing debt and redeemable preference shares of $124.309m; and pay the IPO transaction costs of $22.966m.

Capital reconstruction and Group reorganisation

On 23 December 2013, Cover-More Group Limited, through its wholly owned subsidiary Cover-More Finance Pty Ltd, acquired 100% shares in ASTIS Holdings Limited for a cash consideration of $469.182m and 57,355,215 shares in Cover-More Group Limited, equivalent to $114.710m in cash, of which 55,547,292 shares will be placed in escrow until the specified period has lapsed. The total consideration for the ASTIS acquisition included the purchase of ASTIS shares issued to DTC shareholders on acquisition of DTC by ASTIS. The acquisition was funded from the Group's IPO proceeds.

Acquisition of DTC Holdco Pty Limited (DTC)

On 23 December 2013, ASTIS Holdings Limited acquired 100% of the ordinary and Class A issued shares of DTC for shares in ASTIS as consideration, equivalent to $99.894m in cash. The acquisition was funded from the Group's initial public offering proceeds and was made to allow the Group to expand its corporate assistance offering, achieve revenue and cost synergy benefits as well as access DTC's established client base.

Acquisition of Karvat Cover-More Assist Private Limited (Karvat)

On 23 December 2013, Cover-More Group Limited, acquired the remaining 56% in Karvat Cover-More Assist Private Limited through its wholly owned subsidiaries Cover-More Asia Pte Ltd and Travel Assist Pty Limited. The majority of additional shares were acquired by Cover-More Asia Pte Ltd. The acquisition was made to allow the Group to increase its participation in the Indian travel insurance market.

Redemption of preference shares

Upon completion of the Initial Public Offering of Cover-More Group Limited and with effect on 24 December 2013 ASTIS redeemed the outstanding redeemable preference shares, out of the proceeds of a fresh issue of shares to Cover-More Finance Pty Ltd, being a total of 33,149,872 fully paid redeemable preference shares for a total consideration of $33.941 million. ASTIS paid the interest accrued on the preference shares redeemed of $20.364 million.

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

Except for the final and special dividend disclosed above, no matter or circumstance has arisen since 30 June 2014 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

Cover-More will continue to focus on diversification and growth and strategic prioritisation of four major growth levers: e-commerce, product innovation, Asian expansion and further development of medical assistance capabilities.

More detailed information on likely developments in the group's operations and the expected results of operations has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the group.

Environmental regulation

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

Information on directors

Name:	**Michael Alscher** (Appointed on 14 November 2013)
Title:	Non-Executive Chairman
Qualifications:	B.Com (Finance & Mathematics) from the University of NSW
Experience and expertise:	Michael has been the Chairman of Cover-More since 2009. Michael is the Managing Partner and founder of Crescent Capital Partners, a leading Australian private equity firm, specialising in high growth companies and certain industry sectors such as healthcare and financial services. Prior to founding Crescent in 2000, Michael was a strategy consultant at Bain International and the LEK Partnership, where he spent considerable time working on the financial services industry and consumer product facing companies.
Other current directorships:[1]	Michael is a Non-Executive Director of LifeHealthcare Group Limited (since November 2013) and Clearview Wealth Limited.
Former directorships (in the last 3 years):[2]	None
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	205,214 ordinary shares
Interests in options:	None

Name:	**Sam Mostyn** (Appointed on 2 December 2013)
Title:	Non-Executive Director
Qualifications:	BA/LLB from the Australian National University
Experience and expertise:	Sam has long-standing experience in the Australian corporate sector both in executive and non-executive functions, in particular in the areas of human resources, corporate and government affairs, sustainability management, corporate governance and diversity. She has worked extensively in the insurance, telecommunications, aviation and infrastructure sectors.
Other current directorships:[1]	Sam is a Non-Executive Director of Virgin Australia Holdings Limited and the Transurban Group.
Former directorships (in the last 3 years):[2]	None
Special responsibilities:	Member of Remuneration Committee.
Interests in shares:	50,000 ordinary shares
Interests in options:	None

Name:	**Peter Edwards** (Appointed on 14 November 2013)
Title:	Group Chief Executive Officer
Qualifications:	
Experience and expertise:	Peter was appointed Group CEO of Cover-More in 2011. He has over twenty years of executive experience with multi-national organisations and over ten years' experience in travel insurance and medical assistance industries in Australia and Asia. Leading up to this appointment, Peter was Managing Director of the Allianz Global Assistance Australian entity and Regional Director Asia-Pacific of the Allianz Global Assistance (formerly Mondial Assistance).
Other current directorships:[1]	None
Former directorships (in the last 3 years):[2]	None
Special responsibilities:	None
Interests in shares:	6,353,488 ordinary shares
Interests in options:	None

Name:	**Louis Carroll** (Appointed on 2 December 2013)
Title:	Independent Non-Executive Director
Qualifications:	BA(Hons) degree in English from London University
Experience and expertise:	Louis joined the board of Cover-More in December 2003 and has significant experience in the travel assistance and call centre industries, with more than 30 years' experience in general management. Louis co-founded Access 24, a company specialising in telephone service programs and call centre outsourcing which expanded into New Zealand and the UK and was later acquired by TeleTech, a US-listed global business process outsourcing company. Louis held the position of President and CEO of the Asia pacific region and expanded Teletech's activities into seven Asian countries.
Other current directorships:[1]	None
Former directorships (in the last 3 years):[2]	None
Special responsibilities:	Chair of Remuneration Committee
Interests in shares:	285,388 ordinary shares
Interests in options:	None

Name:	**Stephen Loosley** (Appointed on 2 December 2013)
Title:	Independent Non-Executive Director
Qualifications:	BA(Hons) from the University of NSW, LLB(Hons) from the University of Technology Sydney, FAICD
Experience and expertise:	Stephen has extensive experience in government, public policy and the corporate sector. Stephen holds a number of boards and advisory roles including strategic counsel at Minter Ellison; advisory board member of Thales Australia; Chairman of the Australian Strategic Policy Institute; Chairman of the Woomera Prohibited Area Advisory Board and Deputy Chair of the Asia Society Australia.
Other current directorships:[1]	None
Former directorships (in the last 3 years):[2]	None
Special responsibilities:	Member of Remuneration Committee
Interests in shares:	20,000 ordinary shares
Interests in options:	None

Name:	**Trevor Matthews** (Appointed on 2 December 2013)
Title:	Independent Non-Executive Director
Qualifications:	MA in Actuarial Studies from Macquarie University, FIA, FIAA, ASA
Experience and expertise:	Trevor has over 40 years' experience in the financial services industry. He is currently a Board member of AMP Limited and the Bupa companies in Australia and New Zealand. Prior to joining Cover-More, Trevor was a Board member of Aviva plc, a leading UK-listed global life and general insurer, and Chairman of its UK and French businesses.
Other current directorships:[1]	Non-Executive Director of AMP Limited since May 2014
Former directorships (in the last 3 years):[2]	None
Special responsibilities:	Chair of the Audit and Risk Management Committee
Interests in shares:	100,000 ordinary shares
Interests in options:	None

Name:	**Lisa McIntyre** (Appointed on 2 December 2013)
Title:	Independent Non-Executive Director
Qualifications:	PhD in physical chemistry from Cambridge University, BSc in biochemistry and mathematics from the University of Sydney.
Experience and expertise:	Lisa has over 20 years' experience providing strategic, commercial and operational advice to leading companies in the healthcare and technology sectors in Australia and overseas. She is a Board member of: Silex Systems Limited, a publicly listed renewable energy company; HCF Group, the largest member-based private health insurance organisation in Australia; the Garvan Institute of Medical Research and Tutoring Australasia.
Other current directorships[1]:	Silex Systems Limited
Former directorships (in the last 3 years)[2]:	None
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	15,000 ordinary shares
Interests in options:	None

1. *Current directorships for listed entities on the ASX only and excludes directorships of all other types of entities, unless otherwise stated.*
2. *Directorships held in the last 3 years for listed entities on the ASX only and exclude directorships of all other types of entities, unless otherwise stated.*

Company secretary

John Murphy joined Cover-More as Chief Financial Officer ('CFO') in January 2013 and was appointed as Company Secretary of Cover-More Group Limited in November 2013. John has a Bachelor of Science degree from the University of Birmingham (UK), is a graduate of Australian Institute of Company Directors, an associate of the Institutes of Chartered Accountants in both Australia and England and Wales and a fellow of the Australian and NZ Institute of Insurance and Finance. John has over 20 years of experience in general insurance including 18 years with QBE where he held various senior executive roles at global and divisional levels, including Australia, Asia Pacific and North America.

Prior to November 2013, the Company Secretary of ASTIS Holdings Limited was Steven Sequeira.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director was:

	FULL BOARD		REMUNERATION COMMITTE		AUDIT AND RISK MANAGEMENT COMMITTEE	
	A	B	A	B	A	B
Michael Alscher	9	9	–	–	1	1
Sam Mostyn	7	7	–	–	–	–
Peter Edwards	8	9	–	–	–	–
Louis Carroll	6	7	–	–	–	–
Stephen Loosley	7	7	–	–	–	–
Trevor Matthews	7	7	–	–	1	1
Lisa McIntyre	7	7	–	–	1	1
Nathanial Thomson	3	3	–	–	–	–
Peter Lyon-Mercado	2	3	–	–	–	–

A = Number of meetings attended
B = Number of meetings held during the year while the director held office or was a member of the relevant committee.

Remuneration report (audited)

The directors present the Remuneration Report, which outlines the Key Management Personnel (KMP) remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The information provided in this Remuneration Report, which forms part of the Directors' Report has been audited as required by *section 308(3C) of the Corporations Act 2001*.

The Remuneration Report is set out under the following main headings:

1. Introduction
2. Executive remuneration policy
3. Executive remuneration disclosures
4. Executive contracts
5. Non-Executive Director fee arrangements
6. Additional disclosures relating to share-based remuneration

1. Introduction

Prior to listing, Cover-More had an executive remuneration policy and framework including fixed remuneration, short-term incentives (STI) and long-term incentives (LTI). These arrangements were disclosed in the Initial Public Offering (IPO) prospectus.

The Remuneration Committee is currently engaged in a comprehensive review of all remuneration arrangements for KMP. For Non-Executive Directors (NEDs), the review will focus on setting fees at comparable levels to the market. For executives, the review will focus on ensuring total remuneration opportunities continue to be market competitive, incentivising to individuals and aligned to the Group's goals and shareholder interests. The review for executives will be completed by 30 September 2014, to align with the normal executive remuneration review cycle.

At Cover-More and in accordance with best practice corporate governance standards, the structures for NEDs fee arrangements and executives remuneration are separate.

KMP presented in this report

The KMP covered in this Remuneration Report are those people having authority and responsibility for planning, directing and controlling the activities of Cover-More, directly or indirectly. They include:

- NEDs; and
- Executives (includes Executive Directors and certain senior executives of the Group).

The table below outlines the KMP at any time during the financial year, and unless otherwise indicated, were KMP for the entire year.

	Position	Date
Non-Executive Directors		
M. Alscher	Chairman (non-executive)	
S. Mostyn	Director (non-executive)	Appointed 2 December 2013
L. Carroll	Director (non-executive)	
S. Loosley	Director (non-executive)	Appointed 2 December 2013
T. Matthews	Director (non-executive)	Appointed 2 December 2013
L. McIntyre	Director (non-executive)	Appointed 2 December 2013
N. Thomson	Director (non-executive)	Ceased 23 December 2013
M. Caristo	Director (non-executive)	Ceased 23 December 2013
P. Lyon-Mercado	Director (non-executive)	Appointed 14 November 2013 and ceased 2 December 2013
Executive Directors		
P. Edwards	Group Chief Executive Officer (CEO)	
D. Ferguson	Global Flight Centre Director	Ceased 23 December 2013
S. Sequeira	Director of Actuarial, Underwriting & Pricing	Ceased 23 December 2013
Senior Executives		
G. Saunders	Chief Operating Officer (COO)	
J. Murphy	Group Chief Financial Officer (CFO)	

Changes since the end of the reporting period

Effective from 1 July 2014, George Saunders has moved into the newly created role of CEO–Asia.

Effective from 1 July 2014, John Murphy, previously CFO, has moved into to the role of Group COO. The Board is in the process of recruiting a new Group CFO, and John Murphy will retain the Group CFO responsibilities until a successor is in place.

Remuneration governance and use of remuneration consultants

All remuneration matters for KMP at Cover-More are reviewed or developed by the Remuneration Committee, which make recommendations for the approval of the Board. The Remuneration Committee meets at least twice per year. Further information on the composition and function of the Remuneration Committee is set out in the Corporate Governance Statement on page 33 to 44 which forms part of this Annual Report. The Remuneration Committee Charter may be found on the Group's website at http://www.covermore.com/governance.html.

After the end of the reporting period, the Remuneration Committee engaged the services of Ernst & Young (EY) as an external remuneration advisor. No remuneration recommendations (as defined by the *Corporations Act 2001*) were provided by EY or any other advisor during the reporting period.

2. Executive remuneration policy

Cover-More's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders.

The Board aims for the executives reward framework to satisfy the following key criteria:

- Market competitive and reasonable;
- Acceptable to shareholders;
- Linked to Group performance.

The following diagram illustrates how the Group's remuneration strategy aligns with the strategic direction and links remuneration outcomes to performance.

Group objectives
• To grow revenue and profitability at strong double-digit rates, through the continued expansion of Cover-More's scalable business model, in existing and new territories • To attract and retain high-performance talent with the capacity to deliver on our ambitious targets • To continue to find bespoke technology solutions which underpin our capacity to grow income for our business partners, while continuing to optimise our scalable, value delivery systems • To continue to build-out to their fullest potential, our medical assistance and employee assistance operations across markets which we deem attractive

Remuneration strategy linkages to Group objectives	
Align the interests of executives with shareholders • The remuneration framework incorporates "at-risk" components, with STI and LTI components. • Performance is assessed with Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) as a core component of the STI.	**Attract, motivate and retain high performing individuals** • The remuneration offering is competitive for companies of a similar size and complexity. • Longer-term remuneration encourages sustained performance. • Aims to reward executives with a level and mix of fixed and variable remuneration based on their position and responsibility.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed Remuneration	• Comprises base salary, superannuation, leave entitlements and non-monetary benefits.	• To provide competitive fixed remuneration with reference to role, market and experience.	• Company and individual performance are considered during the annual remuneration review.
STI	• Paid in cash	• Rewards executives for their contribution to the achievement of Group and business unit outcomes, as well as non-financial KPIs (for the COO).	• EBITDA is one of the key financial metrics. • For the COO, performance is also linked to other internal and non-financial measures including market share, customer service, implementation of key growth initiatives, risk management and leadership.

Awards under the previous LTI plan vested with the IPO. However, the majority of shares issued to KMP, in accordance with this plan, are escrowed until December 2014, ensuring the continued alignment of KMP with shareholders.
The Remuneration Committee is undertaking a comprehensive review of all remuneration arrangements for KMPs, including determining appropriate incentive arrangements. New incentive arrangements will be established later this year and approval for awards brought before shareholders, as required.

a. Fixed Remuneration

Fixed remuneration consists of base salary, superannuation, leave entitlements and non-monetary benefits. Executives may receive fixed remuneration in cash or other benefits (for example, motor vehicle benefits) where it does not create an additional cost to the Group.

Fixed remuneration is reviewed annually by the Remuneration Committee. The Committee considers individual skills and responsibilities, performance of the individual and business units, the overall performance of the Group and market remuneration levels for comparable roles during the review. No executive is entitled to a contractual increase in fixed remuneration.

b. Short-term incentives

The STI plan is designed to align executive reward with the achievement of Group and business unit targets.

STI opportunities are provided annually to executives based on specific annual targets against key performance indicators (KPIs) being achieved. The KPIs consist of a number of financial and non-financial, Group and business unit measures of performance. A summary of the measures and weightings are set out in the table below.

Position	Group EBITDA	Business Unit EBITDA	Non-financial measures
Group CEO and Group CFO	100%	0%	0%
COO	40%	40%	20%

The financial performance measure (i.e. EBITDA) was chosen as it represents the key measure of the short-term success of the Group.

The non-financial component for the COO is measured with reference to an assessment of performance against a range of KPIs. The measures (and their intended objectives) are:

- **Market and competitive positioning:** to focus on the Group preserving its market share.
- **Customer service:** appropriate attention is placed on customer retention.
- **Implementation of key growth initiatives:** appropriate investment is made with respect to the Group's growth objectives.
- **Risk management:** achievement of financial performance measures are within the Group's risk framework and are sustainable over the long-term.
- **Leadership / team contribution:** appropriate attention is placed on the growth and development of our talent as a means of leadership succession and sustained company performance.
- **Enhancing productivity:** best practice, lowest cost.

After consideration of performance against KPIs, the Board determines the amount, if any, of the STI to be paid to each executive, seeking recommendations from the Group CEO regarding awards to direct reports as appropriate. The Board in its sole discretion quantifies and determines the quantum of the Group CEO's STI payment.

c. Long-term incentives

Prior to listing, the Group operated an LTI plan for executives with performance measures relating to the organisation operating as a private entity. Upon listing, LTI awards under this plan vested and are subject to a 12 month escrow period and the LTI plan retired. Details of the arrangements were included in the Prospectus.

Cover-More has engaged EY to work with the Company on the development of a new LTI plan.

Group performance and link to remuneration

Remuneration for executives is directly linked to the performance of the Group. All incentive payments are performance based and the majority of all awards made to executives for performance since listing are dependent on defined EBITDA targets being met.

The Forecast EBITDA for FY2014 as outlined in the Prospectus was $47.3 m, whereas the Group's actual EBITDA was $51.9 million (110% achieved).

As the Group was only listed on 19 December 2013, it is not possible to present 5 years of financial data.

The table below shows key shareholder value measures for FY2014 and Cover-More's performance in each area:

Measure	FY2014 pro-forma performance
EBITDA	A$ 51.9m
Underlying operating revenue	A$ 219.1m
Net profit after tax	A$ 25.1m
Earnings per share (EPS)[1]	7.9 cents
Dividends per share[2] – Ordinary	4.0 cents
Dividends per share[2] – Special	3.2 cents

1. EPS is calculated by profit attributable to the ordinary equity holders divided by weighted average number of shares
2. Dividends per share is based on cash amount paid per share

STI plan performance outcomes

STI awards can range from zero to the maximum STI potential. The FY2014 STI earned for current executives is outlined in the table below:

Position	STI earned ($)	Maximum STI potential as a % of fixed remuneration	STI earned as % of maximum STI
P. Edwards Group CEO	$638,000	100%	100%
G. Saunders COO	$105,354	42%	81%
J. Murphy Group CFO	$131,250	35%	100%

For the FY2014 reporting period, 97% of the aggregate maximum STI for executives was awarded (weighted average). FY2014 STI awards are expected to be paid in September 2014.

LTI plan performance outcomes

Prior LTI awards vested upon listing. This plan is now retired, and we are currently in the process of designing a new LTI plan.

3. Executive remuneration disclosures

The table below outlines statutory remuneration of Executives for FY2014 and FY2013 in accordance with statutory rules and applicable Accounting Standards.

	Short term benefits			Post employment benefit	Long term benefits		Share based payment	
	Cash salary and fees	Cash bonus & incentives	Non-monetary benefits[5]	Super-annuation	Cash bonus & incentives	Long service leave	Equity-settled	Total
2014	$	$	$	$	$	$	$	$
Executive Directors								
P. Edwards[1]	627,636	638,000	148,696	24,320	530,873	–	1,356,145	3,325,670
D. Ferguson[2]	136,010	–	525	13,255	–	7,486	–	157,276
S. Sequeira[3]	154,375	–	5,522	14,280	–	–	–	174,177
Senior Executives								
G. Saunders	335,921	105,354	124,337	–	–	–	125,355	690,967
J. Murphy	346,921	131,250	11,677	27,016	–	–	152,971	669,835
TOTAL	**1,600,863**	**874,604**	**290,757**	**78,871**	**530,873**	**7,486**	**1,634,471**	**5,017,925**
2013								
Executive Directors								
P. Edwards[1]	575,300	618,000	144,068	24,700	229,811	–	624,203	2,216,082
D. Ferguson	324,555	122,500	1,066	29,230	–	11,115	–	488,466
S. Sequeira	324,559	122,500	11,223	29,113	–	–	–	487,395
Senior Executives								
G. Saunders	296,393	132,494	71,907	–	–	–	57,698	558,492
J. Murphy[4]	130,542	79,676	6,578	20,256	–	–	36,274	273,326
TOTAL	**1,651,349**	**1,075,170**	**234,842**	**103,299**	**229,811**	**11,115**	**718,175**	**4,023,761**

1. *P. Edwards' long term benefits relate to compensation for incentives forfeited in respect of previous employment and were completed with the IPO process.*
2. *D. Ferguson ceased as KMP on 23 December 2013*
3. *S. Sequeira ceased as KMP on 23 December 2013*
4. *J. Murphy commenced as KMP on 29 January 2013.*
5. *Non-monetary benefits include salary-sacrificed benefits and related FBT where applicable.*

4. Executive Contracts

Remuneration arrangements for executives are formalised in employment agreements.

Group CEO contract

The Group CEO, Peter Edwards, is employed under an ongoing contract which can be terminated with notice by either party.

Under the terms of the present contract, as disclosed in the IPO prospectus in December 2013, the Group CEO is entitled to:

- Fixed remuneration of $638,000 per annum. This excludes certain living away from home allowances.
- Maximum STI opportunity of 100% of annual fixed remuneration
- Eligible to participate in Cover-More's LTI plan, subject to any required shareholder approval.

Termination provisions

Executive termination provisions are as follows:

	Notice Period (both parties)	Payment in lieu of notice	Treatment of STI on termination
Resignation	6 Months	Tender remuneration in lieu of all or part of the notice period	Unvested awards are forfeited if the individual is not employed at the end of the period to which the award applied. Exemptions may be made by the Board at the recommendation of the Remuneration Committee.
Termination for cause	Nil in the case of serious misconduct		Any unvested award is forfeited.
Termination in cases of death, disablement, redundancy or notice without cause	In the case of redundancy – 0 to three weeks' notice with a minimum of three months fixed remuneration.		Any unvested award is forfeited if the individual is not employed at the end of the period to which the award applied. Exemptions may be made by the Board at the recommendation of the Remuneration Committee.

The executives are not entitled to any post-employment benefits or other entitlements other than superannuation.

5. Non-Executive Director fee arrangements

Maximum aggregate NED fee pool

The total amount paid to all NEDs for services in any financial year will not exceed the amount agreed by the shareholders at the annual general meeting. This amount has been set by Cover-More at $1,500,000, with no increase proposed for FY2015.

NED fee policy

Fees and payments to NEDs reflect the demands that are made of, and the responsibilities of, the NEDs. Fees are reviewed annually by the Remuneration Committee that may, from time to time, receive advice from independent remuneration consultants to ensure NED fees are appropriate and in line with the market.

The Chairman's fees are determined independently of the fees of other NEDs, based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of these fees. NEDs do not receive performance-based incentives.

Under the Company's Constitution, NEDs collectively decide the total amount paid to each NED for their services to Cover-More. Fee levels are set by considering the duties, workload and level of responsibility required, and by comparing the fees with those paid by comparable companies in the market.

Annual NED fees currently agreed to be paid by Cover-More are $214,000 ($200,000 for FY2015) to the Chairman and $100,000 (plus committee fees) to each of the other NEDs. The Chairman does not receive any additional fees for sitting on a committee.

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. NEDs may be paid such additional or special remuneration as the Board decides is appropriate where a NED performs additional work or services for the Group or a subsidiary. There is no contractual retirement benefit for NEDs, other than statutory superannuation contributions.

NED fee disclosures

The table below outlines NED fees for FY2014 and FY2013 in accordance with statutory rules and applicable Accounting Standards.

	Short term benefits	Post-employment benefit	Share based payment	
	Board and committee fees	Superannuation	Equity- settled	Total
2014	**$**	**$**	**$**	**$**
M. Alscher[1]	–	–	–	–
S. Mostyn	83,461	7,720	–	91,181
L. Carroll	89,808	–	49,744	139,552
S. Loosley	53,160	4,917	–	58,077
T. Matthews	63,792	5,901	–	69,693
L. McIntyre	58,476	5,409	–	63,885
N. Thompson[1]	–	–	–	–
M. Caristo[1]	–	–	–	–
P. Lyon-Mercado[1]	–	–	–	–
TOTAL	**348,697**	**23,947**	**49,744**	**422,388**
2013				
M. Alscher[1]	–	–	–	–
N. Thompson[1]	–	–	–	–
L. Carroll	78,462	–	22,896	101,358
M. Caristo[1]	–	–	–	–
C. Yoo[2]	–	–	–	–
S. Smyth[3]	–	–	–	–
TOTAL	78,462	–	22,896	101,358

1. *Directors appointed by Crescent Capital Partners. Directors fees paid to Crescent Capital Partners directly of $154,081 (2013: $150,000).*
2. *C. Yoo ceased as KMP on 7 December 2012*
3. *S. Smyth ceased as KMP on 1 April 2013*

6. Additional disclosures relating to share-based remuneration

Equity instrument disclosures relating to KMP

There were no equity grants provided as remuneration during the 2014 and 2013 financial years by Cover-More's listed parent (CMG) or by accounting parent (ASTIS Holdings Ltd). All trading is in accordance with the Group's share trading policy which can be found on the Group's website at http://www.covermore.com/governance.html

The ordinary shares issued to management were held under employee limited recourse loans and were treated in accordance with AASB2 Share Based Payments.

Shareholdings

The number of shares held in the company during the financial year by each KMP of the Group, including their personally related parties, are set out below.

i. Ordinary shares

	Number at beginning of the period	Shares vested during the year	ASTIS shares exchanged for CMG shares or sold as part of IPO	CMG shares acquired during the year	Disposed	Ceased as KMP	Number at closing of the period
2014							
Non-Executive Directors							
M. Alscher	–	–	55,214	150,000	–	–	205,214
S. Mostyn	–	–	–	50,000	–	–	50,000
L. Carroll	–	40,000	245,388	–	–	–	285,388
S. Loosley	–	–	–	20,000	–	–	20,000
T. Matthews	–	–	–	100,000	–	–	100,000
L. McIntyre	–	–	–	15,000	–	–	15,000
Executive Directors							
P. Edwards[1]	–	880,785	5,410,703	62,000	–	–	6,353,488
D. Ferguson[2]	237,636	–	993,985	–	–	(1,231,621)	–
S. Sequeira[3]	237,636	–	993,985	–	–	(1,231,621)	–
Senior Executives							
G.Saunders[1]	–	80,000	490,193	–	–	–	570,193
J. Murphy[4]	–	90,000	784,978	–	(230,153)	–	644,825
TOTAL	475,272	1,090,785	8,974,446	397,000	(230,153)	(2,463,242)	8,244,108
2013							
Non-Executive Directors							
S. Smyth[5]	2,691,108	–	–	–	(1,345,554)	(1,345,554)	–
Executive Directors							
D. Ferguson	237,636	–	–	–	–	–	237,636
S. Sequeira	237,636	–	–	–	–	–	237,636
TOTAL	3,166,380	–	–	–	(1,345,554)	(1,345,554)	475,272

1. *Shares issued were subject to Escrow until the end of 12 months after the date of listing.*
2. *D. Ferguson ceased as KMP on 23 December 2013.*
3. *S. Sequeira ceased as KMP on 23 December 2013.*
4. *230,153 shares issued were non-escrow and the balance of shares was subject to escrow until end of 12 months after the date of listing.*
5. *S. Smyth ceased as KMP on 1 April 2013.*

ii. C-Class shares

	Number at beginning of the period	Shares vested during the year	ASTIS shares exchanged for CMG shares or sold as part of IPO	Ceased as KMP	Number at closing of the period
2014					
Executive Directors					
D. Ferguson[1]	**7,393**	**–**	**(7,393)**	**–**	**–**
S. Sequeira[2]	**7,393**	**–**	**(7,393)**	**–**	**–**
TOTAL	**14,786**	**–**	**(14,786)**	**–**	**–**
2013					
Non-Executive Directors					
S. Smyth[3]	83,722	–	–	(83,722)	–
Executive Directors					
D. Ferguson	7,393	–	–	–	7,393
S. Sequeira	7,393	–	–	–	7,393
TOTAL	98,508	–	–	(83,722)	14,786

1. D. Ferguson ceased as KMP on 23 December 2013.
2. S. Sequeira ceased as KMP on 23 December 2013.
3. S. Smyth ceased as KMP on1 April 2013.

iii. E-Class shares

	Number at beginning of the period	ASTIS shares exchanged for CMG shares or sold as part of IPO	Number at closing of the period
2014			
Executive Directors			
D. Ferguson[1]	1	(1)	–
S. Sequeira[2]	1	(1)	–
TOTAL	**2**	**(2)**	**–**
2013			
Executive Directors			
D. Ferguson	1	–	1
S. Sequeira	1	–	1
TOTAL	2	–	2

1. D. Ferguson ceased as KMP on 23 December 2013.
2. S. Sequeira ceased as KMP on 23 December 2013.

Loans to KMP

Details of the loans made to KMP of the Group.

	Balance at beginning of the period	Loan vested	Loan Repaid	Balance at closing of the period
2014	$	$	$	$
Non-Executive Director				
L. Carroll	–	60,603	(60,603)	–
Executive Director				
P. Edwards	–	4,851,226	(4,851,226)	–
Senior Executives				
G. Saunders	–	448,643	(448,643)	–
J. Murphy	–	603,092	(603,092)	–
TOTAL	–	5,963,564	(5,963,564)	–
2013				
TOTAL	–	–	–	–

These were limited recourse loans for the purchase of ordinary and redeemable preference shares. These have been recorded in accordance with AASB2.

Borrowings – Redeemable Preference Shares (RPS)

	Balance at beginning of the period	Principal & Interest vested	Interest accrued[1]	Settlement of RPS	Ceased as KMP	Balance at closing of the period
2014	$	$	$	$	$	$
Non-Executive Director						
L. Carroll	–	135,736	–	(135,736)	–	–
Executive Directors						
P. Edwards	–	3,018,291	–	(3,018,291)	–	–
D. Ferguson[2]	1,393,143	–	51,321	(1,444,464)	–	–
S. Sequeira[3]	1,393,143	–	51,321	(1,444,464)	–	–
Senior Executives						
G. Saunders	–	269,142	–	(269,142)	–	–
J. Murphy	–	316,219	–	(316,219)	–	–
TOTAL	2,786,286	3,739,388	102,642	(6,628,316)	–	–
2013						
Non-Executive Directors						
S. Smyth[4]	14,951,084	–	982,562	(7,708,113)	(8,225,533)	–
Executive Directors						
D. Ferguson	1,320,243	–	136,702	(63,802)	–	1,393,143
S. Sequeira	1,320,243	–	136,702	(63,802)	–	1,393,143
TOTAL	17,591,570	–	1,255,966	(7,835,717)	(8,225,533)	2,786,286

1. *Interest accrued to existing shareholders of RPS ,not in relation to service fee as directors*
2. *D. Ferguson ceased as KMP on 23 December 2013.*
3. *S. Sequeira ceased as KMP on 23 December 2013.*
4. *S. Smyth ceased as KMP on 1 April 2013.*

Listed Option Holdings

There were no listed options held in the company during the financial year (2013: Nil).

Other transactions with KMP

There were no other transactions with the KMP during the year.

(End of audited Remuneration Report)

Indemnity and insurance of officers

ASTIS Holdings Limited and Cover-More Group Limited have indemnified the directors and executives of the companies for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, ASTIS Holdings Limited and Cover-More Group Limited paid premiums of $31,285 and $82,547 respectively, in relation to the financial year, for contracts to insure the directors and executives of the companies against liabilities to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

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

Non-audit services

The company may decide to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined below.

	2014 $	2013 $
Other assurance services		
– Other advisory costs	**25,000**	19,725
– Due diligence services	**750,000**	–
Total remuneration for other assurance services	**775,000**	19,725
Taxation services		
– Tax compliance services	**–**	35,000
– Tax advisory services	**7,923**	15,025
Total remuneration for taxation services	**7,923**	50,025
Total remuneration for non-audit services	**782,923**	69,750

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

The directors are of the opinion that the services disclosed above do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved by the Audit and Risk Management committee to ensure that they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off' of amounts in the directors' report. Amounts in this report have been rounded off in accordance with that Class Order 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 on the following page.

Auditor

PricewaterhouseCoopers 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

Peter M Edwards
Director

25 August 2014
Sydney

Michael Alscher
Director

25 August 2014
Sydney

Auditor's Independence Declaration

As lead auditor for the audit of Cover-More Group Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cover-More Group Limited and the entities it controlled during the period.

Scott Fergusson
Partner
PricewaterhouseCoopers

Sydney
25 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

FINANCIAL REPORT

The financial report includes the consolidated financial statements for Cover-More Group Limited (the ultimate parent entity or the company) and its controlled entities (Cover-More or the Group). The financial report is presented in Australian dollars, which is Cover-More Group Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Cover-More Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, 60 Miller Street
North Sydney, NSW, 2060, Australia.

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 25 August 2014. The directors have the power to amend and reissue the financial report.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
Revenue	4	**190,224**	150,457
Cost of sales		**109,273**	88,262
Gross profit		**80,951**	62,195
Other income	5	**7,489**	2,027
Step gain on acquisition	28(c)	**12,656**	–
Other expenses from ordinary activities			
Occupancy		**6,757**	5,108
Advertising and promotion		**5,957**	5,489
Administration		**40,240**	32,146
Other		**2,313**	222
		45,829	21,257
Initial public offer costs		**14,377**	–
Share of net profit of associate accounted for using the equity method		**(59)**	(754)
Finance costs	6(e)	**7,060**	11,718
Profit before income tax		**24,451**	10,293
Income tax expense	7	**8,801**	3,512
Profit for the year		**15,650**	6,781
Profit is attributable to:			
Owners of Cover-More Group Limited		**15,650**	6,781
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	36(a)	**6.0**	3.4
Diluted earnings per share	36(b)	**6.0**	3.4

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
Profit for the year		**15,650**	6,781
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	22(a)	**(33)**	469
Exchange differences on translation of foreign operations	22(a)	**(699)**	238
Income tax relating to these items	22(a)	**10**	–
Other comprehensive income for the period, net of tax		**(722)**	707
Total comprehensive income for the period		**14,928**	7,488
Total comprehensive income for the period attributable to:			
Owners of Cover- More Group Limited		**14,928**	7,488

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**20,615**	29,474
Trade and other receivables	10	**30,239**	17,468
Total current assets		**50,854**	46,942
Non-current assets			
Plant and equipment	11	**5,206**	5,632
Intangible assets	12	**248,255**	89,875
Deferred tax assets	13(a)	**68**	85
Investments accounted for using the equity method	14	**–**	6,527
Total non-current assets		**253,529**	102,119
Total assets		**304,383**	149,061
LIABILITIES			
Current liabilities			
Trade and other payables	15	**31,293**	22,544
Deferred liabilities	16	**237**	207
Borrowings	17	**60**	22,479
Current tax provisions		**7,373**	6,274
Provisions	18	**–**	843
Employee benefits	19(c)	**3,383**	2,226
Derivative financial instruments	20	**–**	142
Total current liabilities		**42,346**	54,715
Non-current liabilities			
Deferred liabilities	16	**361**	568
Borrowings	17	**45,510**	55,417
Provisions	18	**–**	31,041
Employee benefits	19(c)	**427**	351
Deferred tax liabilities	13(b)	**8,300**	840
Derivative financial instruments	20	**441**	–
Total non-current liabilities		**55,039**	88,217
Total liabilities		**97,385**	142,932
Net assets		**206,998**	6,129
EQUITY			
Contributed equity	21	**220,067**	14,476
Other reserves	22(a)	**(399)**	1,917
Retained earnings	22(b)	**(12,670)**	(10,264)
Total equity		**206,998**	6,129

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2012		16,172	13	(14,717)	1,468
Profit for the year		–	–	6,781	6,781
Other comprehensive income		–	707	–	707
Total comprehensive income for the year		–	707	6,781	7,488
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares, net of tax		(1,696)	–	–	(1,696)
Dividends provided for or paid	22(b)	–	–	(2,328)	(2,328)
Share based payment reserve	22(a)	–	1,197	–	1,197
		(1,696)	1,197	(2,328)	(2,827)
Balance at 30 June 2013		14,476	1,917	(10,264)	6,129
Profit for the year		**–**	**-**	**15,650**	**15,650**
Other comprehensive income		**–**	**(722)**	**–**	**(722)**
Total comprehensive income for the year		**–**	**(722)**	**15,650**	**14,928**
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs		**205,591**	**–**	**–**	**205,591**
Dividends provided for or paid	22(b)	**–**	**–**	**(18,056)**	**(18,056)**
Share based payment reserve	22(a)	**–**	**(1,594)**	**–**	**(1,594)**
		205,591	**(1,594)**	**(18,056)**	**185,941**
Balance at 30 June 2014		**220,067**	**(399)**	**(12,670)**	**206,998**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**193,445**	151,169
Payments to suppliers and employees (inclusive of GST)		**(155,955)**	(115,268)
		37,490	35,901
Other revenue		**5,898**	1,575
Income taxes paid		**(10,160)**	(3,178)
Net cash inflow from operating activities	30	**33,228**	34,298
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	28(b)	**(98,346)**	–
Payments for acquisition of investment of associate		**–**	(4,917)
Payments for plant and equipment	11	**(992)**	(1,889)
Payments for intangible assets	12	**(2,903)**	(3,105)
Release of monies previously held in trust		**–**	5,000
Interest received	5	**369**	570
Other		**–**	(162)
Net cash (outflow) from investing activities		**(101,872)**	(4,503)
Cash flows from financing activities			
Proceeds from issues of shares		**520,071**	–
Proceeds relating to employee loan schemes		**6,472**	–
Proceeds from borrowings		**128,800**	7,180
Payments to shareholders for ASTIS shares		**(335,818)**	(1,696)
Payment of Initial Public Offering transaction costs		**(22,966)**	–
Repayment of borrowings		**(179,891)**	(14,612)
Finance lease payments		**(90)**	(57)
Interest and other finance cost paid		**(38,705)**	(5,441)
Dividends paid to company's shareholders	23	**(18,056)**	(2,328)
Net cash inflow/(outflow) from financing activities		**59,817**	(16,954)
Net (decrease)/ increase in cash and cash equivalents		**(8,827)**	12,841
Cash and cash equivalents at the beginning of the financial year	9	**29,474**	16,679
Effects of exchange rate changes on cash and cash equivalents		**(32)**	(46)
Cash and cash equivalents at end of year	9	**20,615**	29,474

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Cover-More Group Limited (the "Company" or "Parent Entity") and its subsidiaries. Prior to 19 December 2013, the Group consisted of ASTIS Holdings Limited and its subsidiaries.

a. Basis of preparation

Cover-More Group Limited was incorporated on 14 November 2013 and undertook an initial public offering on 19 December 2013. The proceeds of the initial public offering were used to acquire ASTIS Holdings Limited and its controlled entities on 23 December 2013, through the newly incorporated subsidiary company, Cover-More Finance Pty Ltd.

Cover-More Group Limited determined that the acquisition of ASTIS Holdings Limited did not represent a business combination as defined by Australian Accounting Standard AASB 3. The appropriate accounting treatment for recognising the new Group structure has been determined on the basis that the transaction was a form of capital reconstruction and Group reorganisation. The capital reconstruction has been accounted for using the principles of reverse acquisition accounting whereby ASTIS Holdings Limited is deemed the acquirer of Cover-More Group Limited and Cover-More Finance Pty Ltd for accounting purposes.

As a result, the consolidated financial statements of Cover-More Group Limited have been prepared as a continuation of the financial statements of the accounting acquirer, ASTIS Holdings Limited.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act* 2001. Cover-More Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of Cover-More Group Limited also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(aa).

Rounding

Amounts in this financial report have been rounded to the nearest thousand dollars unless otherwise stated. The Group is the kind referred to in the Class Order 98/100 dated 10 July 1998 issued by the Australian Securities and Investments Commission. All rounding has been conducted in accordance with that class order.

Reclassifications

Due to the change in the Group structure, a review of the presentation of the financial statements was carried out. The Group has determined that the presentation of expenses in the consolidated income statement will follow the "function of expense" method to provide reliable and more relevant information to the users, as compared to the "nature of expense" method that was used previously. Consequently, the expenses have been reallocated according to their function within the Group. In addition, income from some of the Group's business activities has been reclassified from other income to revenue. As a result of the changes, the comparative amounts in 2013 have been reclassified. These changes have no impact on the profit of the Group.

Deferred tax assets of $2.763m (refer to note 13) relating to the Australian tax consolidation group have been offset against its deferred tax liability in 2013. This treatment has also been applied in 2014.

The selective dividend paid by the Group for the year ended 30 June 2013 of $2.328m (refer to note 22(b)) has been reclassified from other reserves to retained earnings in 2013.

b. Principles of consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has 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 deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to notes 1(h) and 28).

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

ii. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

iii. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Note 1. Summary of significant accounting policies continued

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Cover-More Group Limited.

iv. Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

c. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

d. Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

iii. Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

e. Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. Revenue is recognised for the Group's major business activities as follows:

i. Travel insurance commission revenue

Commission income is earned from arranging the sale of travel insurance policies. It represents the amount due to the Group after travel agent commissions, underwriters' costs, taxes and assistance fees. Commission revenue from the sale of travel insurance policies is recognised at point of sale when the Group is entitled to its commission revenue as per its contractual arrangement with the underwriter, net of estimated refunds provided. Accumulated experience is used to estimate and account for the refunds provided.

ii. Travel medical assistance fee revenue

Travel medical assistance fee revenue represents income arising on contractual agreement with the underwriter for assistance cover extended to elected travel policies sold. Assistance fee revenue is recognised when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the sale will flow to the Group which is at point of sale of the related policies.

iii. Travel medical assistance case fee revenue

Case fee revenue represents the amounts due for providing assistance upon occurrence of an incident in accordance with the contract. Case fee revenue is recognised when the amount of revenue can be reliably measured, it is probable that the economic benefit associated with the sale will flow to the Group, costs incurred can be reliably measured and in line with provision of the service to the customer.

iv. Employee medical assistance fee revenue

Fixed fee service revenue is recognised in profit or loss in proportion to the stage of completion of the service at the reporting date. The stage of completion is assessed by reference to the work performed.

Fee for service revenue is recognised in the period in which the service is rendered. If circumstances arise that may change the original estimates of revenue this may result in an increase or decrease in estimated revenue or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

Note 1. Summary of significant accounting policies continued

v. Medical assessment revenue

Medical assessment revenue represents fees on medical assessments performed for corporate clients at a fixed rate. Revenue is recognised in the period when the assessment is performed.

vi. Other income

Other income represents income from non-core trading activities which include:

Interest income

Interest income is reported on an accrual basis using the effective interest rate method.

Profit share income

Profit share income represents the amount received or receivable from underwriters, for share of profit arising during specific underwriting years, whereby costs paid to the underwriter exceed those assumed in the underlying ultimate claims ratios in the underwriter contract. Profit share from underwriters is recognised when the performance criteria are met in accordance with the underwriter contract.

Cost containment income

Cost containment income represents commission received from underwriters for cost containment services. The commission is recognised when the service is rendered and the cost saving is realised.

vii. Dividends

Dividends are recognised as revenue when the right to receive payment is established.

f. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cover-More Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

g. Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (refer to note 17). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (refer to note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term and disclosed as part of other income (note 5). The respective leased assets are included in the balance sheet based on their nature.

Lessor's contribution to fit outs are recognised as deferred liabilities and progressively reduced over the lease term (refer to note 16).

h. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill (refer to note 28). If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Note 1. Summary of significant accounting policies continued

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

i. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units) as per note 12. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j. Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

k. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30–60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used 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 90 days overdue) are considered indicators that the trade receivable is 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.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

l. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 8. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

i. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity income until the forecast transaction occurs or the foreign currency firm commitment is met.

ii. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

m. Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which investments were acquired. Management determines the classification of its investments at the initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

Held to maturity investments are non-derivatives financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group sells other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Note 1. Summary of significant accounting policies continued

Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At the initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Other income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue when the Group's right to receive payment is established. Interest income from these financial assets is included in the net gains/ losses.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(k).

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

n. Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounting for a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Plant and equipment	3–10 years Straight Line
Leased motor vehicles	4–5 years Straight Line
Leasehold improvements	3–10 years Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 1(i) impairment of assets).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included net in the income statement. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

o. Intangible assets

i. Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 3).

Note 1. Summary of significant accounting policies continued

ii. Capitalised software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include service of external consultants and payroll related costs spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 2 to 5 years. Changes in useful life of capitalised software is based on a review of its susceptibility to changes in technology.

Capitalised costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

iii. Customer contacts and distributor relationships

Customer contracts and distributor relationships acquired as part of a business combination are recognised separately from goodwill. The customer contracts and distributor relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over the term of the contracts (2 to 12.5 years).

iv. Brands and trademarks

Brands and trademarks acquired as part of a business combination are recognised separately from goodwill. The brands and trademarks are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on a straight line basis over the period of their expected benefit, being their finite life of 5 to 20 years.

p. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which were unpaid. Trade and other payables are presented as current liabilities unless payment is not due within twelve months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

q. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as prepayment for liquid services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

r. Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

s. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

t. Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the end of the reporting period are measured on an undiscounted basis and are expensed as the services are provided. A liability is recognised for the amount expected to be paid under short term incentive schemes if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Note 1. Summary of significant accounting policies continued

iii. Defined contribution superannuation expense

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

iv. Employee Share Funded Loan Scheme

An Employee Share Funded Loan Scheme is provided to certain members of senior management of the Group. Shares are issued at an estimated market value at grant date to the employee in return for a limited recourse non-interest bearing loan. The Employee Share Funded Loan Scheme is treated as an off balance sheet transaction in accordance with share based payments accounting treatment.

v. Share based payment transactions

Share based compensation benefits are provided to certain members of senior management. The fair value of the shares granted is recognised as a share based payment expense with a corresponding increase in equity. The total value is determined by reference to the fair value of the shares granted less amounts to be paid upon settlement, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

vi. Bonus plans

The Group recognises a liability and an expense for bonuses based on predetermined performance criteria.
The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

vii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

u. Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

v. Dividends

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

w. Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year .

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

x. Goods and Services Tax (GST) and other similar taxes

Revenue, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the tax authority. Where GST is not recoverable, it is recognised as part of the cost of 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 with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis, except for the GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the tax authority, which 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.

Note 1. Summary of significant accounting policies continued

y. Changes in accounting policies

New, revised 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 following Accounting Standards are most relevant to the Group:

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 10	Consolidated Financial Statements	The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The Group will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	This standard contains the disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'.	1 January 2013	1 July 2013
AASB 13 and AASB 2011-8	Fair Value Measurement and Amendments to Australian Accounting Standards arising from AASB 13	The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure non current assets whereas liabilities would be based on transfer value. The standard does not introduce any new requirements for the use of fair value.	1 January 2013	1 July 2013
AASB 119 and AASB 2011-10	Employee Benefits (September 2011) and Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The latter will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken.	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	The amended AASB 124 'Related Party Disclosures' removes the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments removes the duplication of information relating to individual KMP in the notes to the financial statements and the directors' report. Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the directors' report for annual reporting periods beginning 1 July 2013.	1 July 2013, early adoption not permitted	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting financial assets and financial liabilities	This Standard makes amendments to AASB 7 *Financial Instruments: Disclosures* to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position and AASB 132 *Financial Instruments: Presentation* to refer to the additional disclosures added to AASB 7 by this Standard	1 January 2013	1 July 2013

Impacts on financial statements

Adoption of the above new or revised accounting standards have resulted in changes in accounting policies and amounts recognised in the financial statements as below:

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 12 Disclosure of interests in Other Entities

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 *Financial Instruments: Disclosures.*

The Group has applied AASB 13 for the first time in the current year, refer to note 8.

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 *Presentation of Financial Statements*.

Note 1. Summary of significant accounting policies continued

New standards and interpretations issued not yet adopted

Australian Accounting Standards and Interpretations and International Financial Reporting Standards 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 ending 30 June 2014 and are outlined below. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are also set out below:

Reference	Title	Summary and Impact on Group financial report	Application date of standard	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 January 2014	1 July 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs to sell. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. This amendment is not expected to have material impact on disclosure.	1 January 2014	1 July 2014
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on: (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: (i) The change attributable to changes in credit risk are presented in other comprehensive income; and (ii) The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. These amendments are only expected to affect the presentation of the Group's financial report and will not have a major direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 January 2015	1 July 2018

Reference	Title	Summary and Impact on Group financial report	Application date of standard	Application date for Group
IFRS 15 (anticipated to be issued as AASB 15 in Q4 2014)	Revenue from Contracts with Customers	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 judgments 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 impact of this standard is yet to be assessed by the Group.	1 January 2017	1 July 2017

z. Parent entity financial information

The financial information for the parent entity, Cover-More Group Limited (ASTIS Holdings Limited pre 19 December, 2013), disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i. Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the Cover-More Group Limited.

ii. Tax consolidation legislation

Cover-More Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Cover-More Group Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Cover-More Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities are in the process of finalising a tax funding agreement under which the wholly-owned entities fully compensate Cover-More Group Limited for any current tax payable assumed and are compensated by Cover-More Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Cover-More Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Note 1. Summary of significant accounting policies continued

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

iii. Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

aa. Significant management estimates and judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of service contract revenue

Determining when to recognise revenues from after-sales services requires an understanding of the customer's use of the related products, historical experience and knowledge of the market.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (refer note 13).

Accounting for the internal restructure at IPO: critical judgements

During the year, an internal restructure took place in preparation of the listing of the Group on the Australian Stock Exchange. This resulted in a newly incorporated company, Cover-More Group Limited, becoming the legal parent of the Group. The internal restructure was not conditional on the listing of the Group on the Australian Stock Exchange.

Cover-More Group Limited has determined that this internal restructure, that resulted in the company acquiring ASTIS Holdings Limited (former parent entity), represented a common control transaction rather than a business combination. The appropriate accounting treatment for recognising the new Group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Therefore, the financial information has been prepared using the principles of a reverse acquisition by the existing Group of Cover-More Group Limited.

As a result the consolidated financial statements have been prepared as a continuation of the financial statements of the existing Group, ASTIS Holdings Limited.

For presentation purposes, the comparative figures presented in these consolidated financial statements represent those of ASTIS Holdings Limited consolidated entity for the entire 2013 financial year. The figures for the current financial year are ASTIS Holdings Limited for the entire year and Cover-More Group Limited from the date Cover-More Limited legally acquired ASTIS Holdings Limited.

On completion of the listing of the Group on the Australian Stock Exchange the company acquired Karvat Cover-More Assist Private (Karvat) Limited and DTC Holdco Pty Limited (DTC). The acquisition of this business has been accounted for as a business combination. The consideration paid has been allocated to the identifiable assets and liabilities at acquisition date. The results of Karvat and DTC have been consolidated from the date of control.

Allocation of acquisition goodwill to cash generating units (CGUs)

The allocation of goodwill created as a result of a business combination is a significant judgement which is, in part, impacted by the identification of synergies expected to be realised as a result of a business combination and allocating those synergies to the cash generating units which are expected to benefit from the synergies. The allocation of goodwill impacts the carrying value of CGUs and the associated assessment of impairment in connection with those CGUs. In 2014, the most significant judgements in respect of goodwill allocation related to the acquisition of DTC Holdco Pty Limited.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them to present value. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (refer to note 1(i)).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see note 1(h)). Particularly, the fair value of acquired identifiable intangible assets and of contingent consideration is dependent on the outcome of many variables that affect future profitability (refer to note 28).

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (refer to note 8).

Note 2. Financial risk management

a. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 8. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its head office, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

b. Market risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign exchange risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign exchange risk

Most of the Group's transactions are carried out in AUD. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD), UK pound sterling (GBP), New Zealand dollars (NZD), Malaysian ringgit (MYR), Singapore dollars (SGD), Indian rupee (INR) and Papua New Guinea kina (PGK).

Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into $AUD at the closing rate:

	$'000 USD	$'000 EUR	$'000 PGK
30 June 2014			
Financial assets	**214**	**3**	**45**
Financial liabilities	**–**	**–**	**–**
Total exposure	**214**	**3**	**45**
30 June 2013			
Financial assets	213	–	49
Financial liabilities	–	–	–
Total exposure	213	–	49

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2014 $'000	2013 $'000
Amounts recognised in profit or loss		
Net foreign exchange (loss)/gain included in other expenses/other income	**(206)**	230
Total net foreign exchange (loss)/gain recognised in profit before income tax for the period	**(206)**	230
Net (loss)/gain recognised in other comprehensive income (note 22(a)):		
Translation of foreign operations and net investment hedges	**(699)**	238

Sensitivity

The following table illustrates the sensitivity of profit and equity with regards to the Group's financial assets and financial liabilities and the exchange rate 'all other things being equal'. It assumes a ± 10% change of the exchange rates for the year ended at 30 June 2014 (2013: ± 10%). The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the AUD had strengthened against the foreign currencies by 10% (2013: 10%) then this would have had the following impact:

	$'000 USD	$'000 EUR	$'000 PGK
30 June 2014			
Profit for the year after tax	**(15)**	**–**	**(3)**
Equity	**(15)**	**–**	**(3)**
30 June 2013			
Profit for the year after tax	(15)	–	(3)
Equity	(15)	–	(3)

If the AUD had weakened against the foreign currencies by 10% (2013: 10%) then this would have had the following impact:

	$'000 USD	$'000 EUR	$'000 PGK
30 June 2014			
Profit for the year after tax	**15**	**–**	**3**
Equity	**15**	**–**	**3**
30 June 2013			
Profit for the year after tax	15	–	3
Equity	15	–	3

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk in respect of its financial assets and liabilities.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 30 June 2014, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The Group utilises interest rate swap's to mitigate the exposure to interest rate movements.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of ±1% (2013: ± 1%). These changes are considered to be reasonably possible based on an observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Note 2. Financial risk management continued

Sensitivity analysis of variable interest bearing instruments

	Profit for the year $'000		Equity $'000	
	+1%	-1%	+1%	-1%
30 June 2014	**(192)**	**192**	**1**	**(1)**
30 June 2013	129	(129)	129	(129)

Other price risk sensitivity

The Group's exposure to other price risk in respect of its unlisted investment (refer to note 14) and is considered to be immaterial.

c. Credit risk

Credit risk is the risk that a counter party fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as per note 8.

The Group continuously monitors defaults of agencies and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the financial assets that are not impaired or past due for each of the 30 June reporting dates under review are of good credit quality.

At 30 June the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 30 June, analysed by the length of time past due, are:

	2014 $'000	2013 $'000
Not more than three months	**2,309**	1,126
More than three months but not more than six months	**388**	142
More than six months but not more than one year	**26**	–
More than one year	**13**	–
	2,736	1,268

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of agencies and customers in various industries and geographical areas. Based on historical information about agencies and customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable financial institutions.

d. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages this risk through the following mechanisms:

- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Continuously monitoring forecast and actual cash inflows and outflows and matching the maturity.

Financing arrangements

The following financing facilities were available at the balance sheet date:

	2014 $'000	2013 $'000
Total facilities:		
Used at balance sheet date	**45,800**	22,852
Used at balance sheet date under contingent liabilities	**4,364**	3,322
Unused at balance sheet date	**26,736**	11,477
	76,900	37,651

Maturity of financial liabilities

	Notes	Carrying Amount $'000	Contractual cash flow			
			< 6 months $'000	6–12 months $'000	1–3 years $'000	>3 years $'000
2014						
Trade and other payables*	15	**30,155**	**29,897**	**19**	**239**	**–**
Borrowings – secured	17	**45,570**	**1,184**	**1,317**	**49,347**	**–**
Derivative financial instruments	20	**441**	**105**	**98**	**288**	**22**
		76,166	**31,186**	**1,434**	**49,874**	**22**
2013						
Trade payables and other payables*	15	21,956	21,956	–	–	–
Borrowings – secured	17	22,711	23,725	45	250	–
Derivative financial instruments	20	142	144	–	–	–
Deferred consideration	18	843	843	–	–	–
Principal and interest liability on redeemable preference shares	17,18	86,226	–	–	–	136,971
		131,878	46,668	45	250	136,971

* *Excluding payroll tax and other statutory liabilities*

Note 2. Financial risk management continued

e. Capital risk management

The Group's objectives when managing capital are:

- Safeguard the ability to continue as a going concern, so the Group can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

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. Consistent with others in the industry, the group monitors capital on the basis of the following:

Gearing ratio = Net debt (Cash and cash equivalents less secured borrowings)/Total equity

The Group's gearing ratio at 30 June is as follow:

	Notes	2014 $'000	2013 $'000
Net debt*	9,17	**24,955**	(6,763)
Total equity		**206,998**	6,129
Net debt to equity ratio		**12%**	(110%)

** Net debt = Cash and cash equivalents less secured borrowings.*

Note 3. Segment information

a. Operating segments

AASB 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM), being the Chief Executive Officer, in order to allocate resources to the segment and to assess its performance. The Group currently has two operating segments being travel insurance and medical assistance. The Group has determined that a disclosure of two aggregated segments, travel insurance and medical assistance, is most appropriate due to the similar economic characteristics faced by the operating segments and the similar nature of the products and services being delivered to a similar customer base. Unallocated amounts represent balances in the holding entities which are not directly attributable to the operating segments.

Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the statement of comprehensive income. Revenue from external customers is derived from the provision of travel insurance and medical assistance services. A breakdown of revenue and results is provided below.

Segment EBITDA

Segment performance is assessed on the basis of Segment EBITDA. Segment EBITDA comprises expenses which are incurred in the normal trading activity of the segments and excludes the impact of depreciation, amortisation, interest, share-based payments and other items which are determined to be outside of the control of the respective segments.

	Travel insurance $'000	Medical assistance $'000	Intersegment eliminations/ Unallocated $'000	Total $'000
Consolidated 2014				
Revenue				
Sales to external customers	**144,524**	**45,195**	**–**	**189,719**
Total sales revenue	**144,524**	**45,195**	**–**	**189,719**
Other revenue	**505**	**–**	**–**	**505**
Total revenue	**145,029**	**45,195**	**–**	**190,224**
Segment EBITDA	**34,666**	**12,863**	**(5,636)**	**41,893**
Depreciation and amortisation expenses	**(3,486)**	**(1,040)**	**(6,019)**	**(10,545)**
Interest revenue	**141**	**58**	**170**	**369**
Interest expense	**(26)**	**4**	**(7,038)**	**(7,060)**
Foreign exchange losses	**(142)**	**(63)**	**(1)**	**(206)**
Profit before income tax	**31,153**	**11,822**	**(18,524)**	**24,451**
Income tax expense	**(9,290)**	**(3,817)**	**4,306**	**(8,801)**
Profit after income tax	**21,863**	**8,005**	**(14,218)**	**15,650**
Consolidated 2013				
Revenue				
Sales to external customers	127,679	22,686	–	150,365
Total sales revenue	127,679	22,686	–	150,365
Other revenue	92	–	–	92
Total revenue	127,771	22,686	–	150,457
Segment EBITDA	27,322	5,540	(2,394)	30,468
Depreciation and amortisation expenses	(4,001)	(73)	(5,183)	(9,257)
Interest revenue	302	53	215	570
Interest expenses	(32)	–	(11,686)	(11,718)
Foreign exchange gains	89	141	–	230
Profit before income tax	23,680	5,661	(19,048)	10,293
Income tax expense	(7,011)	(1,744)	5,243	(3,512)
Profit after income tax	16,669	3,917	(13,805)	6,781

b. Geographical segments

The Group currently operates in Australia, New Zealand (NZ), United Kingdom (UK), Singapore, Malaysia, China and India. The Group has determined that a disclosure of two aggregated segments, Australia/NZ/UK and Asia are most appropriate due to the similar economic characteristics faced by the geographical segments and the similar nature of the products and services being delivered to a similar customer base. Unallocated amounts represent balances in the holding entities which are not directly attributable to the geographical segments.

Note 3. Segment information continued

	Australia/NZ/UK $'000	Asia $'000	Intersegment eliminations/ Unallocated $'000	Total $'000
Consolidated 2014				
Revenue				
Sales to external customers	**178,456**	**11,263**	**–**	**189,719**
Total sales revenue	**178,456**	**11,263**	**–**	**189,719**
Other revenue	**505**	**–**		**505**
Total revenue	**178,961**	**11,263**	**–**	**190,224**
Consolidated 2013				
Revenue				
Sales to external customers	146,369	3,996	–	150,365
Total sales revenue	146,369	3,996	–	150,365
Other revenue	92	–	–	92
Total revenue	146,461	3,996	–	150,457

c. Understanding the segment results

i. Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the income statement.

Revenues from external customers represent commission earned on the sale of travel insurance and providing medical assistance services.

ii. Adjusted EBITDA

The Chief Executive Officer uses an adjusted EBITDA measure to assess the performance of the segments. This excludes the effects of individually significant expenditure, such as restructuring costs, legal expenses, and goodwill impairments when the impairment is the result of an isolated, non-recurring event. It also excludes unrealised gains or losses on financial instruments.

Adjusted EBITDA reconciles to operating profit before income tax as follows:

	2014 $'000	2013 $'000
Adjusted EBITDA	**41,893**	30,468
Depreciation and amortisation expenses	**(10,545)**	(9,257)
Interest revenue	**369**	570
Interest expenses	**(7,060)**	(11,718)
Foreign exchange gains/losses	**(206)**	230
Profit before income tax expense	**24,451**	10,293

iii. Segment balance sheet

No segment balance sheet is prepared as the Chief Executive Officer reviews the Group's assets and liabilities in aggregate.

Note 4. Revenue

	2014 $'000	2013 $'000
Commission revenue	**148,271**	127,875
Travel assistance fee revenue	**14,287**	13,383
Case fee revenue	**7,838**	9,107
Employee assistance revenue	**19,323**	–
Medical assessment revenue	**505**	92
Total revenue	**190,224**	150,457

Note 5. Other income

	2014 $'000	2013 $'000
Interest income	**369**	570
Profit share from underwriter	**5,231**	560
Cost containment income	**564**	467
Other income	**1,325**	423
Net gain on disposal of plant and equipment	**–**	7
Total other income	**7,489**	2,027

Note 6. Expenses

Profit before income tax includes the following specific expenses by nature:

a. Occupancy expenses relating to operating leases

	Notes	2014 $'000	2013 $'000
Minimum lease payments		**4,576**	3,105
Other		**624**	620
Total occupancy expenses relating to operating leases		**5,200**	3,725

b. Impairment charge

	Notes	2014 $'000	2013 $'000
Intangibles-capitalised software	12	**10**	165

c. Depreciation and amortisation

	Notes	2014 $'000	2013 $'000
Depreciation			
Lease motor vehicles		**94**	66
Plant and equipment		**2,494**	2,367
Total depreciation	11	**2,588**	2,433
Amortisation			
Customer contracts and distributor relationships		**5,759**	5,183
Capitalised software		**1,937**	1,641
Brands and trademarks		**261**	–
Total amortisation	12	**7,957**	6,824
Total depreciation and amortisation		**10,545**	9,257

d. Employee benefits expenses

	Notes	2014 $'000	2013 $'000
Total employee benefits	19(a)	**58,271**	43,070

e. Finance costs

	Notes	2014 $'000	2013 $'000
Interest and finance charges		**6,951**	11,375
Fair value changes on interest swaps cash flow hedges – transfer from equity		**109**	343
Total finance costs		**7,060**	11,718

Note 7. Income tax expense

	2014 $'000	2013 $'000
a. Income tax expense		
Current tax	**9,700**	5,615
Deferred tax	**(971)**	(1,998)
Adjustments for current tax of prior periods	**72**	(105)
Aggregate income tax expense	**8,801**	3,512
Deferred income tax (benefit)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**(3,931)**	(706)
(Decrease)/increase in deferred tax liabilities	**2,960**	(1,292)
	(971)	(1,998)
b. Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit before income tax expense	**24,451**	10,293
Tax at the Australian tax rate of 30% (2013: 30%)	**7,336**	3,088
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	**3**	–
Share based payments	**748**	32
Entertainment	**85**	113
Non-deductible IPO transaction costs	**40**	–
Sundry items	**(39)**	42
	8,173	3,275
Difference in overseas tax rates	**536**	223
Adjustments for current tax of prior periods	**72**	(105)
Adjustments for deferred tax of prior periods	**(104)**	119
Unrecognised tax losses	**215**	–
Previously unrecognised tax losses now recouped to reduce current tax expense	**(91)**	–
Income tax expense	**8,801**	3,512
Tax recognised in other comprehensive income		
Changes in the fair value of cash flow hedges	**10**	–
Tax recognised directly in equity		
Deferred tax benefit	**(2,553)**	–
Tax losses		
Unused tax losses for which no deferred tax assets has been recognised:		
Potential tax benefit @ 30%	**(264)**	–

Note 8. Financial assets and liabilities

a. Categories of financial assets and liabilities

Note 1 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

Financial assets

	Notes	Financial assets at amortised cost $'000	Total $'000
2014			
Cash and cash equivalents	9	**20,615**	**20,615**
Trade and other receivables*	10	**25,841**	**25,841**
		46,456	**46,456**
2013			
Cash and cash equivalents	9	29,474	29,474
Trade and other receivables*	10	14,372	14,372
		43,846	43,846

* *Excluding prepayments and other statutory receivables*

Financial liabilities

	Notes	Derivatives used for hedging at fair value $'000	Financial liabilities at amortised cost $'000	Total $'000
2014				
Trade and other payables*	15	**–**	**30,155**	**30,155**
Borrowings – secured	17	**–**	**45,570**	**45,570**
Derivatives financial instruments	20	**441**	**–**	**441**
		441	**75,725**	**76,166**
2013				
Trade and other payables*	15	–	21,956	21,956
Borrowings – secured	17	–	22,711	22,711
Derivatives financial instruments	20	142	–	142
Deferred considerations	18	–	843	843
Principal & interest liability on redeemable preference shares	17,18	–	86,226	86,226
		142	131,736	131,878

* *Excluding payroll tax and other statutory liabilities*

b. Recognised fair value measurements

i. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the observability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at June 2014					
Recurring fair value measurement					
Financial liabilities					
Derivatives used for hedging	20	**–**	**441**	**–**	**441**
Total financial liabilities		**–**	**441**	**–**	**441**
As at June 2013					
Recurring fair value measurement					
Financial liabilities					
Derivatives used for hedging	20	–	142	–	142
Total financial liabilities		–	142	–	142

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- **level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **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

ii. Valuation process

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations as required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer (CFO) and to the Audit and Risk Management Committee. Valuation processes and fair value changes are discussed among the Audit and Risk Management Committee and the valuation team at least every year, in line with the Group's reporting dates.

The valuation technique used for instruments categorised in level 2 are described below.

iii. Interest rate swap (level 2)

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Note 9. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and in hand	**18,309**	29,474
Deposits at call	**2,306**	–
Total cash and cash equivalents	**20,615**	29,474

a. Cash not available for use

In accordance with the Australian Financial Services Licence (AFSL) by which Cover-More Insurance Services Pty Limited (CMIS) and Travel Insurance Partners Pty Limited (TIP) are bound to have a cash reserve equal to 20% of the greater of:

i. the cash outflow for the projected period of at least the next 3 months (if the projection covers a period longer than 3 months, the cash outflow may be adjusted to produce a 3-month average);

ii. the actual cash outflow for the most recent financial year for which a income statement is prepared, adjusted to produce a 3-month average.

The Group's AFSL's requires it to hold a certain level of cash reserves. The Group's total multi-option working capital loan facility is $12.500m (2013: $11.000m) of which $7.500m (2013: $6.000m) is available exclusively for use by CMIS and TIP and the undrawn facility meets the AFSL cash reserve requirements. As a result the Group does not have a separate cash reserve amount while in 2013 it was required to hold $0.809m in cash reserves.

b. Classification of cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours-notice. See note 1(j) for the Group's other accounting policies on cash and cash equivalents.

c. Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 10. Trade and other receivables

	2014 $'000	2013 $'000
Commission receivable	**19,855**	9,499
Assistance fees receivable	**6,043**	4,999
Provision for impairment of trade receivables (d)	**(123)**	(126)
	25,775	14,372
Prepayments	**4,398**	2,629
Net GST receivable	**–**	467
Other receivables	**66**	–
Total trade and other receivables	**30,239**	17,468

a. Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30-60 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 1(i) and 1(k) respectively.

Note 10. Trade and other receivables continued

b. Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

c. Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount approximates the fair value.

d. Impairment and risk exposure

The individually impaired receivables mainly relate to travel agents and corporate clients which are in previously unforeseen economic difficulties.

The ageing analysis of these receivables is as follows:

	2014 $'000	2013 $'000
1 to 3 months	**2**	–
3 to 6 months	**2**	–
Over 6 months	**119**	126
	123	126
Movement in the provision for impairment of receivables is as follows:		
Opening balance	**126**	45
Provision acquired as part of business combination	**80**	–
Provision for impairment recognised during the year	**66**	81
Receivables written off during the year as uncollectable	**(113)**	–
Unused amount reversed	**(36)**	–
Closing balance	**123**	126

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Past due but not impaired

As at 30 June 2014, trade receivables of $2.736m (2013: $1.268m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 $'000	2013 $'000
Up to 3 months	**2,309**	1,126
3 to 6 months	**388**	142
6 to 12 months	**26**	–
More than 12 months	**13**	–
	2,736	1,268

Information on the credit quality of trade and other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 2.

Note 11. Plant and equipment

	Notes	Plant & equipment $'000	Leased motor vehicles $'000	Total $'000
At 30 June 2012				
Cost		11,644	581	12,225
Accumulated depreciation		(5,837)	(198)	(6,035)
Net book amount		5,807	383	6,190
Year ended 30 June 2013				
Opening net book amount		5,807	383	6,190
Exchange differences		33	(8)	25
Additions		1,889	–	1,889
Disposals at cost		(39)	(15)	(54)
Accumulated depreciation on disposal		–	15	15
Depreciation charge	6(c)	(2,367)	(66)	(2,433)
Closing net book amount		5,323	309	5,632
At 30 June 2013				
Cost		13,527	558	14,085
Accumulated depreciation		(8,204)	(249)	(8,453)
Net book amount		5,323	309	5,632
Year ended 30 June 2014				
Opening net book amount		**5,323**	**309**	**5,632**
Reclassification		**(462)**	**25**	**(437)**
Exchange differences		**41**	**(1)**	**40**
Acquired through business combinations – cost		**4,958**	**60**	**5,018**
Acquired through business combinations – accumulated depreciation		**(3,339)**	**(39)**	**(3,378)**
Additions		**873**	**119**	**992**
Disposals at cost		**(83)**	**(100)**	**(183)**
Accumulated depreciation on disposal		**43**	**67**	**110**
Depreciation charge	6(c)	**(2,494)**	**(94)**	**(2,588)**
Closing net book amount		**4,860**	**346**	**5,206**
At 30 June 2014				
Cost		**19,685**	**576**	**20,261**
Accumulated depreciation		**(14,825)**	**(230)**	**(15,055)**
Net book amount		**4,860**	**346**	**5,206**

a. Leased assets

All leased assets are motor vehicles. Refer to note 17 for information on finance lease liabilities.

b. Non–current assets pledged as security

Refer to note 31 for information on non-current assets pledged as security by the Group.

Note 12. Intangible assets

	Notes	Goodwill $'000	Customer contracts and distributor relationships $'000	Capitalised software $'000	Brand and trademarks $'000	Total $'000
At 30 June 2012						
Cost		73,162	40,958	3,260	–	117,380
Accumulated amortisation and impairment		–	(22,606)	(1,357)	–	(23,963)
Net book amount		73,162	18,352	1,903	–	93,417
Year ended 30 June 2013						
Opening net book amount		73,162	18,352	1,903	–	93,417
Additions – Internal development*		–	–	3,105	–	3,105
Disposal at costs		–	–	(2,050)	–	(2,050)
Accumulated amortisation on disposal		–	–	2,050	–	2,050
Impairment	6(b)	–	–	(165)	–	(165)
Exchange differences		300	–	42	–	342
Amortisation charge	6(c)	–	(5,183)	(1,641)	–	(6,824)
Closing net book amount		73,462	13,169	3,244	–	89,875
At 30 June 2013						
Cost		73,462	40,958	4,192		118,612
Accumulated amortisation and impairment		–	(27,789)	(948)		(28,737)
Closing net book amount		73,462	13,169	3,244		89,875
Year ended 30 June 2014						
Opening net book amount		**73,462**	**13,169**	**3,244**	**–**	**89,875**
Reclassification		**–**	**–**	**437**	**–**	**437**
Additions – Internal development*		**–**	**–**	**2,903**	**–**	**2,903**
Acquired through business combinations – cost		**123,783**	**28,833**	**2,554**	**11,060**	**166,230**
Acquired through business combinations – accumulated amortisation		**–**	**–**	**(2,249)**	**–**	**(2,249)**
Disposal at cost		**–**	**–**	**(13)**	**–**	**(13)**
Accumulated amortisation on disposal		**–**	**–**	**4**	**–**	**4**
Impairment	6(b)	**–**	**–**	**(10)**	**–**	**(10)**
Exchange differences		**(905)**	**–**	**(60)**	**–**	**(965)**
Amortisation charge	6(c)	**-**	**(5,759)**	**(1,937)**	**(261)**	**(7,957)**
Closing net book amount		**196,340**	**36,243**	**4,873**	**10,799**	**248,255**
At 30 June 2014						
Cost		**196,340**	**69,842**	**9,745**	**11,060**	**286,987**
Accumulated amortisation and impairment		**–**	**(33,599)**	**(4,872)**	**(261)**	**(38,732)**
Closing net book amount		**196,340**	**36,243**	**4,873**	**10,799**	**248,255**

* *Software includes capitalised development costs being an internally generated intangible asset.*

Note 12. Intangible assets continued

a. Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Customer contracts and distributor relationships 2–12.5 years
- Brand and trademarks 5–20 years
- Capitalised software 2–5 years

See note 1(o) for the other accounting policies relevant to intangible assets, and note 1(i) for the Group's policy regarding impairments.

b. Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) according to operating segment and country of operation. A CGU level summary of the goodwill allocation is presented below.

	Australia & New Zealand (Travel insurance) $'000	India (Travel insurance) $'000	Australia & New Zealand (Medical assistance) $'000	Australia & New Zealand (Employee assistance) $'000	China (Medical assistance) $'000	Total $'000
At 30 June 2014						
Goodwill	**83,989**	**34,539**	**29,000**	**45,897**	**2,915**	**196,340**
At 30 June 2013						
Goodwill	54,958	–	15,501	–	3,003	73,462

c. Significant estimates: key assumptions used for value-in-use calculations

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on a one-year budget and four-year projections approved by management. Cash flows beyond the one-year budget period are extrapolated using the estimated growth rates stated below. The growth rates for the terminal period do not exceed the long-term average growth rates for the industry in which each CGU operates.

The assumptions in the table below have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant CGUs under the operating segments and the countries in which they operate.

	Four-year projection period growth rate[1]		Terminal period growth rate		Discount rate[2]	
	2014 %	2013 %	2014 %	2013[3] %	2014 %	2013[3] %
Travel insurance						
Australia/New Zealand	**6.0**	6.0	**3.0**	3.0	**11.1**	10.3
India	**20.0**	n/a	**8.0**	n/a	**17.4**	n/a
Medical assistance						
Medical assistance – Australia/New Zealand	**6.0**	6.0	**3.5**	3.0	**12.1**	10.3
Medical assistance – China	**12.4**	10.0	**3.0**	3.0	**14.2**	12.5
Employee assistance – Australia/New Zealand	**8.0**	n/a	**3.5**	n/a	**11.9**	n/a

1. *Weighted average growth rate used to extrapolate cash flows for the four-year projection period.*
2. *In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates.*
3. *In updating the impairment assessment model, some comparative assumptions were updated for consistency. This did not result in any change to the impairment assessment for 2013.*

d. Significant estimate: Impact of possible changes in key assumptions

Travel insurance – India

The recoverable amount of the travel insurance CGU in India is estimated to be $55.115m. This exceeds the carrying amount of the CGU as at 30 June 2014 by $14.071m. If the growth rate during the projection period used in the value-in-use calculation had been 8% lower than management's estimates at 30 June 2014 (12.0% instead of 20.0%), the Group would have had to recognise an impairment against the carrying amount of intangibles of $1.809m. A change in the budget growth rate of 7.6% would lead to the breakeven point of causing an impairment.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 3% higher than management's estimates (20.4% instead of 17.4%), the Group would have had to recognise an impairment against intangibles of $1.461m. A change in the pre-tax discount rate of 2.9% would lead to the breakeven point of causing an impairment.

No other CGUs would incur an impairment on a reasonable change in the above assumptions.

Note 13. Deferred tax assets/liabilities

a. Deferred tax assets

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Tax losses	–	76
Employee benefits	**1,892**	842
Deferred revenue	**293**	–
	2,185	918
Other:		
Intangible assets	**338**	317
Fixed assets	**1,033**	616
Doubtful debts	**31**	37
Trade and other payables	**1,005**	778
Provisions	**219**	77
Finance costs	–	105
Initial public offer costs	**5,461**	–
Cash flow hedges	**10**	–
Other	**185**	–
Sub-total Other	**8,282**	1,930
Total deferred tax assets	**10,467**	2,848
Set-off of deferred tax liabilities pursuant to set-off provisions	**(10,399)**	(2,763)
Net deferred tax assets	**68**	85
Deferred tax assets expected to be recovered within 12 months	**4,738**	1,629
Deferred tax assets expected to be recovered after 12 months	**5,729**	1,219
	10,467	2,848

Significant estimates

The Group has not recognised deferred tax assets relating to carried forward tax losses of overseas subsidiaries to the extent there are not sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. The utilisation of the tax losses also depends on the ability of the subsidiary, which is not part of the tax consolidated Group, to satisfy certain tests at the time the losses are recouped.

Note 13. Deferred tax assets/liabilities continued

b. Deferred tax liabilities

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Fixed assets	11	–
Intangible assets	14,002	3,587
	14,013	3,587
Other: Other creditors and accruals	6	2
Employee benefits	14	–
Unrealised foreign exchange gains	–	14
Trade and other receivables	539	–
Step gain on acquisition	4,127	–
Sub-total Other	4,686	16
Total deferred tax liabilities	18,699	3,603
Set-off of deferred tax liabilities pursuant to set-off provisions	(10,399)	(2,763)
Net deferred tax liabilities	8,300	840
Deferred tax liabilities expected to be settled within 12 months	9,762	6
Deferred tax liabilities expected to be settled after 12 months	8,937	3,597
	18,699	3,603

c. Movement in deferred tax (assets)/liabilities

	Opening balance $'000	Acquired in business combination $'000	Recognised in profit or loss $'000	Recognised in other compre-hensive income $'000	Recognised directly in equity $'000	Recognised in foreign translation reserve $'000	Closing balance $'000
At June 2014							
Intangible assets	3,269	12,240	(1,845)	–	–	–	13,664
Plant and equipment	(616)	(118)	(289)	–	–	–	(1,023)
Trade and other receivables	–	50	490	–	–	–	540
Trade and other payables	(778)	–	(224)	–	–	–	(1,002)
Provisions	(114)	(6)	(130)	–	–	–	(250)
Employee benefits	(842)	(529)	(507)	–	–	–	(1,878)
Initial public offering costs	–	–	(2,908)	–	(2,553)	–	(5,461)
Step gain on acquisition	–	–	4,301	–	–	(174)	4,127
Other	(164)	(446)	141	(10)	–	(6)	(485)
Net deferred tax (assets)/liabilities	755	11,191	(971)	(10)	(2,553)	(180)	8,232
At June 2013							
Intangible assets	4,875	–	(1,606)	–	–	–	3,269
Plant and equipment	(623)	–	7	–	–	–	(616)
Provisions	(42)	–	(72)	–	–	–	(114)
Employee benefits	(812)	–	(30)	–	–	–	(842)
Trade and other payables	(423)	–	(355)	–	–	–	(778)
Other	(222)	–	58	–	–	–	(164)
Net deferred tax (assets)/liabilities	2,753	–	(1,998)	–	–	–	755

Note 14. Investments accounted for using the equity method

	2014 $'000	2013 $'000
Shares in associates (a)	–	6,527
Total investments accounted for using the equity method	**–**	6,527
a. Investments in associates		
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**6,527**	–
Acquired through business combinations	**–**	5,583
Share of profits after income tax	**59**	754
Reclassification to individual asset and liability classes through consolidation	**(6,586)**	–
Exchange differences	**–**	190
Carrying amount at the end of the financial year	**–**	6,527

On 23 December 2013, the Group purchased the remaining 56% of Karvat Cover-More Assist Pvt. Limited hence its status changed from an associate to a subsidiary as disclosed in note 29. Also refer to note 28 for further details regarding the acquisition.

Note 15. Trade and other payables

	2014 $'000	2013 $'000
Trade payables	**4,770**	2,376
Payroll tax and other statutory liabilities	**924**	588
Net GST payable	**214**	–
Unearned revenue	**5,280**	237
Other payables	**20,105**	19,343
Total current trade and other payables	**31,293**	22,544

Trade payables are unsecured and are usually paid within 30–60 days of recognition.

The carrying amounts of trade and other payables approximates their fair values, due to their short-term nature.

a. Risk exposures

Information about the Group's exposure to foreign exchange risk is provided in note 2.

Note 16. Deferred liabilities

	2014 $'000	2013 $'000
Current liability		
Deferred lease incentive liability	**237**	207
Total current deferred liabilities	**237**	207
Non-Current liability		
Deferred lease incentive liability	**361**	568
Total non-current deferred liabilities	**361**	568
Total deferred liabilities	**598**	775

Note 17. Borrowings

	2014			2013		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans*	**–**	**45,338**	**45,338**	22,415	–	22,415
Finance lease liabilities	**60**	**172**	**232**	64	232	296
Total secured borrowings	**60**	**45,510**	**45,570**	22,479	232	22,711
Unsecured						
Redeemable preference shares	**–**	**–**	**–**	–	55,185	55,185
Total unsecured borrowings	**–**	**–**	**–**	–	55,185	55,185
Total borrowings	**60**	**45,510**	**45,570**	22,479	55,417	77,896

* *Bank loans are net of costs associated with the banking facility that have been capitalised.*

a. Secured liabilities and assets or equity pledged as security

Information about the security relating to each of the secured liabilities is provided in note 31.

b. Compliance with loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

a. Net leverage ratio (Net finance debt/EBITDA) is less than 3.

b. Interest cover ratio (EBITDA/Net interest expense) is more than 3, at all times

These financial undertakings are tested semi-annually on a rolling 12 month basis.

The Group has complied with these covenants throughout the reporting period. As at 30 June 2014, the ratio of net finance debt to EBITDA was 1.4 and the ratio of EBITDA to net interest expense for 2014 of 8.9. The Group was in full compliance with loan covenants in 2013.

Note 17. Borrowings continued

c. Redeemable preference shares

Redeemable preference shares were issued at $1.00, $1.26 and $1.50 and carried no voting rights or right to dividends.

Interest was accrued on the redeemable preference shares at a non-compounding rate of 15% and was payable on redemption of the preference shares.

On 4 October 2013 ASTIS Holdings Pty Limited (ASTIS) entered into a selective buy-back agreement with the redeemable preference shareholders of the company. Under the terms of the selective share buy-back agreement, ASTIS bought back 45.8% of the redeemable preference shares, being a total of 25,274,749 fully paid redeemable preference shares for a total of $25.275m. ASTIS paid the interest accrued on the redeemable preference shares acquired of $15.261m.

Redeemable preference shares totalling 2,593,937 for a value of $3.262m that were held under employee limited recourse loans which are treated in accordance with AASB2 Share Based Payments were also bought back on 4 October 2013. ASTIS settled the interest accrued on these redeemable preference shares acquired of $0.942m.

Upon completion of the Initial Public Offering of Cover-More Group Limited and with effect on 24 December 2013 ASTIS redeemed the outstanding redeemable preference shares, out of the proceeds of a fresh issue of shares to Cover-More Finance Pty Ltd, being a total of 33,149,872 fully paid redeemable preference shares for a total consideration of $33.941m. ASTIS paid the interest accrued on the preference shares redeemed of $20.364m.

Redeemable preference shares totalling 3,239,580 for a value of $4.030m that were previously held under employee limited recourse loans which are treated in accordance with AASB2 Share Based Payments vested at the time of the Initial Public Offering and the loans became binding. These preference shares were redeemed with effect on 24 December 2013 and are included in the total redemption consideration of $33.941m noted above (30 June 2013: 6,258,863 redeemable preference for a value of $7.718m were held under employee limited recourse loans which were treated in accordance with AASB2 Share Based Payments).

	2014		2013	
Redeemable preference shares	**Number**	**$'000**	**Number**	**$'000**
Balance at the beginning of the financial year	**55,185,041**	**55,185**	63,131,452	63,131
Shares issued during the year	**3,239,580**	**4,030**	–	–
Settlement of RPS	**(58,424,621)**	**(59,215)**	(7,946,411)	(7,946)
Balance at the end of the financial year	**–**	**–**	55,185,041	55,185

d. Fair value measurement

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2014			2013		
	Carrying amount $'000	**Fair value $'000**	**Discount rate %**	**Carrying amount $'000**	**Fair value $'000**	**Discount rate %**
Bank loans	**45,338**	**47,549**	**3.6**	22,415	22,808	7.6
Redeemable preference shares	**–**	**–**	**–**	55,185	87,188	7.6

Note 18. Provisions

	2014 $'000	2013 $'000
Current		
Deferred consideration (a)	–	843
Total current provisions	–	843
Non-current		
Redeemable preference share interest provision (b)	–	31,041
Total non-current provisions	–	31,041
Total provision	–	31,884

a. Deferred consideration

	2014 $'000	2013 $'000
Carrying amount at start of year	**843**	–
Deferred consideration on investment in Karvat	**(843)**	843
Carrying amount at the end of the year	–	843

b. Redeemable preference share interest provision

	2014 $'000	2013 $'000
Carrying amount at start of year	**31,041**	25,999
Charge to income statement	**3,185**	5,042
Settlement of RPS	**(34,226)**	–
Carrying amount at the end of the year	–	31,041

Note 19. Employee compensation

a. Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2014 $'000	2013 $'000
Wages, salaries and on-costs	55,782	41,881
Share-based payments	2,489	1,189
Employee benefits expense	**58,271**	43,070

b. Share based employee remuneration

Share-based compensation benefits were provided to senior management via the ASTIS share purchase agreement dated 17 September 2009. The fair value of the shares granted was recognised as a share based payment expense with a corresponding increase in equity. The total value was determined by reference to the fair value of the shares granted less amounts to be paid upon settlement, which included any market performance conditions and the impact of any non-vesting conditions but excluded the impact of any service and non-market performance vesting conditions.

In addition, the cash bonus due on the Redeemable Preference Shares was also recognised as a share based payment with a corresponding increase in sundry creditors and accruals.

On completion of the Initial Public Offering the fair value of the shares granted under the ASTIS share purchase agreement dated 17 September 2009 were equity settled with a corresponding increase in equity.

Expenses arising from share-based payment transactions:

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2014 $'000	2013 $'000
Shares issued under employee share scheme	2,489	1,189

c. Employees benefits

	2014 $'000	2013 $'000
Employee entitlements – annual leave	2,628	1,734
Employee entitlements – long service leave	755	492
Total current provisions	**3,383**	2,226
Non-current		
Employee entitlements – long service leave	427	351
Total non-current provisions	**427**	351
Total provisions	**3,810**	2,577

Note 20. Derivative financial instruments

	2014 $'000	2013 $'000
Current liability		
Interest rate swap contracts: cash flow hedges (a)	–	142
Total current derivative financial instrument liability	–	142
Non-current liability		
Interest rate swap contracts: cash flow hedges (a)	**441**	–
Total non-current derivative financial instrument liability	**441**	–

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest in accordance with the Group's financial risk management policies (refer to note 2).

a. Interest rate swap contracts – cash flow hedges

The interest rate swap entered into in terms of the previous Westpac Senior Facilities Agreement matured on 20 December 2013 and was settled in full. The hedge was deemed ineffective as at 30 June 2013 because it no longer satisfied the effective corridor between 80%/125%. As the hedge no longer met the criteria for hedge accounting, the cumulative loss in equity of $0.142m was recognised in profit or loss in the year ending 30 June 2013.

At the time of acquisition of DTC Holdco and effective on 24th December 2013 the interest rate swap contract previously held by DTC Bidco (100% subsidiary of DTC Holdco) was novated to Travel Assist Pty Ltd (100% subsidiary of Cover-More Group Limited), as part of the Group's overall risk management strategy.

At 30 June 2014 the drawn down facilities on the Westpac Senior Facilities agreement are $45.800m on which the Group currently pays an average Bank Bill Swap Bid Rate (BBSY) plus margin interest rate of 0.85% and a line fee of 0.85%. The notional amount on the novated swap contract is $11.600m at 30 June 2014. The Group receives interest at the variable rate and pays interest at a fixed rate of 4.51% on the notional amount of the interest rate swap contract. The contract requires settlement of net interest receivable or payable monthly. The contract is settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2014 $0.109m was reclassified into profit and loss as the hedge was effective. For the year ended 30 June 2013, a loss of $0.343m was recognised and included in finance costs.

Information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 2. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of derivative financial assets/liabilities mentioned above.

Note 21. Capital reconstruction and share capital

Cover-More Group Limited was incorporated on 14 November 2013 and undertook an initial public offering on 19 December 2013. The proceeds of the initial public offering were used to acquire ASTIS Holdings Limited (ASTIS) and its controlled entities, through a newly incorporated subsidiary company, Cover-More Finance Pty Ltd.

Cover-More Group Limited determined that the acquisition of ASTIS by its 100% owned subsidiary did not represent a business combination as defined by Australian Accounting Standard AASB 3. The appropriate accounting treatment for recognising the new Group structure has been determined on the basis that the transaction was a form of capital reconstruction and Group reorganisation. The capital reconstruction has been accounted for using the principles of reverse acquisition by ASTIS Holdings Limited of Cover-More Group Limited and Cover-More Finance Pty Ltd.

As a result, the consolidated financial statements of Cover-More Group Limited have been prepared as a continuation of the financial statements of the accounting acquirer, ASTIS Holdings Limited. The impact of the capital reorganisation on the capital of the Group is as follows:

	2014		2013	
	Number	**$'000**	**Number**	**$'000**
a. Share capital				
Ordinary shares – fully paid	**317,500,000**	**220,067**	14,726,136	14,376
	317,500,000	**220,067**	14,726,136	14,376
b. Other equity securities				
C-Class shares	–	–	100,000	100
E-Class shares	–	–	2	–
Total contributed equity	**317,500,000**	**220,067**	14,826,138	14,476
c. Movements in ordinary share capital				
Issued and fully paid ordinary shares				
Balance at the beginning of the financial year	**14,726,136**	**14,376**	16,071,690	16,071
Share buyback	–	–	(1,345,554)	(1,695)
Shares issued on exercise of employee LTI plan	**1,545,021**		–	–
ASTIS share issue to fund DTC Holdco Pty Limited acquisition	**4,871,517**		–	–
Shares issued for redeemable preference share redemption	**2,647,757**		–	–
Less: Shares prior to reconstruction	**(23,790,431)**		–	–
Shares issued as a result of initial public offering	**260,144,785**		–	–
Shares issued as a share for share exchange of ASTIS Holdings Limited with existing owners	**57,355,215**		–	–
Contributed equity retained to fund transaction costs and acquisitions		**211,727**	–	–
	317,500,000	**226,103**	14,726,136	14,376
Less: Transaction costs arising on share issues		**(8,589)**	–	–
Deferred tax credit recognised directly in equity		**2,553**	–	–
Balance at the end of the financial year	**317,500,000**	**220,067**	14,726,136	14,376

Note 21. Capital reconstruction and share capital continued

C-Class Shares	2014 Number	2014 $'000	2013 Number	2013 $'000
d. Movements in other equity securities				
Balance at the beginning of the financial year	**100,000**	**100**	100,000	100
ASTIS shares bought on acquisition	**(100,000)**	**(100)**	–	–
Balance at the end of the financial year	**–**	**–**	100,000	100

E-Class Shares	2014 Number	2014 $	2013 Number	2013 $
Balance at the beginning of the financial year	**2**	**2**	2	2
ASTIS shares bought on acquisition	**(2)**	**(2)**	–	–
Balance at the end of the financial year	**–**	**–**	2	2

Ordinary shares entitle the holders to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On show of hands every holder of ordinary shares present at the meeting in person or proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

"C" Class shares

Class C shares were incentive shares issued to the continuing shareholders and did not carry voting rights or rights to receive dividends.

"E" Class shares

E Class shares were issued at $1.00 and carried no voting rights or rights to dividends. Other restrictions applied.

Note 22. Other reserves and retained earnings

a. Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Cash flow hedge $'000	Share-based payments $'000	Foreign currency translation $'000	Total other reserves $'000
At 1 July 2012	(469)	1,019	(537)	13
Revaluation-gross	610	–	–	610
Deferred tax	(141)	–	–	(141)
Currency translation differences – current period	–	–	238	238
Other comprehensive income	–	1,019	(299)	720
Transactions with owners in their capacity as owners				
Share-based payment expense	–	1,189	-	1,189
Other movements	–	8	-	8
At 30 June 2013	**–**	**2,216**	**(299)**	**1,917**

	Cash flow hedge $'000	Share-based payments $'000	Foreign currency translation $'000	Total other reserves $'000
At 30 June 2013	**–**	**2,216**	**(299)**	**1,917**
Revaluation	(33)	–	–	(33)
Deferred tax	10	–	–	10
Currency translation differences- current period	–	–	(699)	(699)
Other comprehensive income	(23)	–	(699)	(722)
Transactions with owners in their capacity as owners:				
Share-based payment expense	–	2,489	–	2,489
Other movements	–	(4,083)	–	(4,083)
At 30 June 2014	**(23)**	**622**	**(998)**	**(399)**

Nature and purpose of other reserves

i. Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(l). Amounts are reclassified to the income statement when the associated hedged transaction affects profit or loss.

ii. Foreign currency translation

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

iii. Share-based payment reserve

The share-based payment reserve comprises the fair value of the ordinary shares issued in return for limited recourse loans as per note 1(t) recognised as an expense. Upon exercise of options or performance share rights, any proceeds received are credited to share capital. The share-based payment reserve remains as a separate component of equity.

b. Retained earnings

	Notes	2014 $'000	2013 $'000
Movements in retained earnings were as follows:			
Opening balance 1 July		**(10,264)**	(14,717)
Net profit for the year		**15,650**	6,781
Dividends	23	**(18,056)**	(2,328)
Closing balance 30 June		**(12,670)**	(10,264)

Note 23. Dividends

a. Dividends paid or provided for:

	2014 $'000	2013 $'000
A selective dividend for the year ended 30 June 2013 of $1.73 per share was paid on 4 October 2012	**–**	2,328
Final ordinary dividend for the year ended 30 June 2013 of 54 cents (2012 – 0 cents) per share paid on 2 October 2013	**7,932**	–
Interim ordinary dividend for the year ended 30 June 2014 69 cents (2013 : 0 cents) per share paid on 2 October 2013	**10,124**	–
Total dividends paid or provided for	**18,056**	2,328

b. Dividends not recognised at the end of the reporting period

On 25 August 2014 the directors declared a final ordinary dividend (fully franked), in respect of the period from the IPO to 30 June 2014, of $12.700m (4.0 cents per share) to be paid on 26 September 2014.

The directors have also declared a special dividend (fully franked) of $10.160m (3.2 cents per share) to be paid on 26 September 2014.

c. Franked dividends

The franked portions of the final dividends recommended after 30 June 2014 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2015.

	Parent entity 2014 $'000	Parent entity 2013 $'000
The amount of the franking credits available for subsequent reporting periods are: – Balance at the end of the reporting period	**9,684**	6,458
– Franking credits that will arise from the payment of the amount of provision for income tax	**6,133**	6,353
– Franking debits that will arise from the payment of dividends unrecognised as a liability at the end of the reporting period	**(9,797)**	(8,550)
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2013 – 30%)	**6,020**	4,261

The consolidated amounts include franking credits that would be available to the consolidated tax group if distributable profits of subsidiaries within the consolidated tax group were paid as dividends.

Note 24. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2014 $	2013 $
a. PricewaterhouseCoopers		
Audit and other assurance services		
Audit and review of financial statements	**552,350**	300,000
Other assurance services		
– Other advisory costs	**25,000**	19,725
– Due diligence services	**750,000**	–
Total remuneration for audit and other assurance services	**1,327,350**	319,725
Taxation services		
– Tax compliance services	**–**	35,000
– Tax advisory services	**7,923**	15,025
Total remuneration for taxation services	**7,923**	50,025
b. Non-PricewaterhouseCoopers firms		
Audit and review of financial statements	**58,497**	46,828
Tax compliance services	**196,890**	30,712
Due diligence services	**311,478**	–
Other	**34,128**	2,392
Total remuneration for non-PricewaterhouseCoopers audit firms	**600,993**	79,932

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 25. Contingencies

The Westpac Banking Corporation holds financial guarantees amounting to $4.364m (2013: $3.322m) in respect of property leases entered by the Group.

No other contingent liabilities exist at 30 June 2014.

Note 26. Commitments

a. Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Plant and equipment:

	2014 $'000	2013 $'000
Payable		
– within one year	–	151

b. Lease commitments

i. Non-cancellable operating leases

The Group leases various offices under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2014 $'000	2013 $'000
Payable lease payments		
Within one year	5,164	2,935
Later than one year but not later than five years	11,544	9,663
	16,708	**12,598**
Rental income		
Within one year	(823)	(781)
Later than one year but not later than five years	(1,531)	(2,352)
	(2,354)	**(3,133)**

ii. Finance leases

The Group leases various motor vehicles under Hire-Purchase or leasing agreements to pay for and use the motor vehicles over a term of 4 years rather than paying the full cost up front.

	2014 $'000	2013 $'000
Within one year	250	75
Later than one year but not later than five years	–	356
	250	**431**
Future finance charges	(18)	(135)
Recognised as a liability	**232**	**296**

Note 27. Related party transactions

a. Parent entities

The parent entity, and ultimate Australian parent entity within the Group is Cover-More Group Limited. Prior to 23 December 2013, the parent entity, and ultimate Australian parent entity within the Group was ASTIS Holdings Limited.

b. Subsidiaries

Interests in subsidiaries are set out in note 29(b).

c. Associates

During the year the Group acquired the remaining 56% in its associate, Karvat Cover-More Assist Private Limited (previously Karvat Travel Services Private Limited), as per note 28. Hence Karvat Cover-More Assist Private Limited ceased to be an associate of the Group and became a subsidiary as per note 29(b).

d. Key management personnel compensation

Key management personnel remuneration

The aggregate compensation made to key management personnel of the Group is set out below:

	2014 $	2013 $
Short-term employee benefits	**3,114,921**	3,039,823
Long-term benefits	**538,359**	240,926
Post-employment benefits	**102,818**	103,299
Share-based payments	**1,684,215**	741,071
	5,440,313	4,125,119

Detailed remuneration disclosures are provided in the remuneration report on pages 52 to 63.

	2014 $	2013 $
Other transactions		
Net payment made to ASTIS management and directors and associated entities for shares and RPS settlements as part of IPO	**45,963,909**	–
	45,963,909	–
Loans to KMP		
Beginning of the year	**–**	–
Loans vested	**5,963,564**	–
Loans repaid	**(5,963,564)**	–
Interest charges	**–**	–
End of the year	**–**	–
Borrowings from KMP (Redeemable preference shares)		
Beginning of the year	**2,786,286**	17,591,570
Principal & interest vested	**3,739,388**	–
Settlement of RPS	**(6,628,316)**	(7,835,717)
Interest accrued	**102,642**	1,255,966
Ceased to be KMP	**–**	(8,225,533)
End of the year	**–**	2,786,286

Note 27. Related party transactions continued

Shareholdings of KMP

	Ordinary shares		C class shares		E class shares	
	2014 Number	2013 Number	2014 Number	2013 Number	2014 Number	2013 Number
Beginning of the year	**475,272**	3,166,380	**14,786**	98,508	**2**	2
Additions	**10,462,231**	–	**–**	–	**–**	–
Disposals	**(230,153)**	(1,345,554)	**(14,786)**	–	**(2)**	–
Ceased to be KMP	**(2,463,242)**	(1,345,554)	**–**	(83,722)	**–**	–
End of the year	**8,244,108**	475,272	**–**	14,786	**–**	2

e. Transactions with other related parties

The following transactions occurred with related parties:

	2014 $	2013 $
Other transactions		
– Remuneration paid to other related parties for director services	**154,081**	150,000
– Purchase of DTC Holdco Pty Ltd, a portfolio company of a related entity, from Crescent Capital Partners and management shareholders (refer to note 28)	**99,893,677**	–

f. Terms and conditions

Transactions relating to dividends and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders. Loan terms were agreed with KMP in accordance with the employee loan scheme and the purchase of DTC Holdco Pty Ltd was as an agreed price with Crescent Capital Partners.

Outstanding loan balances are unsecured and are repayable in cash.

Note 28. Business combinations

a. Summary of acquisition

Acquisition of DTC Holdco Pty Ltd (DTC)

On 23 December 2013, ASTIS Holdings Limited, acquired 100% of the shares in DTC. The acquisition was made to allow the Group to expand its corporate assistance offering, realise revenue and cost synergy benefits as well as access DTC's established client base.

Acquisition of Karvat Cover-More Assist Private Limited (Karvat)

On 23 December 2013, Cover-More Group Limited, acquired the remaining 56% in Karvat Cover-More Assist Private Limited through its wholly owned subsidiaries Cover-More Asia Pte Ltd and Travel Assist Pty Limited. The majority of additional shares were acquired by Cover-More Asia Pte Ltd. The acquisition was made to allow the Group to increase its participation in the Indian travel insurance market.

Details of the purchase consideration, the identifiable net assets acquired and goodwill are as below:

Purchase consideration:

	DTC $'000
Cash paid	79,059
Fair value of shares issued*	20,835
Total purchase consideration	**99,894**

* *These shares will be placed in escrow until end of financial year results of Cover-More Group Ltd are published.*

	Karvat $'000
Cash paid for additional 56% interest in Karvat	23,300
Fair value of pre-existing 44% equity interest in Karvat	18,307
Total amount to be allocated	**41,607**

The acquisitions of DTC and Karvat were conditional upon successful IPO by Cover-More Group Limited.

Note 28. Business combination continued

The assets and liabilities recognised as a result of the acquisitions are as follows:

	DTC $'000	Karvat $'000
Cash and cash equivalents	**2,960**	1,053
Trade and other receivables	**7,564**	1,425
Plant and equipment	**1,581**	59
Deferred tax assets	**1,108**	–
Intangible assets – Capitalised software	**255**	50
Intangible assets - Customer contracts and distributors relationships	**23,278**	5,555
Intangible assets – Brand and trademarks	**9,795**	1,265
Trade and other payables	**(23,081)**	(297)
Current tax provisions	**(789)**	(532)
Provisions	**(523)**	–
Derivative financial instruments	**(408)**	–
Long term provisions	**(301)**	–
Deferred tax liabilities	**(9,972)**	(2,327)
Net identifiable assets	**11,467**	6,251
Add: goodwill	**88,427**	35,356
Net assets acquired	**99,894**	41,607

The goodwill is attributable to growth expectations, expected future profitability, and expected cost synergies of the acquired businesses. Goodwill has been allocated to cash-generating units at 30 June 2014 as described in note 12(b). The goodwill that arose from these business combinations is not expected to be deductible for tax purposes.

i. Significant estimate: contingent consideration

There is no contingent consideration for the acquisitions of DTC and Karvat as at 30 June 2014.

ii. Significant judgement: contingent liability

No contingent liability was recognised on acquisition of DTC and Karvat during the year ending 30 June 2014.

iii. Acquired receivables

The fair value of acquired trade and other receivables on the Karvat acquisition amounted to $1.425m. The gross contractual amount for trade receivables due was $1.484m, of which $0.059m was expected to be uncollectable.

The fair value of acquired trade and other receivables on the DTC acquisition amounted to $7.564m. The gross contractual amount for trade receivables due was $7.585m, of which $0.021m was expected to be uncollectable.

iv. Revenue and profit contribution

The acquired businesses contributed revenue of $24.211m and net profit after tax of $4.944m to the Group for the period from 23 December 2013 to 30 June 2014.

If the acquisitions had occurred on 1 July 2013, consolidated revenue and profit after tax for the year ended 30 June 2014 would have been $46.395m and $9.854m respectively. These amounts have been calculated using the subsidiaries' results and adjusted for:

- difference in the accounting polices between the Group and the subsidiaries, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2013, together with the consequential tax effects.

Acquisition in prior year

On 30 October 2012, the Group, through its wholly owned subsidiary, Cover-More Asia Pte Ltd (Cover-More Singapore), acquired a 44% shareholding of Karvat Cover-More Assist Private Limited, previously Karvat Travel Assist Private Limited (Karvat). The acquisition was made to allow the Group to expand geographically into the Indian travel insurance market.

Within the initial share purchase agreement for Karvat there was a deferred consideration for Cover-More Asia Pty Limited to purchase a further 1% ordinary shareholding based on defined criteria as set out in the share purchase agreement. The second tranche payment was estimated at INR 46.777m (AUD $0.843m). This payment was waived and the 1% was taken up in the payment of $23.300m for the remaining 56% of Karvat which was acquired by Cover-More Group Limited, through its wholly owned subsidiaries Cover-More Asia Pte Ltd and Travel Assist Pty Limited, on 23 December 2013.

b. Purchase consideration – cash outflow

	2014			2013		
	DTC $'000	Karvat $'000	Total $'000	DTC $'000	Karvat $'000	Total $'000
Outflow of cash to acquire subsidiaries, net of cash acquired						
Cash consideration Less: Balances acquired	**79,059**	**23,300**	**102,359**	–	4,740	4,740
Cash	**(2,960)**	**(1,053)**	**(4,013)**	–	–	–
Outflow of cash – investing activities	**76,099**	**22,247**	**98,346**	–	4,740	4,740

Acquisition-related costs

Acquisition-related costs of $0.4m are treated as initial public offer costs in profit or loss and in financing cash flows in the consolidated statement of cash flows.

c. Re-measurement of previously held equity interest to its acquisition-date fair value

The Group recognised a gain of $12.656m as a result of measuring at fair value its 44% equity interest in Karvat Cover-More Assist Private Limited prior to its acquisition date.

Note 29. Subsidiaries and transactions with non-controlling interests

Entity	Country of incorporation/ formation	2014 %	2013 %	Principal activities
a. Parent entity				
Cover-More Group Limited	Australia	–	n/a	Holding
b. Controlled entities				
Cover-More Finance Pty Limited	Australia	100	–	Holding
ASTIS Holdings Limited[1]	Australia	100	–	Holding
Travel Assist Pty Limited	Australia	100	100	Holding
Travel Insurance Partners Pty Limited	Australia	100	100	Insurance
Right Cover Pty Limited[2]	Australia	–	100	Dormant
Customer Care Holdings Pty Limited	Australia	100	100	Holding
Customer Care Assistance Pty Limited	Australia	100	100	Holding
Assistance Online Pte Limited	Singapore	100	100	Assistance
Assistance Online HK Limited	Hong Kong	100	100	Assistance
Assistance Online China Limited	China	100	100	Assistance
Customer Care Pty Limited	Australia	100	100	Assistance
Cover-More Holdings Pty Limited	Australia	100	100	Holding
Cover-More Australia Pty Limited	Australia	100	100	Holding
Cover-More Insurance Service Pty Limited	Australia	100	100	Insurance
Travelsure Pty Limited[2]	Australia	–	100	Dormant
Cover-More Insurance Service (UK) Limited	United Kingdom	100	100	Insurance
Cover-More (NZ) Limited (previously Travelsure Limited)	New Zealand	100	100	Insurance
Cover-More Asia Holdings Limited	Singapore	100	100	Holding
Cover-More Asia Holdings Limited	Malaysia	100	100	Branch
DTC Holdco Pty Limited	Australia	100	–	Holding
DTC Bidco Pty Limited[3]	Australia	100	–	Holding
DTC Australia Pty Limited[3]	Australia	100	–	Holding
Davidson Trahaire Holding Pty Ltd[3]	Australia	100	–	Holding
Applyhere Pty Limited[3]	Australia	100	–	Holding
Davidson Trahaire Corpsych Pty Limited[3]	Australia	100	–	Assistance
Prime Corporate Psychology Services Pty Ltd[3]	Australia	100	–	Assistance
Springboard Health & Performance Pty Limited[3]	Australia	100	–	Assistance
Davidson Trahaire Corpsych (Singapore) Pte Ltd	Singapore	100	–	Assistance
Karvat Cover-More Assist Private Limited[4]	India	100	44	Insurance

1. Changed from ASTIS Holdings Pty Ltd on 12 December 2013
2. De-registered on 20 November 2013
3. These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 34.
4. Changed from Karvat Travel Services Private Limited on 25 November 2013.

c. Reporting dates

The reporting date of the Group is 30 June. All Australian, New Zealand, United Kingdom and Malaysia subsidiaries have been aligned to 30 June reporting dates. The statutory obligations of China and Hong Kong require a 31 December reporting date and India requires a 31 March reporting date. There are also two Singapore entities with 31 December and one with 30 June reporting dates. Consolidation was based on 30 June numbers.

d. Equity

All equity in controlled entities is held in the form of shares or through contractual arrangements.

Note 30. Reconciliation of profit after income tax to net cash flow from operating activities

	Notes	2014 $'000	2013 $'000
Profit/(loss) for the year		**15,650**	6,781
Finance costs	6(e)	**7,060**	11,718
Depreciation and amortisation	6(c)	**10,545**	9,257
Impairment of intangible assets	6(b)	**10**	165
Share base payments	19(a)	**2,489**	1,189
Interest income	5	**(369)**	(570)
Share of profits of associates	14(a)	**(59)**	(754)
Net (gain)/loss on sale of non-current assets		**33**	–
Karvat step gain		**(12,656)**	–
Initial Public Offering costs		**14,377**	–
Changes in operating assets and liabilities:			
– Decrease/(Increase) in trade and other receivables		**(3,924)**	1,759
– Decrease/(Increase) in deferred tax asset		**3,688**	–
– Increase/(Decrease) in trade and other payables		**1,200**	4,777
– Increase/(Decrease) in deferred liability – current		**30**	(131)
– Increase/(Decrease) in income tax payable – current		**(208)**	2,332
– Increase/(Decrease) in employees benefits – current		**633**	(213)
– Increase/(Decrease) in deferred liability – non-current		**(207)**	(75)
– Increase/(Decrease) in employees benefits – non-current		**(225)**	61
– Increase/(Decrease) in deferred tax liability – non-current		**(4,839)**	(1,998)
Net cash inflow from operating activities		**33,228**	34,298

Note 31. Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Notes	2014 $'000	2013 $'000
Deferred consideration (a)		–	843
Bank loans (b)	17	**45,338**	22,415
Finance lease liabilities (c)	17	**232**	296
Total secured liabilities		**45,570**	23,554

** Bank loans are net of costs associated with the banking facility that have been capitalised.*

a. Deferred consideration

The deferred consideration in 2013 related to the acquisition of a further 1% ordinary shareholding of Karvat Cover-More Assist Private Limited in accordance with the share purchase agreement on 3 March 2012. This payment was waived and the 1% was taken up in the payment of $23.300m for the remaining 56% of Karvat which was acquired by Cover-More Group Limited, through its wholly owned subsidiaries Cover-More Asia Pte Ltd, and Travel Assist Pty Limited on 23 December 2013, refer to note 28.

b. Bank borrowings

All loans facilities are held with Westpac Banking Corporation. Below are details of security guarantors in relation to Westpac senior facility agreement:

a. Mortgage 20/12/2010 secured over shares in ASTIS Holdings Limited.

b. Mortgage 20/12/2010 secured over shares in Travel Assist Pty Ltd.

c. Mortgage 20/12/2010 secured over shares in Customer Care Holdings Pty Ltd.

d. Mortgage 20/12/2010 secured over shares in Customer Care Pty Ltd.

e. Mortgage 20/12/2010 secured over shares in Customer Care Assistance Pty Ltd.

f. Mortgage 20/12/2010 secured over shares in Cover-More Insurance Services Pty Ltd.

g. Mortgage 20/12/2010 secured over shares in Cover-More Australia Pty Ltd.

h. Mortgage 20/12/2010 secured over shares in Cover-More Holdings Pty Ltd.

i. Mortgage 20/12/2010 secured over shares in Cover-More (NZ) Limited (previously known as Travelsure Limited).

j. Mortgage 20/12/2010 secured over shares in Travel Insurance Partners Pty Limited.

k. Mortgage 02/12/2013 secured over shares in Cover-More Group Limited.

l. Mortgage 02/12/2013 secured over shares in Cover-More Finance Pty Limited.

m.Mortgage 23/01/2014 secured over shares in DTC Holdco Pty Limited.

n. Mortgage 23/01/2014 secured over shares in DTC Bidco Pty Ltd.

o. Mortgage 23/01/2014 secured over shares in DTC Australia Limited.

p. Mortgage 23/01/2014 secured over shares in Davidson Trahaire Holding Pty Ltd.

q. Mortgage 23/01/2014 secured over shares in Applyhere Pty Limited.

r. Mortgage 23/01/2014 secured over shares in Davidson Trahaire Corpsych Pty Limited.

s. Mortgage 23/01/2014 secured over shares in Prime Corporate Psychology Services Pty Limited

t. Mortgage 23/01/2014 secured over shares in Springboard Health and Performance Pty Ltd.

c. Finance lease liability

Lease liabilities are effectively secured as the rights to the leased asset reverts to the lessor in the event of default.

Note 32. Parent entity financial information

a. Summary financial statements

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

	2014 $'000
Balance sheet	
Current assets	304
Non-current assets	618,682
Total assets	618,986
Current liabilities	–
Non-current liabilities	211
Total liabilities	211
Total net assets	618,775
Shareholders' equity	
Issued capital	628,964
Share-based payment reserve	27
Profit reserves	–
Accumulated losses*	(10,216)
Total equity	618,775
Loss after income tax	(10,216)
Total comprehensive loss	(10,189)

* *Subsequent to the reporting date, certain operating companies of the Group declared dividends totalling $25.500m, payable to Cover-More Group Limited on 22 August 2014.*

There are no comparative figures as Cover-More Group Limited was incorporated on 14 November 2013.

b. Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans to Travel Assist Pty Limited through Cover-More Finance Pty Limited. A charge has been placed over the parent entity's assets.

c. Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014.

d. Contractual commitments of the parent entity

The parent entity did not have any contractual commitments as at 30 June 2014.

Note 33. Guarantor Group financial information

The Westpac Guarantor Group consists of all Group members incorporated in Australia and New Zealand which are named as security guarantors under note 31.

	2014 $'000	2013 $'000
Income statement		
Earnings before interest, taxation, depreciation and amortisation	**25,431**	30,648
Depreciation	**(2,480)**	(2,391)
Amortisation	**(7,344)**	(6,391)
Finance costs	**(6,663)**	(11,179)
Profit before tax	**8,944**	10,687
Income tax expense	**(3,530)**	(3,421)
Profit after tax	**5,414**	7,266
Balance sheet		
Current assets	**40,520**	43,325
Non-current assets	**256,735**	107,332
Total assets	**297,255**	150,657
Current liabilities	**37,727**	50,496
Non-current liabilities	**58,818**	91,123
Total liabilities	**96,545**	141,619
Total net assets	**200,710**	9,038
Shareholders' equity		
Issued capital	**220,067**	14,477
Reserves	**585**	1,861
Retained earnings	**(19,942)**	(7,300)
Total equity	**200,710**	9,038

Note 34. Deed of Cross Guarantee

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

- DTC Holdco Pty Limited
- DTC Bidco Pty Limited
- DTC Australia Pty Limited
- Davidson Trahaire Holding Pty Ltd
- Applyhere Pty Limited
- Davidson Trahaire Corpsych Pty Limited
- Prime Corporate Psychology Services Pty Ltd
- Springboard Health & Performance Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission (ASIC).

a. Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Cover-More Group Limited, they also represent the "Extended Closed Group".

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2014 of the "Closed Group".

i. Consolidated Income Statement

	2014 $'000
Revenue	19,235
Cost of sales	10,311
Gross Profit	8,924
Other income	22
Other expenses from ordinary activities	
Occupancy	1,286
Advertising and promotion	124
Administration	3,008
Other	59
	4,469
Finance costs	–
Profit before income tax	4,469
Income tax expense	1,397
Profit for the year	3,072

ii. Consolidated Statement of Comprehensive Income

	2014 $'000
Profit for the year	3,072
Other comprehensive income for the period, net of tax	–
Total comprehensive income for the period	3,072

iii. Summary of movements in consolidated retained earnings

	2014 $'000
Retained earnings at the beginning of the financial year	4,770
Profit for the year	3,072
Retained earnings at the end of the financial year	7,842

Note 34. Deed of Cross Guarantee continued

b. Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2014 of the "Closed Group".

	2014 $'000
ASSETS	
Current assets	
Cash and cash equivalents	3,163
Trade and other receivables	7,418
Total current assets	10,581
Non-current assets	
Plant and equipment	1,358
Intangible assets	46,667
Deferred tax assets	1,234
Total non-current assets	49,259
Total assets	59,840
LIABILITIES	
Current liabilities	
Trade and other payables	8,174
Current tax provisions	1,341
Provisions	566
Total current liabilities	10,081
Non-current liabilities	
Borrowings	11,397
Provisions	150
Deferred tax liabilities	49
Total non-current liabilities	11,596
Total liabilities	21,677
Net assets	38,163
EQUITY	
Contributed equity	30,321
Retained earnings	7,842
Total equity	38,163

Comparatives are not disclosed as the deed of cross guarantee was only entered into by the "Closed Group" during the current financial year.

Note 35. Non-cash financing and investing activities

Options and shares issued to employees under the Cover-More Group Limited Employee loan funded scheme plan and in relation to business combinations for no cash consideration are detailed in note 21.

Note 36. Earnings per share

	2014 cents	2013 cents
a. Basic earnings per share Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	**6.0**	3.4
b. Diluted earnings per share Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	**6.0**	3.4

	2014 $'000	2013 $'000
c. Basic earnings per share Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**15,650**	6,781
d. Diluted earnings per share Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**15,650**	6,781
Add: Share-based payment expense on employee LTI plan	**27**	–
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**15,677**	6,781
e. Weighted average number of shares used as the denominator Weighted average number of shares used as the denominator used in calculating basic earnings per share*	**259,499**	201,953
Weighted average number of shares and potential shares used as the denominator used in calculating diluted earnings per share	**259,628**	201,953

* *Weighted average number of shares has been adjusted retrospectively to reflect the change in the number of ordinary shares as if the IPO had occurred at the beginning of 2013.*

Note 37. Events occurring after the reporting period

On 25 August 2014 the directors declared a final ordinary dividend (fully franked), in respect of the period from the IPO to 30 June 2014, of $12.700m (4.0 cents per share) to be paid on 26 September 2014.

The directors have also declared a special dividend (fully franked) of $10.160m (3.2 cents per share) to be paid on 26 September 2014.

Except for the final and special dividend disclosed above, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

a. the Group's operations in future financials year; or

b. the results of those operations in future financial years; or

c. the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

a. the financial statements and notes set out on pages 66 to 135 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   ii. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and

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

c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 34 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee, described in note 34, between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

Note 1 (Summary of Significant Accounting Policies) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Peter M Edwards
Director

25 August 2014
Sydney

Michael Alscher
Director

25 August 2014
Sydney

INDEPENDENT AUDITOR'S REPORT
to the members of Cover-More Group Limited

Independent auditor's report to the members of Cover-More Group Limited

Report on the financial report

We have audited the accompanying financial report of Cover-More Group Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Cover-More Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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 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 consolidated entity's preparation and fair presentation of the financial report 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 entity'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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Cover-More Group Limited 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 2014 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 52 to 63 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Cover-More Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Scott Fergusson
Partner

Sydney
25 August 2014

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 14 August 2014.

a. Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	182	–
1,001 to 5,000	396	–
5,001 to 10,000	346	–
10,001 to 100,000	430	–
100,001 and over	48	–
	1,402	–
Holding less than a marketable parcel	**62**	**–**

b. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number of holders of ordinary shares	% of total Shares issued ordinary shares
J P Morgan Nominees Australia Limited	79,466,956	25.01
National Nominees Limited	67,787,387	21.33
HSBC Custody Nominees (Australia) Limited	34,860,464	10.97
Crescent Capital Partners III.LP	31,374,432	9.87
Citicorp Nominees Pty Limited	24,109,846	7.59
Peter Edwards	6,291,488	1.98
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,701,629	1.79
Crescent Capital Partners IV LP	5,298,351	1.67
UBS Nominees Pty Ltd	5,131,722	1.62
BNP Paribas Noms Pty Ltd <DRP>	3,565,919	1.12
RBC Investor Services Australia Nominees Pty Ltd	3,470,200	1.09
Smallco Investment Manager Ltd <The Cut A/C>	3,270,000	1.03
AMP Life Limited	3,165,751	1.00
CCP Trusco 1 Pty Ltd <Crescent Capital Partners Specific Trust IVA A/C>	2,094,419	0.66
UBS Wealth Management Australia Nominees Pty Ltd	2,085,445	0.66
UBS Nominees Pty Ltd	1,950,507	0.61
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,846,448	0.58
HSBC Custody Nominees (Australia) Limited – A/C 3	1,776,572	0.56
Invia Custodian Pty Limited <GSJBW Managed A/C>	1,270,405	0.40
Carole Tokody	1,256,861	0.40
	285,774,802	**89.94**

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued under the Group Long-Term Incentive Plan	–	–

No unlisted share options have been granted.

c. Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number hold	% of total shares issued
Crescent Capital Partners Ltd and its associated entities	41,144,057	12.95
National Australia Bank Limited and its associated entities	28,850,244	9.08
FIL Investment Management (Australia) Ltd	21,995,298	6.92
Australian Super Pty Ltd	21,176,070	6.66
BT Investment Management Limited (BTT)	19,293,818	6.07
Westpac Banking Corporation (WBC) and its associated entities	19,293,818	6.07
Challenger Limited and its associated entities	16,365,132	5.15

d. Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

Performance rights

No voting rights

e. Securities subject to voluntary escrow

Class of equity security	Number hold	% of total shares issued
Ordinary shares	11,738,645	3.69

f. On-Market Buy Back

There is no current on-market buy-back.

CORPORATE DIRECTORY

Directors

Michael Alscher (Chairman)
Sam Mostyn
Peter Edwards
Louis Carroll
Stephen Loosley
Trevor Matthews
Lisa McIntyre

Company secretary

John Murphy

Notice of Annual General Meeting

The Annual General Meeting of Cover-More Group Limited will be held at:

Heritage Ballroom
The Westin
1 Martin Place
Sydney NSW 2000
Time: 11.00am
Date: Tuesday, 14 October 2014

Registered office

Cover-More Group Limited
Level 2
60 Miller Street
North Sydney NSW 2060

Principal place of business

Cover-More Group Limited
Level 2
60 Miller Street
North Sydney NSW 2060

Share register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Banker

Westpac Banking Corporation
Level 3
275 Kent Street
Sydney NSW 2000

Stock exchange listing

Cover-More Group Limited shares are listed
On the Australian Securities Exchange
(ASX code: CVO)

Website:

www.covermore.com

Cover-More GROUP LIMITED