Cover-More GROUP LIMITED

ANNUAL REPORT 2015

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COVER-MORE GROUP LIMITED
79 166 776 334

2.2 million
travellers protected

1.4 million
employees in our care

$466.8m
gross sales up 8.9% on FY2014

$52 million
EBITDA up 7.2% on FY2014

9.8¢
earnings per share based on NPATA

$31.1m
NPATA up 10.3% on FY2014

9.1cps
fully franked dividend

1,000
employees

OUR 2015 PERFORMANCE

We look back at the past 12 months as a 'coming of age' for Cover-More Group. As we approach our 30th year in business, it has never been more important that we continue to show increasing agility, increasing resilience and increasing control over our own destiny.

In a year when our sales grew faster than the market, in a year when we continued to demonstrate the resilience of our business model to exchange rates and external shocks and in a year when we chartered an airbus to evacuate travellers from the tragic devastation in Nepal, Cover-More continued to demonstrate the sheer power of our ideas, our focus on the customer and our determination to re-write the future of the global travel insurance and medical assistance sector.

Our business is changing as we push for global growth and as we absorb the newer part of our business, DTC, that is not focused on overseas travellers but on employees and communities here.

In the past 12 months there has been a national outpouring of grief as Australians witnessed the tragic loss of a young, well-loved cricketer, the murder of a highly respected football coach and the horror of a violent terrorist siege in the middle of Sydney. Cover-More is proud of the fact that we were there, on each of those occasions, to help with trauma counselling, individual support and personal care.

As we did last year, Cover-More has delivered the results we said we would. As we did last year, we have grown in all key regions – and as we did last year, we have increased the quality and quantity of our distribution partnerships.

It is, of course, our people who continued to drive us forward by delivering on our core strategic priorities:

- making the end-user experience simpler, faster and more compelling
- helping our partners build more successful businesses
- accelerating our digital transformation
- driving efficiency through one scalable, global operating platform and
- investing for growth.

From humble beginnings almost 30 years ago, Cover-More has grown into a business that touches the lives of millions of travellers around the world and we are now focused on delivering a unique and compelling value proposition that reaches out to travellers before, during and after their journey – not just when they call or when they claim.

Our value proposition is further strengthened by our ability to safeguard and nurture the mental health and well-being of both travellers and communities of employees – and reach out to them when they need acute care and counselling.

In many ways, our story is just beginning.

FROM OUR CHAIRMAN

On behalf of your Board of Directors, I am very pleased to present Cover-More's second annual report as an ASX-listed company.

Cover-More's financial results for FY2015 are strong. We have delivered double digit NPATA growth in a tough operating environment, given the subdued trading conditions in Australia, our major market. The results are demonstrable evidence of the increasing resilience of our business, the increasing channel and geographic diversification of our revenue streams and the potency of our ability to deliver unique benefits to our retail agency and intermediary partners globally.

I also wish to point out that all references to our pro-forma FY2014 performance in this report exclude the impact of the underwriter profit share. More detail on this is included on pages 33 to 35 of this report.

Key financial highlights of FY2015 include:

- 8.9% growth in gross sales to $466.8 million
- 7.2% higher EBITDA of $52.0 million, compared with last year
- 10.3% higher NPATA of $31.1 million, compared with FY2014
- 14.9% growth in operating cash flow before capital expenditure to $54.8 million
- more than 100% conversion of EBITDA into cash flow, before capital expenditure.

This has allowed the Board of Cover-More to declare a fully franked dividend of 4.1 cents per share bringing total FY2015 dividends to 9.1 cents per share. The business has maintained a conservative gearing level, with net debt at the end of the financial year being 0.6 x EBITDA.

This strong set of financial results has been achieved in a difficult operating environment. During FY2015, the Australian dollar depreciated from 0.94 to 0.76, a 19% depreciation against the US dollar.

A lower Australian dollar has two effects on performance — it increases the costs of claims overseas, which creates margin pressure and secondly, it can slow growth in outbound travel. Outbound travel in FY2015 grew by only 1.8%[1], which is the slowest growth in the past decade.

Operationally, the business has aligned to highly-developed strategic priorities which encompass best-practice thinking around true customer value, scalable operational platforms, digital transformation and investment for growth.

Asia remains a high-priority, high-potential regional market for Cover-More and this year, our Asian operations grew gross sales by 22.0%[(2)] and EBITDA by 50.0%[(2)] and now represent 15.0 %[(2)] of group EBITDA.

Our business in India is demonstrating very pleasing growth and while our travel insurance penetration into China is slower, more resource intensive and more complex than we hoped, we are pleased that this year we launched our first e-commerce travel insurance offering in a country with more than 590 million active internet users.

(1) Derived from ABS data for YTD June 2015 based on international leisure traveller departures.

(2) Adjusted on like-for-like basis to account for change in FY2015 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business.

Operational highlights of the Cover-More result include the following:

- growth in Australian insurance sales of more than triple the underlying market growth rate; Australian sales grew at 6.3% versus international departure growth of 1.8% YTD June 2015[1]
- commencement of new travel insurance partnerships in Australia, New Zealand, India, Malaysia, the UK and Indonesia
- launch of best-practice travel insurance transactional websites in China, www.covermoretravel.com, and the UK, www.covermore.co.uk
- delivery of enhanced and material sales conversion for intermediary partners through IMPULSE, our proprietary e-commerce technology
- extension of our leadership in the agency channel in Australia by securing helloworld (ASX:HLO) as an exclusive travel insurance partner
- achievement of sustained retail industry recognition in India as Best Travel Insurance Provider, an award presented to Cover-More by the Travel Agents Association of India for the fourth year running
- commencement of a new, commercial underwriting agreement in India with United India Insurance Company
- achieving measurable efficiency improvements through the completed integration of DTC operational platforms within the Medical Assistance business area, with EBITDA growth in that area of 13.5%.

Across our operations, Cover-More Group continues to focus on improving customer and channel profitability as well as new business acquisitions with a healthy customer acquisition pipeline in place that stretches through Asia to the United States and Canada.

In addition, the business expects to continue to leverage our customer-focused innovation and strong e-commerce capabilities in all markets.

Cover-More has continued to invest in activities across Asia and in the health sector in order to further decrease dependence on any one country, market or distribution channel.

Historical context

While I may have taken up the role of Chairman for Cover-More Group this year, my association with Cover-More goes back for more than 25 years. In 1988 I founded the travel assistance company that was subsequently purchased by Cover-More in 1997 and is at the heart of Cover-More's medical assistance offering.

I have been on the board of Cover-More for the past twelve years and have seen the business evolve and corporatise over this time. I aim to continue to ensure the board focuses on entrepreneurship and innovation — two key characteristics that have driven the evolution of Cover-More over the past decade.

In the past decade, I have seen the business develop to become increasingly customer focused, more diversified across both channel and geography and technologically savvy. In the past 12 months, examples of a continued focus on these three characteristics include the following.

- **Customer focus**. In response to the April 2015 Nepal earthquake, Cover-More chartered an airbus and sent a team of people — including trauma counsellors and emergency medic personnel to assist with trauma counselling, repatriation and medical care of affected travellers. Cover-More was the only travel insurance business to do this and this holistic approach to the wellness of travellers illustrates Cover-More's long-term commitment to medical excellence and making travellers feel safe overseas. Of particular note is the role that technology played as Cover-More was able to use our Global SIM to locate travellers quickly and deliver exceptional customer service and care.

(1) Derived from ABS data for YTD June 2015 based on international leisure traveller departures.

- **Diversification**. Cover-More grew revenue and EBITDA outside Australia by 22% and 50% in FY2015. Stand out successes in the past 12 months include India, growing at 33%, New Zealand, growing at 35% and the UK growing at 28%. The success of Cover-More in overseas markets illustrates that our customer focused approach, technology and understanding of travellers is best practice globally and not merely strong in Australia. Over time, the importance of these markets outside Australia markets will continue to increase.
- **Technology**. Significant investment over the past 12 months in building a single view of the customer. In FY2016, Cover-More will roll out the **MyCover-More** platform, which is a key step in driving a broader and deeper relationship with customers and will create exciting growth opportunities for the business over the next three years.

Since 2008, the business has grown revenue and EBITDA by an average of 10.3% and 22.4% respectively. Through a continued focus on the customer, diversification and technology, I believe the business can continue to deliver strong growth and innovation well into the future.

Looking forward

Cover-More is focused on continuing to build relationships and networks with customers. The importance of technology and interconnectedness is increasing and Cover-More, with such a strong understanding of consumers, the internet and social media is leading this process. With this in mind, I am particularly pleased to welcome to the board, Will Easton, Managing Director of Emerging Markets for Facebook, who will join the Cover-More Board on 1 September 2015.

I am as excited about the growth prospects of Cover-More now as I ever have been. Cover-More has made significant investments in FY2015 in new customer relationships and international expansion. The quality of Cover-More's IMPULSE platform has allowed the business to win business partners in both India and in Australia. The quality of Cover-More's service offering has allowed material opportunities in overseas markets to be explored, which the Board expects to lead to additional contract wins in FY2016. The business is entering FY2016 with considerable momentum.

I thank our customers and shareholders for their continued support for Cover-More. I thank our senior leaders and employees for your commitment, care and skill. The Board and management look forward to continuing to deliver results on behalf of all our shareholders.

L Carroll

Louis Carroll
Chairman, Cover-More Group

FROM OUR GROUP CEO:
GLOBAL GROWTH, DIVERSIFICATION AND DIFFERENTIATION

Cover-More's increasing success in winning new partners globally — through providing innovation to travellers and commercially aligned relationships with our business partners — paves the way for increasing the quality and diversity of Cover-More's earnings and establishing a long-term pathway for continued growth.

In our second year as an ASX-listed company, Cover-More has again delivered double digit growth in our travel insurance activities and consolidated earnings.

We have demonstrated the resilience of our business and business model. In a year when growth in outbound leisure departures in our major market of Australia fell from 7.3% to 1.8%,[1] we were able to deliver double digit growth across our travel insurance activities. In a year when the Australian dollar fell by 19% against the US dollar, a currency in which about a quarter of our claims are paid, we were able to deliver double digit NPAT earnings growth.

Key to this model is the continuation of our drive for diversification — by country, by channel, by partner, by market and by income source. Our relentless pursuit in this regard will ensure that Cover-More continues to evolve as an Australian company which increasingly participates on a global stage and, in doing so, delivers consistent growth in revenue and earnings for our shareholders.

In FY2015, when, for the first time in a decade, growth in outbound leisure travel volumes in our major market, Australia, dropped below 2%,[1] we have delivered 10.1% growth in pro-forma gross travel insurance sales, a 7.2% growth in EBITDA and 13.7% growth in net profit after tax for the group.

We have accelerated the growth of our international business with gross sales up 22% in Asia and EBITDA up 50%.[2] Our business in Asia now contributes to 15% of group profit on a like-for-like basis compared to approximately 10% last year.[2] Activities in New Zealand and the United Kingdom reflected healthy growth with these businesses recording growth of 35% and 28% respectively. We are becoming truly global.

We achieved operating free cash flow after CAPEX of $48.4 million representing cash conversion from EBITDA of 93.1%, in line with our historical delivery of strong cash flow to our shareholders. This occurred even while making disciplined investments in technology and geographical expansion and reflects the low capital expenditure required due to the capital-light nature of our business model.

Over the past 12 months, our businesses have secured some noteworthy new partnerships and a number of firsts for the group. These will provide us with excellent momentum heading into FY2016. These new partnerships include:

- Virgin Australia, our first airline partner in Australia expected to incorporate their Velocity frequent flyer program
- *helloworld* Australia's second largest travel agency group, under an exclusive arrangement
- New Zealand's largest general insurer, IAG NZ and their State, NZI and AMI brands

(1) Australian Bureau of Statistics data. Incorporates leisure travel categories – incorporating Holiday, Visiting Friends/Family and Other categories. MAT as measured at June 2014 and June 2015.

(2) Adjusted on like-for-like basis to account for change in FY2015 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business.

- a major bank in New Zealand and our first banking partner
- AJ Gallagher, Low Cost Travel Group, Baxter Hoare, My Vacations and Original Travel in the United Kingdom
- American Express and Travel Air in India
- PT Asuransi Simas Net partnership in Indonesia.

These new wins provide material momentum to our business entering FY2016. All of these contracts are expected to start over the next six months, and as they scale up, they should support Cover-More continuing to grow at solid double-digit levels in the next 12 months.

Segment highlights

In FY2015, we continued to demonstrate ongoing progress in the diversification of our business and the reduction of reliance on any one single channel, market, product construct or geographic region.

In Australia, we faced softer underlying market growth impacted by lower levels of consumer sentiment and currency depreciation. Nonetheless, our Australian business has historically grown at above market rates and we outperformed the market in FY2015 with gross sales growth of 6.3%, over three times leisure travel growth rates.(1) This reflects our intrinsic ability to grow sales through our focus on driving commercial advantage with our partners, our genuine focus on the customer experience and our investments in technological innovation. In our usual manner, we consider there to be much more we can still do to increase the share of the traveller's wallet for our distribution partners.

Cover-More continues to invest to grow at above market levels in Australia. The release of the **MyCover-More** platform in 2016 will allow Cover-More to deepen our relationship with the end customer and deliver unique and compelling customer value. This will allow a number of exciting growth opportunities to be explored beyond the platform's launch.

Our outstanding result in Asia, with EBITDA growth of 50% on a like-for-like basis,(2) was achieved despite our businesses in Asia facing a number of unanticipated challenges such as Schengen visa issues in India and the Malaysia Airlines tragedy in early FY2015.

In India, we are in advanced discussions with a number of partners which will see us break into the intermediary channel. I would draw a parallel to our strategy in Australia where we built off initial strength in the agency channel to extend market leadership across other intermediary channels — only commencing this in 2012.

Cover-More's expansion into China has been slower and more difficult than anticipated. We continued to face delays in deploying our travel insurance solution with Qunar, China's second largest online travel platform. A strategic refocus on higher-margin assistance business led to a reduction in volume; however, we improved gross profit by 47% year-on-year.(2)

Nonetheless, we remain confident that China — alongside India — will be two powerhouses of the region and we are investing to build out the management depth and capability in our China business. A new Director of Sales has been appointed for China as well as a new Regional Sales Director for Asia, both of whom bring significant experience in the Asian region.

Finally, our medical assistance sales grew to $66.0 million. During the first half of FY2015 our medical assistance sales grew consistent with historic rates however, the loss of a key contract in our employee assistance business in the second half impacted assistance results and led to a more modest growth rate year-on-year of 1.9%.

Despite slower revenue growth, gross profit across these activities increased by 12% in absolute terms, underpinned by operational integration and productivity initiatives. Over the past 18 months, gross profit in these activities has improved by a commendable 8.7 percentage points.

What will make Cover-More win, globally?

We are expert at what we do, because it's all we do. Our genuine focus on the customer — rather than the 'product' — means we are able to de-commoditise our travel insurance and assistance offering to build out unique and compelling value to travellers. And it is this foundation that will continue to shape Cover-More's business of tomorrow into one which truly capitalises on this unique opportunity.

In providing products and services to our business partners, we go to great lengths to reinforce their brand values. The imperative to deliver both 'peace of mind' and 'assistance' services in times of need are always foremost in our minds.

We are focused on driving commercial advantage with our partners through economic alignment, clarity of their strategic aspirations and a focus on unlocking residual commercial value within their businesses. So while we are specialists in creating and delivering best practice solutions for travellers, our commercial focus is on delivering enhanced profit solutions and more enduring

(1) Australian Bureau of Statistics data. Incorporates leisure travel categories – incorporating Holiday, Visiting Friends/Family and Other categories. MAT as measured at June 2014 and June 2015.

(2) Adjusted on like-for-like basis to account for change in FY2015 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business.

customer relationships for our partners. It sets us apart from those with whom we compete.

This differentiation manifests itself in strong financial performance. Our business continues to demonstrate:

- **Consistent double-digit growth** in travel insurance gross sales over several years, continuing in FY2015
- **Diversified revenue streams** across segment, channel, geography as Asia now comprises 15%[(2)] of group EBITDA and Health comprises 37%
- **Attractive margins**
  - our scalable operating model continues to deliver cost benefits and in FY2015, overhead cost efficiency resulted in +7% Group EBITDA and +14% NPAT growth
  - we continue to deliver **productivity gains** in our Assistance business with EBITDA earnings +13.5%
- **Strong cash flow**
  - exceptional cash flow growth of +15%
  - strong cash conversion with operating free cash flow before CAPEX of $54.8 million, 105.4% cash conversion
  - operating cash flow after CAPEX of $48.4 million, 93.1% cash conversion
- **Capital light**
  - $6.4 million of capital investment in FY2015 versus $4.3 million in FY2014, reflecting group investment in the Cover-More technology platform to support future growth, most notably the commencing of the **MyCover-More** solution for customers.

In summary, Cover-More continues to be a fast growing, capital light business with a unique and innovative business model.

Cover-More in action

We have always placed the customer experience and the well-being of our customers at the centre of our decision-making and since Saturday 25 April 2015, one single word emerged that, even on its own, dramatically demonstrates our powerful customer focus and how we are different from every other travel insurance provider in the world.

That word? Nepal.

Cover-More's response to the devastating earthquake that decimated the fragile, mountainous country was unique, spontaneous and defining.

We were the only travel insurance provider to charter an airbus and send an assistance team in to bring travellers home — and not just our customers and our partners' customers but customers of other insurers, frightened people who just wanted to return home safely to family and loved ones.

We were the only travel insurance provider who could employ our own custom Global SIM to locate affected customers in the region and reach out to them and organise their evacuation from Kathmandu.

We were the only travel insurance provider who sent a team into Nepal including experienced trauma counsellors from DTC who were able to help people come to terms with what had happened, with what they had witnessed and for some, an overwhelming sense of fragility and survivor guilt.

What makes Cover-More different? We're not heroes or zealous altruists. We are just a group of committed and expert individuals who focus on being able to deliver unique care to travellers, employees and communities in difficulty, in danger or in despair.

We do that in a sustainably commercial framework with an adept and implacable focus on the customer and pathways to growth.

Cover-More has grown and will continue to grow because of that focus and because of our ability to consistently and profitably deliver what we say we will.

Strategic growth priorities

Cover-More continues to focus on five core strategic growth priorities.

- **Customer experience** — we believe in making the end-customer experience simpler, faster and more compelling across all parts of our businesses in a way that will continue to differentiate us from competitors and provide increased levels of customer advocacy and loyalty.
- **Partner relationships** — we focus on helping our existing partners build more successful businesses financially and build deeper relationships with their own customers or employees.
- **Digital transformation** — we continue to accelerate digital transformation, building on our industry-leading e-commerce technology platforms, such as IMPULSE. This increasingly involves unlocking and maximising the value of data — we aim to leverage customer data from relationships and drive commercialised data outcomes.
- **Efficiency** — we continue to have a singular focus on sharing common platforms, simplifying our processes and eliminating waste. We have already seen this bear fruit, for example the ability to rapidly scale up our travel insurance operations in several markets and also through the margin improvements in our medical assistance businesses
- **Investing for growth** — we will continue to invest resources to diversify our markets and channels, acquiring new business, new partners and new resources.

GROWTH PRIORITY	ACHIEVEMENTS IN FY2015
Customer experience	• Development of our new overarching customer value proposition '**keep travelling'** which will launch in August 2015. It encapsulates true customer value that will be delivered before, during and after a customer's journey. - Engagement of our retail agency partners in the development and delivery of the new customer value proposition. • Development of a 'doctor-around-the-clock' **Travel GP** service as part of our travel insurance offer that will augment our existing medical assistance capability. It will launch in August 2015 and be the first of its kind for any travel insurance offering in Australia. - Negotiation of an exclusive agreement with Telstra Health's ReadyCare to provide this service as white label for Cover-More. - Cover-More will be the only travel insurance provider in Australia with this service. • Regular 'voice of the customer' and NPS reporting now a key component of reporting and business management. • Launch of our Global SIM app to improve the functionality and user experience of Global SIM product. The app allows an improved user interface for ease of dialling and credit top-ups. • Development of a 'single view of customer', **MyCover-More** platform, to launch in first half of FY2016 and create enduring relationships with end-customers.
Partner relationships	• Secured Virgin Australia, our first airline in Australia, expected to incorporate Velocity frequent flyer program. • Secured a major bank in New Zealand, our first banking partner. • Extended our leadership in the agency channel in Australia by securing helloworld (ASX:HLO) as exclusive travel insurance partner. • Commenced implementation of a major retail partner in Australia – a first for the group – which was subsequent put on hold and is expected to resume in H2 2016. • Commenced our new partnership with New Zealand's largest general insurer, Insurance Australia Group, incorporating the AMI, State and NZI insurance brands, in January 2015. • Commenced selling travel insurance for MAS Wings and launched Global SIM in Malaysia. Scalable global operating platforms facilitated roll-out of operations in Malaysia in less than 60 days. • Secured new relationships with AJ Gallagher, Low Cost Travel Group, Baxter Hoare, My Vacations and Original Travel in the UK. • Launched travel insurance sales in Indonesia through our new distribution partner, PT. Asuransi Simas Net. • Implemented data-led optimisation to drive higher sales conversions for our distribution partners, both retail and intermediary.
Digital transformation	• Launched new Cover-More Direct travel insurance sites in China and the UK. • Delivered enhanced sales conversion for intermediary partners through IMPULSE, our proprietary e-commerce technology. • Continued investment in digital enablers for integration with partner platforms.
Efficiency	• Advanced 'one platform project' to create common operating platform throughout all geographies, facilitate operating efficiencies and 'follow the sun' capabilities. • Invested in in-house lean six sigma continuous improvement capability for key operational areas. • Improvements in the median claims processing cycle time reduced by 25% through customer-led initiatives. • Telephone claims rolled out in the first half of FY2016 after successful pilots during the latter part of FY2015. While tele-claims will offer a significantly enhanced end-user experience, it will also drive efficiencies and lower costs into our claims administration.
Investing for growth	• Advanced discussions underway with global partner to enable commencement of activities in the US$4.8 billion North American market. • Advanced discussions with distribution partners across US and Canada. • Advanced discussions underway with capacity partners to enable the deployment of Cover-More Direct across new global markets. • Advanced discussions in India with intermediary partners – which when achieved will be the first intermediary partnerships for our Group in that country. • Deployment of new growth talent across Asia to accelerate Cover-More's push into the region. • Built out management depth and resource requirements to continue growth in India, China and other markets in Asia.

Outlook for next year: stronger global growth and customer connection

As we enter FY2016, as Cover-More approaches our 30th year in business, I would like to draw an analogy in human years. People who are almost 30 are Generation Y, a generation which has a reputation for being entrepreneurial and tech-savvy. They are also the social media generation who are re-writing the business and lifestyle status quo for this decade and they are travelling overseas and making a decisive impact on the world.

We will accept all those descriptors and more. Cover-More is entrepreneurial. We are tech-savvy and we are rewriting the business status quo for this decade's global travel insurance and medical assistance sector.

We also know what we want — and we want it now. Cover-More has a structured and scalable approach to geographical expansion and we are at varying stages of replicating our business model in each of the markets in which we participate, as shown here:

		Build operating platform	Secure underwriting partner	Establish distribution	Embed technology	Drive scale and optimise	Expand distribution
Description	**FY16 GWP (US$)(1)**	Deploy scalable operating platform	Underwriting relationship with scale player	Establish foundation distribution strategy	Embed IMPULSE with key partners	Grow volumes, refine operations and optimise	Secure new distribution partners
Australia	$926m	●	●	●	◑	◕	◑
NZ	$122m	●	●	●	◔	◑	◑
India	$630m	●	●	●	◔	◑	◑
China	$1.0b	●	●	◔	◔	○	○
Southeast Asia(2)	$674m	●	●	●	◔	◑	◔
UK	$941m	●	●	◑	◔	◔	◔
US	$2.5b	◔	◔	◔	○	○	○
China	$2.3b	◔	◔	◔	○	○	○
Europe(3)	$2.2b	○	○	○	○	○	○
Description	**FY16 GWP (US$)(4)**	Set up capital light operating platform	Underwriting relationship with global insurer	Establish digital distribution (SEO, SEM, Social Media)	Embed IMPULSE in Direct channel	Grow volumes, refine operations and optimise	Expand digital distribution
Global Direct	$11.3b	◑	◑	◔	○	○	○

(1) FinAccord and Euromonitor sources; (2) Includes Malaysia, Singapore and Indonesia; (3) Includes Germany, France, Spain, Norway, Denmark, Sweden and Finland; converted at FY15 EUR-US rates; (4) Total Global Direct market size is an approximation calculated as the equivalent of the total GWP across channels of Cover-More's other existing or target markets.

We have begun laying the foundations for further expansion into the US, Canada and Europe, with advanced discussions with a global partner to distribute in North America.

Separately, we are in discussions with another global player to extend our direct offering into of key global markets. This partner has the capacity to support to us in more than 200 countries and if commercials can be agreed, the opportunity to deploy expeditiously in a capital-light manner. While I can't yet share the names of these strategic partners, they are well-known, global players in the insurance space.

Our transition from Australian business to a global operation is well underway, and our international success reflects the scalability of our model and our ability to achieve material market share in multiple geographies.

I am proud that the increasing scale of our offshore businesses demonstrate that our customer-focused approach, technology and understanding of travellers resonates not just with our partners in Australia, but with an increasing number of partners in other geographies.

We have an exceptionally talented team both in Australia and overseas and I would like to express my gratitude to all our employees and our partners who have worked very hard over the past year.

Peter Edwards
Group Chief Executive Officer

OUR CHANGING BUSINESS

The Cover-More Group business has changed dramatically in recent years as we set our sights on a global horizon, as we moved our business away from a single-channel reliance, as we brought the customer to the front of our thinking and as we redefined our partner relationships to embed shared profitability and shared decision-making.

This transformational change has resulted in the business you see today.

- Cover-More is the leading provider of travel insurance and medical assistance in Australia with more than 40% market share[(1)]. Over the past three years we have used our Australian expertise to build a footprint in Asia — in particular in India, Malaysia and China — and grow our operations in New Zealand, Singapore and the United Kingdom.
- We celebrate our difference. Cover-More is not an insurer — our DNA is richer and deeper than that. It is grounded in medical assistance and a strong empathy for the needs of global travellers in danger or despair.
  - Each week we receive over 2000 calls for help and conduct over 400 acute medical evacuations every year including some of the most complex medical retrievals of any assistance organisation, anywhere. At any one time, we have more than 1500 medical assistance cases open.
- In FY2015, Cover-More provided travel insurance to more than 2.2 million travellers around the world.
- We have a multi-channel distribution model for our travel insurance and medical assistance which includes a number of well-recognised partners, such as Flight Centre, Escape Travel, Student Flights, *helloworld*, Medibank, Australia Post, Malaysia Airlines, Air New Zealand, NRMA Insurance, SGIO, SGIC and automobile clubs in Australia.
  - In India, our distribution partners include Cox and Kings, Kuoni-SOTC, Virgin Atlantic, Kesari and FCm Travel Solutions among others.
  - We hold very strong contractual, philosophical and commercial relationships with these business partners.
- We have invested significantly in developing a leading e-commerce team and a proprietary optimisation platform, IMPULSE.
  - In real time, IMPULSE, is able to use traveller data e.g. age, destination, to provide an optimal travel insurance product with the highest relevance and revenue per offer. This platform can increase the conversion of offerings of airlines and other intermediary partners through effective integration into their technology platforms.
- Our business is not channel specific — Cover-More has invested in building strong agency, intermediary, direct and e-commerce distribution channels and we bring innovation to each channel for all our customers.
- Over the past five years we have shown that our business model is particularly resilient to changes in the economy, foreign exchange, natural catastrophes and other external shocks. Cover-More has consistently achieved strong revenue and earnings growth through various economic and political events.

(1) IBIS*World* Industry Report OD4216, Travel Insurance in Australia, April 2015.

- Cover-More has a strong track record of innovation-led growth. In addition to IMPULSE, we launched a Global SIM product and made other significant enhancements to our service and product offerings. This innovation-led approach has allowed the business to achieve EBITDA growth of more than 22% p.a. since 2008.
- We also provide holistic well-being and employee assistance services to Australian workplaces. We work with seven of the ten largest businesses in Australia and more than 700 other organisations including National Australia Bank, Telstra, BHP Billiton, Westpac, RioTinto and the Commonwealth Bank.
- We have more than 1000 employees including more than 280 professionals in our global medical assistance team including doctors, registered nurses, psychologists and case managers.

Cover-More may have started humbly, in 1986 in Sydney, but we have always had a great focus on the things that matter for global travellers.

We have grown into a business that touches the lives of millions of travellers around the world and we are now focused on delivering a unique value proposition that reaches out to travellers before, during and after their journey — not just when they call or when they claim.

Today, the fabric of our business is about reaching out to customers, about pushing boundaries and defining a new vision for travel insurance and medical assistance and about celebrating our people and where they will take us.

NO TIME FOR STANDING STILL

1986

Cover-More established in Sydney.

1991

Cover-More begins working with Flight Centre.

1996

We open an office in the UK, in Chelmsford, north-east of London.

1997

Cover-More establishes CustomerCare as our medical assistance entity.

1998

The first time that we pay $10 million in claims in a single year.

2007

We cross the Tasman and open our New Zealand office as Travelsure.

We start a joint venture partnership with Flight Centre, Australia's largest travel agency network.

Cover-More wins travel insurance business for Stella Group, now known as Jetset Travelworld Group, another of Australia's leading agency retail networks.

2009

Crescent Capital Partners purchases a majority stake in our company.

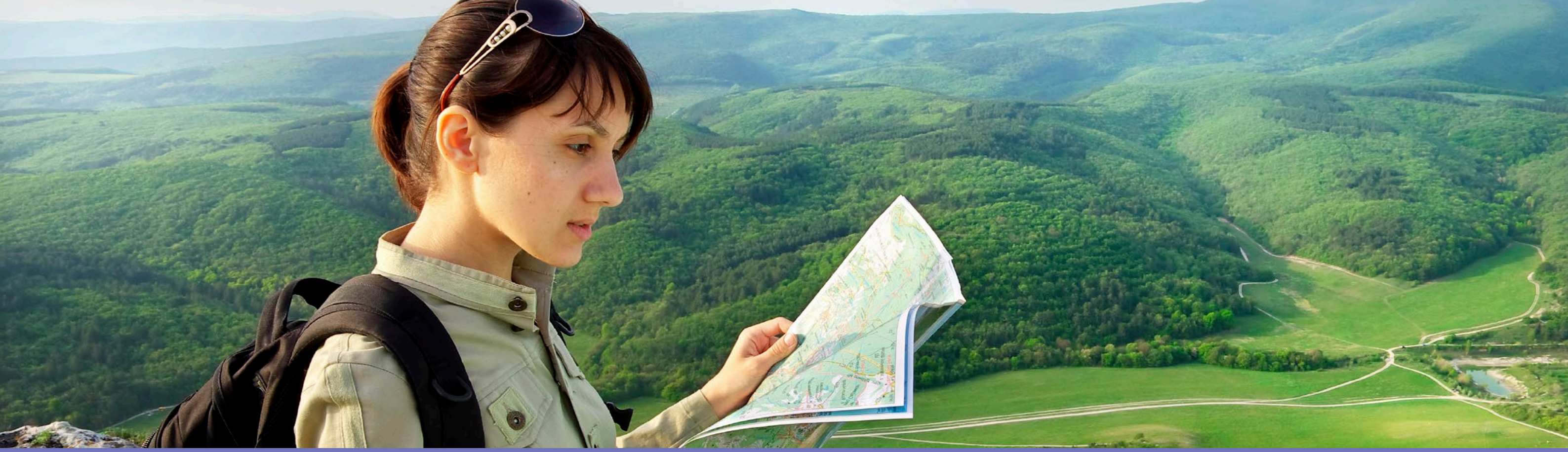
2010

Eyjafjallajökull volcano erupts in Iceland sending volcanic ash several kilometres into the atmosphere disrupting air travel in Europe for several days.

This is Cover-More's largest claims event with $4.5 million in claims paid. We're still not sure how to pronounce it though.

COVER-MORE WAS ESTABLISHED IN SYDNEY IN 1986.

In the 29 years since then, here are some of our milestone achievements and events that have shaped who we have become.



2011

Australia Post selects us as their travel insurance partner.

Medibank also chooses us for their travel insurance business.

We reach one million policyholders in a single year.

We reach $500 million in claims paid since 1986.

Peter Edwards appointed as Group CEO in September.

Peter re-shapes the Cover-More senior leadership team to support growth aspirations. He appoints a Director of Growth, Innovation and Marketing, a Director of e-Commerce and a Director of Corporate Services.

2012

We purchase a significant stake in two businesses in India — Karvat's TrawellTag travel insurance and HealthFirst.

We become social and launch our Facebook page and open our Twitter account.

We save more lives and help more than 40,000 Australians overseas.

We win our first international airline contract: Malaysia Airlines begins selling our travel insurance. This is also the start of our underwriting partnership with Etiqa, one of Malaysia's leading insurers.

We update our brand and introduce 'we focus on what matters' as our key statement of difference.

We purchase Assistance Online in China. We now have an assistance network that reaches into even the remotest parts of mainland China.

We rebrand to Cover-More in New Zealand.

We open an office in Malaysia.

We open an office in Brisbane.

We rebrand CustomerCare to Cover-More Medical Assistance.

We launch the Cover-More Global SIM and become the first travel insurance company in the world to offer a Global SIM with travel insurance.

We start our travel insurance partnership with Australia's renowned network of automotive clubs — a collective of household brand names including RACV, RACQ, NRMA, RAC, RAA, AANT and RACT.

We launch our own branded air ambulance in China through Assistance Online.

Flight Centre commits to an extended joint venture partnership with us, until 2019.

2013

We sign a new five-year underwriting agreement with Munich Re for Australia, the United Kingdom and New Zealand.

Air New Zealand selects us as their travel insurance partner. This is our second major airline contract in 12 months.

We launch TrawellTag Cover-More brand in India.

We launch Cover-More Assistance Online brand in China.

We complete the integration of our online optimisation tool, IMPULSE, into the new Malaysia Airlines booking platform. There is an immediate and significant impact on sales.

We are chosen by Insurance Australia Limited as their new travel insurance partner — their family of brands includes NRMA Insurance, CGU, Swann Insurance, SGIO and SGIC.

We sign a licensing agreement with an established broker in China allowing us to now sell travel insurance in the world's fastest growing economy.

We are nominated for Employer Branding award in 2013 Australian HR Awards.

Showbiz Events and Travel select us as their travel insurance partner.

We grow our top line by 20% and our bottom line by 50%.

2014

We list on the Australian Securities Exchange (ASX) in December 2013 and in August 2014 we release our first annual results as a publicly listed company. We are the first and only specialist travel insurance provider to list on the ASX.

Cover-More Group (ASX:CVO) lists at a market capitalisation of A$635 million and price-earnings (PE) ratio greater than 23x, reflecting the extent of market and investor support for our business model and growth potential.

We hold our first Annual General Meeting (AGM) in October and reward our shareholders with a fully franked dividend of 7.2 cents per share.

Our merger with Davidson Trahaire Corpsych (DTC) at the time of our ASX listing means that Cover-More Group now includes employee assistance and employee health well-being in our core capability and that we work with seven of the ten largest companies in Australia, by revenue.

Helloworld Limited, one of Australia's leading travel agency networks appoints us as their sole, exclusive travel insurance provider.

We enter into a new agreement to provide travel insurance and assistance to New Zealand's largest general insurance group, IAG, through their AMI Insurance, State Insurance and NZI brands.

We launch our e-commerce optimisation platform, IMPULSE, with Malaysia Airlines in India and New Zealand and we launch a new B2C website in the United Kingdom.

We complete the integration of IMPULSE into Flight Centre's online domestic web platform in Australia.

We launch youGo travel insurance, a direct-sell travel insurance product in collaboration with Flight Centre in Australia.

Our business in India, TrawellTag Cover-More, is awarded Best Travel Insurance Provider in India by the Travel Agents Association of India.

2015

We continue to identify and negotiate new distribution partnerships in the airline, banking, financial services and retails sectors. Our global pipeline is strong and diverse and continues to support our global ambitions.

We sell our first travel insurance policy via an e-commerce channel in China through www.covermoretravel.com.

We sell our first travel insurance policy in Indonesia through PT. Asuransi Simas Net.

Cover-More in China starts providing domestic medical assistance services for one of China's leading general insurers Ping An.

Cover-More charters an airbus to evacuate travellers from Kathmandu after the devastating earthquake that struck Nepal — we send a medical assistances team in, including a trauma counsellor, to ensure we can reach as many customers as possible. We are the only travel insurance provider to do so. We employ our Global SIM to locate and contact as many customers in the region as we can.

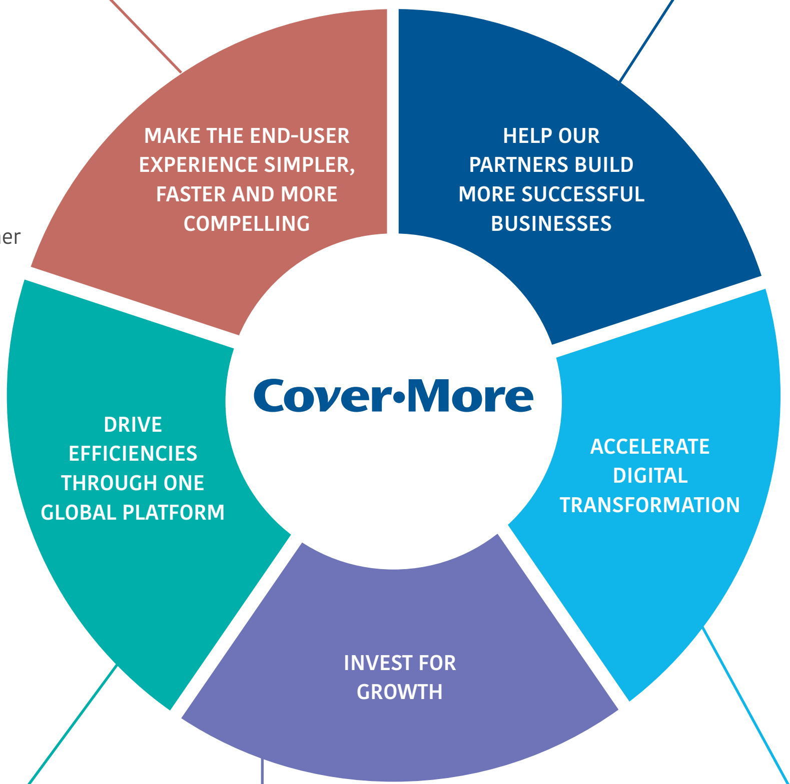
Cover-More launches our Global SIM app adding another dimension of intuitive use to our Global SIM product.

Louis Carroll is appointed Chairman of Cover-More Group. We express our thanks and gratitude for the leadership of outgoing Chairman, Michael Alscher of Crescent Capital Partners.

OUR STRATEGIC PRIORITIES

Operationally, the business has aligned to five highly-developed strategic priorities which encompass best-practice thinking around true customer value, scalable operational platforms, digital transformation and investment for growth.

The current portfolio of strategic initiatives continues to deliver growth in sales and profitability while building the longer-term foundation for Cover-More's future.



- Redefine the expectations and experiences of our customers in travel and health
- Create innovative products (including ancillary) to deepen the customer relationship
- Increase engagement with our customer base of 1.4m employees + 2.2m travellers
- Fully leverage our data capabilities to improve customer experience

- Create valued partner relationships by identifying opportunities to capture new revenue for our partners and expanding opportunities to align economic interests to develop a true partnership approach
- Strengthen the relationships our distribution partners have with their customers
- Help our corporate partners build healthier, happier and more engaged workforces
- Optimise the distribution potential of our end user networks

- Strengthen the underlying infrastructure to support our business ambitions
- Continue to evolve our single global operating platform to drive operational efficiency, risk mitigation and best practice across the business
- Ensure the global platform supports a single view of customer, customer service objectives and product/service speed to market for the travel and health businesses

- Invest in technology platforms that facilitate innovative distribution and meet the needs of the digital consumer of the future
- Deliver optimised e-Commerce outcomes for our partners
- Strengthen our direct e-Commerce business
- Leverage customer data from relationships and drive commercialised data outcomes

- Invest in the capability to support our growth aspirations
- Grow Cover-More's presence in global markets
- Secure strategic distribution partners across key growth markets

Customer experience: make the end-user experience simpler, faster and more compelling

At the centre of Cover-More's commitment to growth and innovation is our focus on the customer.

Our most valuable competitive advantage is our ability to live a 'day in the life of a customer' and continually evolve and enhance the customer experience. This involves walking in the shoes of our customers to fully comprehend the 'unmet needs' that exist in each customer journey.

We achieve this by being value driven. All our new business efforts are oriented around choosing, providing and communicating a superior and profitable value proposition to targeted customers — a value proposition that is based on an imaginative understanding of the entire customer community, that is, a solution that they can't imagine on their own.

We have built our own proprietary optimisation platform, IMPULSE, to ensure customers receive meaningful offers at meaningful times and their online experience is both dynamic and intuitive.

We built our own Global SIM product offering to enrich travellers' experience through affordable online connectivity — calls and data — with the special and potentially life-saving benefit that we are able to geo-locate customers when disaster strikes. As it did in Nepal.

In FY2015, we also developed a unique customer value proposition for travel insurance and medical assistance based on engagement with customers before, during and after their trip — and not just when they call us for help or when they claim.

Our new value proposition, which will launch in August 2015, is about helping our customers to keep travelling.

Keep Travelling customer value proposition

Life's an experience.
We're here to help you keep travelling.

Cover-More
TRAVEL INSURANCE
keep travelling

Our idea is that travellers need more than just cover when the unexpected happens. They need a team of experts who know how to help — whether the traveller needs an antihistamine or an ambulance. Whether they need help to replace a lost passport or a stolen suitcase. Or whether their child has a fever and they seek reassurance about the best possible course of action.

IDEA:

You need more than just cover to keep travelling when the unexpected happens.

Life's an experience ... keep travelling.

Stay connected

Our FREE+ Global SIM gives eligible customers the convenience of low cost calls, text and data when you're on the go, keeping you in touch with your friends and family.

- low call, text and data rates in 190+ countries
- pre-paid top-ups on the go
- FREE calls to 24 hour Cover-More emergency assistance
- receive emergency alerts and updates from Cover-More

We will email your Global SIM offer to you or call us on **1300 410 130**.

Expert medical help, fast

The world never sleeps and nor do we. For all medical assistance, simply call our team for fast help.

- 24 hour medical assistance when you need it
- experienced doctors, nurses and case managers
- medical evacuations where appropriate to first world medical care
- direct payment for hospital bills

Talk to an Australian-based doctor

We can connect you with an Australian-based GP, if our medical assistance team believes that is the best way to help you.

Our Travel GP can provide you with clear, simple advice, guidance with medicine or a medical referral depending on your needs. Or we'll help you find the most suitable medical facility nearest to you.

Don't lose it. Help is at hand

Losing personal belongings and unexpected events can take the wind out of your sails. But we don't want you to lose your sense of wonder. We'll do all we can to keep your trip on track.

- speak to an Cover-More Australia representative
- passport replacement assistance
- claims assistance
- ongoing travel advice
- updates on emergency situations or natural disasters

Claim on-the-go

There's no need to wait until you're home. You can claim online while you're still travelling.

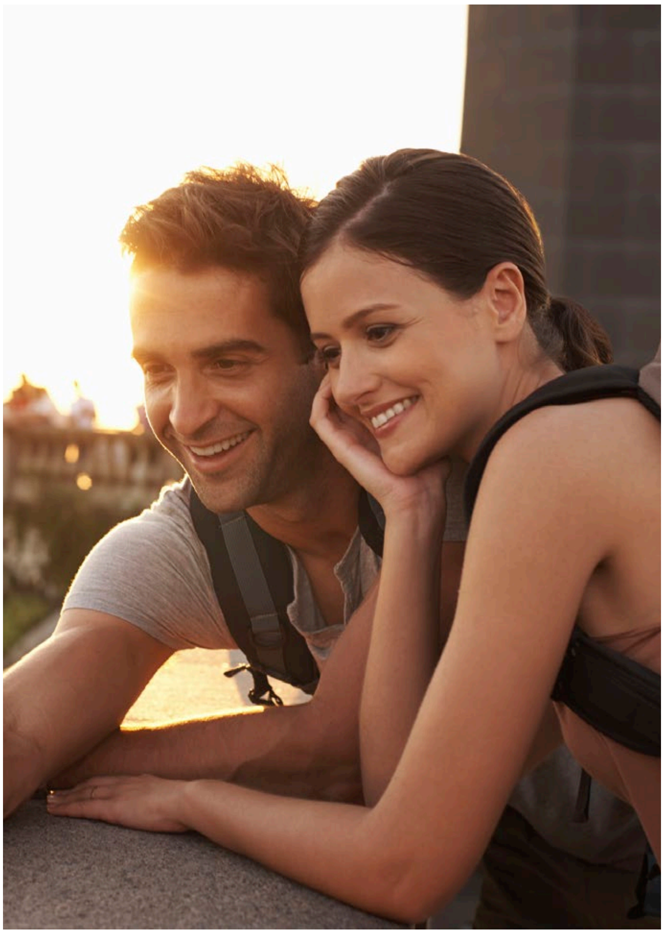
- get your claim amount while you are on holidays‡
- you can check the status of a claim
- claims paid to nominated Australian bank account

Visit the website:
claims.covermore.com.au

+Eligibility is based on buying an International Policy for a trip of at least 7 days and allowing for 7 days delivery.
‡Subject to approval.

Other recent key product innovation milestones of Cover-More's business include:

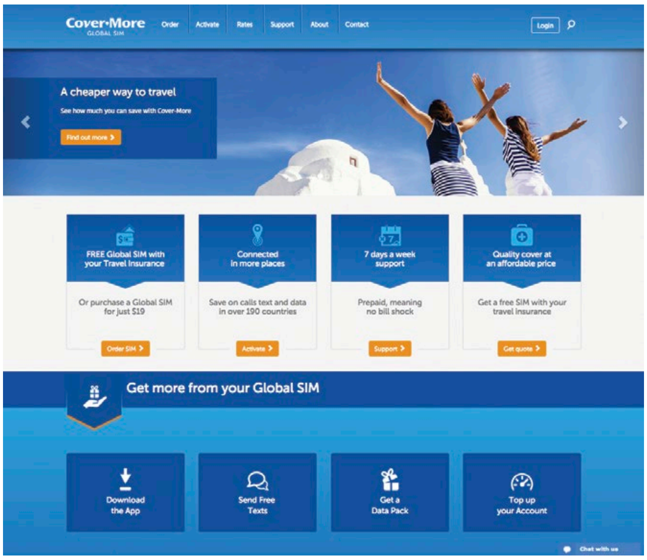
- launching the Global SIM product bundled into travel insurance with several key intermediary partners including Malaysia Airlines, Medibank, NRMA Insurance, SGIO, SGIC, along with a number of Australia's automobile clubs
- developing and deploying performance-enhancing agent sales dashboards to drive 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
- developing and integrating a technology platform designed to enhance the offer, conversion and average sale value for a major distribution partner while greatly increasing efficiency and employee involvement and
- developing a proof-of-concept for our Cover-More currency card which will enable even greater connectivity with the end-user and combine the functionality of a medical assistance card and foreign currency cash card into one. We expect to launch in the first half of FY2016.

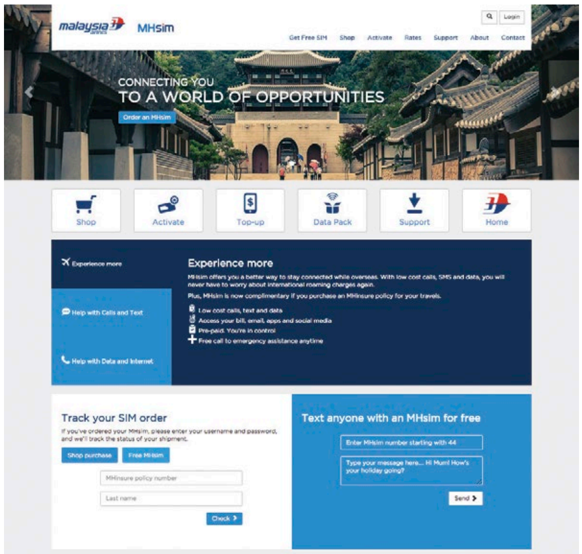


Global SIM

In 2013, Cover-More became the first travel insurance company in the world to include a free Global SIM with our comprehensive travel insurance. We did this because we believe Australians should be able to experience more and roam for less when they are overseas — because we understand what matters for our customers when they are on holidays.

Currently, approximately 12% of eligible customers who purchase a Cover-More policy order one of our Global SIMs and that means, by September 2013, seven months after the formal launch of our Global SIM, Cover-More saved our customers more than $3 million in global roaming charges.





The key reason that we introduced a free Global SIM into our travel insurance product offer was to create a unique customer experience. A way of connecting with our customers before, during and after they travel. Not just when they need help. Or when they claim.

The most important thing to consider about the success of Global SIM is that Cover-More has pushed into a new market and established ourselves as a strong player almost immediately.

The success of Global SIM has shown that we can build a new product, a new business, quickly and effectively. It shows that the Cover-More brand can be bigger than travel insurance and assistance — and it all started by asking ourselves what matters to our customers.

While we are proud of the fact that we were the first travel insurance provider in the world to offer a free Global SIM with our travel insurance, we are not ones to stand still.

We are doing a number of exciting things to extend our reach and further enhance the customer experience when they travel with Cover-More travel insurance and with a Cover-More Global SIM.

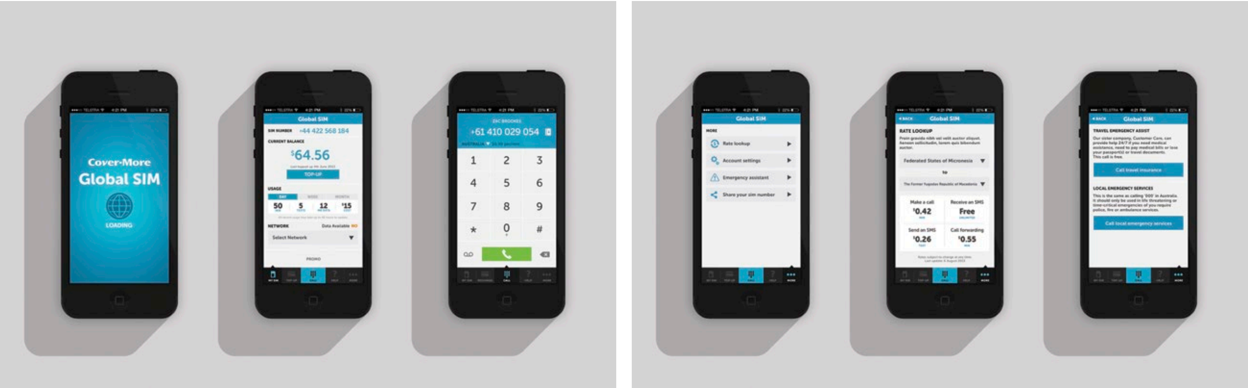
We will launch Global SIM in New Zealand, Malaysia, India and the UK. Medibank will include our Global SIM in their product with other partners to follow. The interest from the market is overwhelming.

For our agents Global SIM is a product differentiator and also another source of revenue than no one else can offer.

What's next with the Cover-More Global SIM?

We have built the ultimate Global SIM app.

Why? Because we want to push the customer experience to the next level and make our Cover-More Global SIM even easier to use.



We want our customers to be able to activate their Global SIM at the touch of a button, to be able to call anyone in their phone's contacts without worrying about international dialling formats.

Global SIM is just the start of a new era of product and market innovation for Cover-More. We are re-inventing the customer experience and we want to send our own ripple through the travel universe.

We have also introduced a geo-location service which links the location of Global SIM customers to real-time information on important events that might impact their travel. This service also provides a vehicle for customers to get access to real-time ancillary offers e.g. flight upgrades while a customer is waiting at Los Angeles International Airport (LAX).

Partner relationships: help our partners build more successful businesses

Cover-More has diversified and economically aligned distribution relationships with leading travel and intermediary players and corporate customers.

TRAVEL INSURANCE

Travel retail

Online and white label distribution

MEDICAL ASSISTANCE

Travel medical

Employee

In FY2015, we added new partner relationships in India, Australia, New Zealand, Malaysia, the United Kingdom and Indonesia including:

- extending our leadership in the agency channel in Australia by securing helloworld (ASX:HLO) as exclusive travel insurance partner
- securing new distribution agreements in India
- commencing our new partnership with New Zealand's largest general insurer, Insurance Australia Group, incorporating the AMI, State and NZI insurance brands, in January 2015
- commencing selling travel insurance for MAS Wings and launched Global SIM in Malaysia with our group operating platforms facilitating roll-out of operations in Malaysia in less than 60 days
- our appointment by AJ Gallagher as travel insurance provider for their Affinity Corporate Partnerships division in the UK and by Low Cost Travel Group as their travel insurance supplier
- launched travel insurance sales in Indonesia through our new distribution partner, PT. Asuransi Simas Net.

Cover-More remains committed to creating valued partner relationships that are mutually beneficial and mutually profitable and align economic interests and customer value propositions.

We believe by aligning business interests and principles in the delivery of travel insurance and medical assistance, we can build sustainable and highly transparent business partnerships that are unique in the sector.

Digital transformation

Cover-More has invested significantly in developing a leading e-commerce team and a proprietary optimisation platform, IMPULSE. 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.

Key milestones of Cover-More's e-commerce success include:

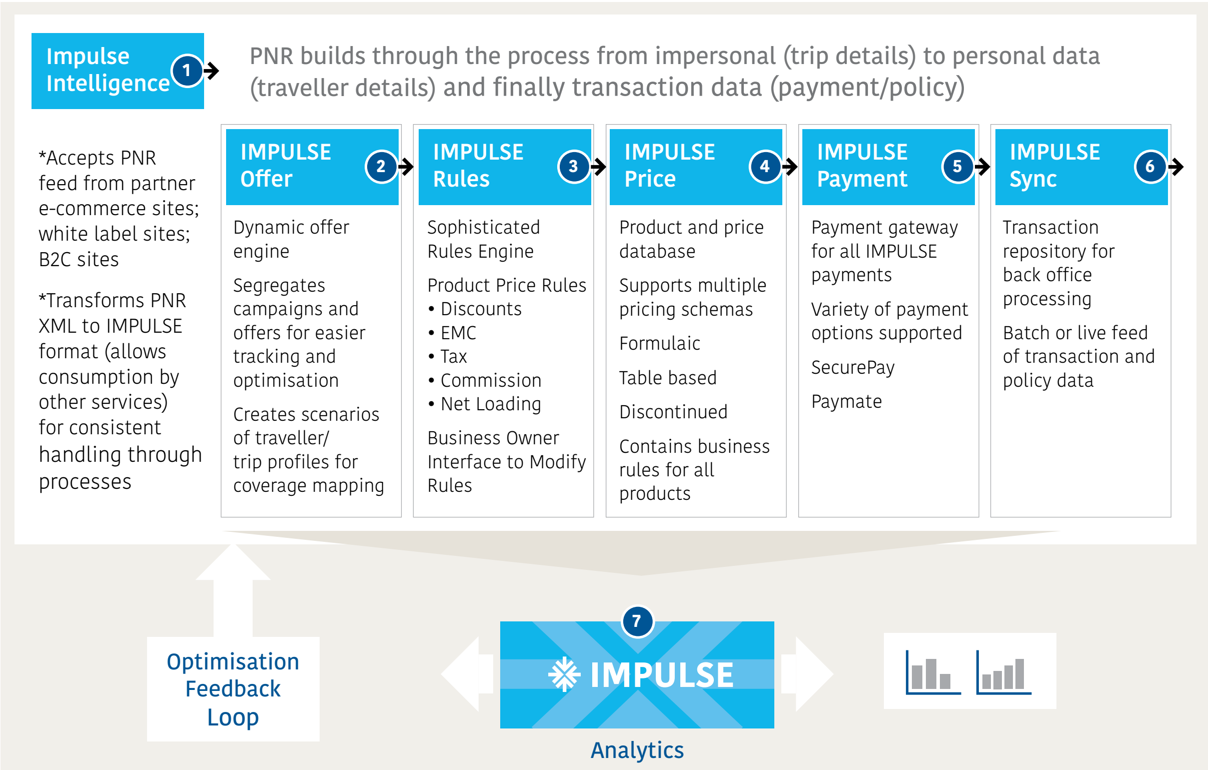
- completing integration of IMPULSE into booking platforms across New Zealand, United Kingdom and Australia
- launching our e-commerce optimisation platform, IMPULSE, with Malaysia Airlines in India and New Zealand
- completing the integration of IMPULSE into Flight Centre's online domestic web platform
- launching a new B2C site in the United Kingdom and in China.

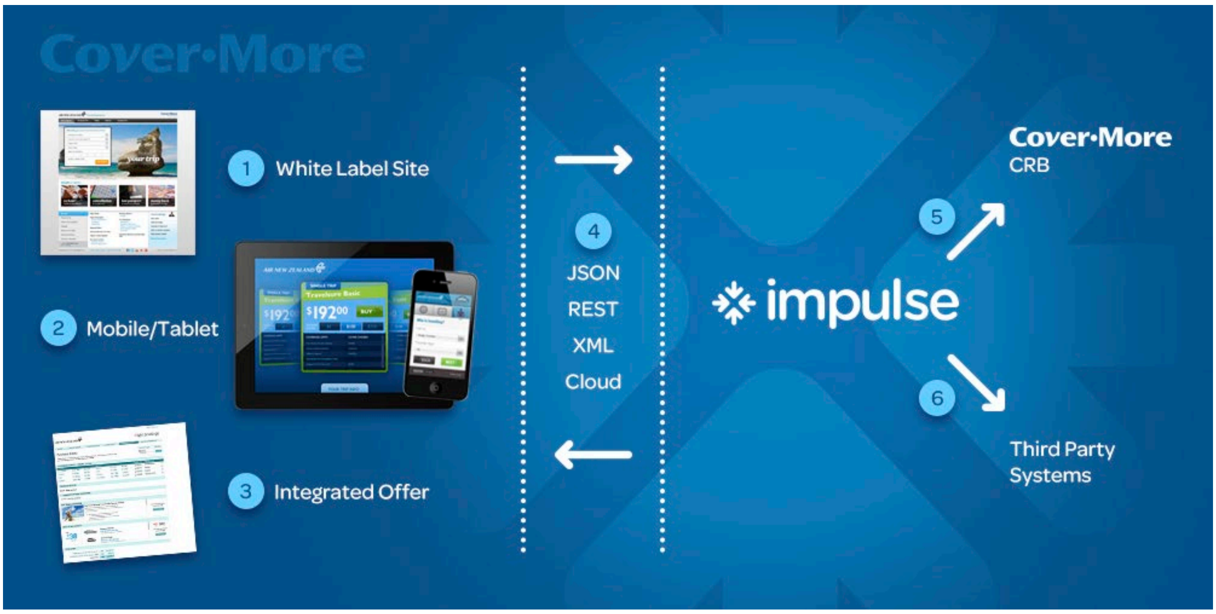
IMPULSE optimisation tool

Cover-More has invested heavily in building proprietary online optimisation technology, IMPULSE, specifically to enhance conversion rates and average sale values for Cover-More's and our partner's online sales sites. We believe we are a global leader in this field.

IMPULSE is an artificial intelligence that takes available data and variables to produce relevant timed offers to customers through multiple touch points.

Our optimisation tool also opens opportunity to explore the ability to turn lost sales into new business. Through the correct identification of 'declined offers' we can facilitate a new conversation with the customer through new offers that are relevant to their purchase triggers at the time. By focusing on after-sale techniques we also build a secondary revenue source of up to 5-7% to the integrated path.





Efficiency

Cover-More remains focussed on delivering best practice in everything we do, operating within a culture of continuous improvement. We are committed to ensuring that our business methods and work practices represent world's best practice, and in doing so, provide our customers with consistency and predictability — particularly as our business continues to evolve and grow and shape the markets in which we operate.

We also remain committed to delivering our services into each market at the lowest cost — a low cost base provides us with a significant and sustainable competitive advantage, which is particularly important when we are intent on going into new markets.

Our ongoing success will directly depend on:

- our ability to deliver competitive pricing to our partners and making sure that they remain relevant in their markets and
- our ability to deliver profitable returns, giving us access to the capital required to invest in our people, our infrastructure, and to fund our aggressive expansion intentions into new markets.

Our one-global-platform project

Our aim is to have one global operating platform across Australia, China, India, Malaysia, New Zealand, Singapore and the United Kingdom — and in FY2015, we moved very close to achieving that.

We believe the benefits for our continuing global growth are significant.

One global platform allows Cover-More to implement common, scalable platforms to deliver operating efficiencies and affords us the ability to rapidly deploy and achieve growth in new markets.

Our completion of our one-global-platform project will deliver scale, shared efficiencies and enhance our ability to 'load share' and improve service levels.

Telephone claims

A major outcome of Cover-More's ongoing investment in continuous improvement and Lean Six Sigma is the introduction of telephone claims.

Key project work completed since December 2014 will see tele-claims introduced in the first half of FY2016 as business-as-usual after successful pilots during the latter part of FY2015.

While tele-claims will offer a significantly enhanced end-user experience, it will also drive efficiencies and lower costs into our claims administration.

End-customers will have the option of tele-claims as well as online claims with the tele-claims process offering a heightened degree of personal interaction and personal attention for our end-customers.

Investing for growth

Cover-More sees opportunity where others see challenge. We are committed to expanding our reach through more partners in more countries and more markets.

We see our group building to be a major global provider of travel insurance and medical assistance with a heightened ability for our services to 'follow-the-sun' and our high standard of our medical assistance and customer focus to set an international benchmark for traveller care.

Our ambition stretches through key growth markets in Asia to North America and potentially, Europe.

Global travel insurance market dynamics

Significant potential in multiple travel insurance markets around the globe

Country (USD$ m)	Market value 2012 (GWP)	Market value 2016 (GWP)	4yr CAGR	Market size policies 2012	Market size policies 2016	4yr CAGR	Trips 2012 (m)	Trips 2016 (m)	4yr CAGR
Australia	722	926	6.4%	4.5	5.3	4.2%	8.2	10.3	5.9%
New Zealand	95	122	6.5%	1.3	1.5	3.6%	2.2	2.5	3.2%
China	495	1,045	20.5%	21.6	40.6	17.1%	83.2	145.0	14.9%
India	285	630	21.9%	11.5	17.5	11.1%	14.9	22.0	10.2%
SE Asia(1)	419	674	12.6%	12.8	19.1	10.5%	34.0	43.2	6.2%
USA	2,103	2,462	4.0%	32.7	35.4	2.0%	71.1	72.3	0.4%
Canada	1,652	2,298	8.6%	19.3	25.2	6.9%	34.1	43.5	6.3%
United Kingdom	937	941	0.1%	15.6	16.2	0.9%	53.7	60.5	3.0%
Europe(2)	1,806	2,815	4.6%	39.8	42.7	1.8%	168.5	186.7	2.6%

(1) Includes Malaysia, Singapore and Indonesia.
(2) Includes Germany, France, Spain, Norway, Denmark, Sweden and Finland; converted at FY15 EUR-US rates.
Note: Number of policies 000's. Finaccord 2013 data captures 2012 historical and 4-year CAGR to 2016 forecast; 2015 data captures 2014 historical and 4-year CAGR to 2018 forecast
Source: Finaccord (2013, 2015); Euromonitor

In FY2015, we have prioritised our investigation of global opportunities, particularly in North America where the market value in 2016 is estimated at some US$4.8 billion. While this is a mature market, it is the sheer size and lack of differentiation in travel insurance that creates a platform for Cover-More and a global distribution partner.

Our capital light business model is a key enabler for Cover-More as we seek to capitalise on an active pipeline of opportunities that we have cultivated in FY2015.

Medical assistance is a critical component of our value proposition and we have also been actively pursuing opportunities in North America and the UK to acquire this competency in these markets.

Our strategy is to establish a global Medical Assistance operation that will enable our operations to apply the 'follow the sun' principle supporting travellers across the various time zones and flow volume to accommodate major events — notably Nepal and the Bali ash cloud are examples of recent challenges.

TRUE STORIES: NEPAL

On 25 April 2015, at approximately 2pm AEST an earthquake of magnitude 7.8 struck Nepal. It is estimated that 300,000 foreign tourists were in the country at the time including more than 500 Australians.

Cover-More's medical assistance team immediately activated our crisis management plan to identify Australian customers impacted and assess their requirements, whether medical or travel assistance.

The situation on the ground in Nepal was devastating with significant loss of life, damage to infrastructure and interruption to power and water supply. Communication was very intermittent and non-existent in certain parts of the country. Given the scale of the disaster and the number of Australians involved, our team maintained close contact with the Department of Foreign Affairs and Trade throughout the ensuing days.

Contacting customers was our initial priority

The immediate need was to connect as quickly as possible with as many of our customers as possible, using existing contact numbers, email addresses and family contacts.

While Cover-More's Global SIM is promoted as a travel tool to counter the high roaming costs charged by some telecommunications providers, there is an equally valuable and in this case life-saving advantage in being able to identify where our customers are — and to contact them — during natural disasters and other catastrophic events.

Our Global SIM team was engaged to assist us in locating as many customers in Nepal as possible through their Global SIMs. We were able to locate all those customers in Nepal with a Global SIM who had activated their SIM in the previous seven days, as shown below.

We were then able to determine their last known location, contact number and last time they used their phone. We could also send out a broadcast email, SMS and USSD messages to all Global SIM holders advising them to contact us for assistance.

We also added additional credit onto the Global SIM accounts that were active in the region to ensure all customers could call us and their family and loved ones during this stressful time. In addition, the Global SIM has the functionality to allow customers to use the emergency assistance number free of charge regardless of available credit.

I felt like Cover-More were a step closer to family. And they need to know that they did good.

Then we had to bring our customers home safely

Because of the scale of the devastation and because so many Australians were affected, our medical assistance team organised a chartered airbus to evacuate as many customers as possible. We also sent an advance team to Kathmandu to assist customers – our team included a doctor, registered nurse, an experienced case manager, a security expert and an experienced trauma counsellor who could provide emotional and psychological support to distressed customers.

During the course of the response to this disaster, SMS messaging was repeatedly sent out to all our customers advising them of emergency contact details. We pursued all available avenues of communication to reach out to customers and advise them of the arrival in Kathmandu of the on-the-ground team and the chartered flight to evacuate them to safety.

Our chartered airbus left Kathmandu on Friday evening, 1 May, and landed in Kuala Lumpur in the early hours of Saturday, local time, and there was another team on the ground at Kuala Lumpur airport to coordinate flights into home cities in Australia.

This was a long, involved, complex and ultimately rewarding undertaking we were very pleased that our customers were able to return home safely.

it's so weird … so I'm in Tengboche and I'm getting texts from a chick called Kimberley, saying 'hi it's Kimberley from Cover-More, we're aware of what's just happened in Nepal, we're reaching out to you, to see where you are, how you're going … if you need anything'. For me, it was quite comforting because I thought, wow, these people know how bad this is.

I felt like Cover-More were a step closer to family. And they need to know that they did good.

Leeann Lloyd, Coffs Harbour, NSW

We were just watching the slope above us … there were boulders rolling down the hill, I've never felt fear like it.

Lynne Millsom, Sydney

OUR PEOPLE, PRINCIPLES AND LEADERSHIP

Look inside any successful company and you will see committed, clever people. Look further and you will sense something else — a kind of intangible elastic that binds talented individuals together and produces a unique, extraordinary, and possibly once-in-a-lifetime, whole.

Companies change when people change. When people arrive. When they leave. But it is that moment in time when an extraordinary, eclectic team of people are together, working for the same goals, that we are talking about.

That's now for Cover-More Group. Our incredible people make it happen. The day to day. Responses like Nepal. Our future success.

Today Cover-More Group has a global workforce of more than 1000 people spread across Australia, New Zealand, the United Kingdom, Malaysia, Singapore, China and India. This has grown from just 33 people in 1993.

In this annual report, we want you to meet four of our senior team.

Carole Tokody: e-commerce strategist, determined dreamer

Cover-More's Director of Sales, Carole Tokody, one of Australia's most respected e-commerce strategists in the travel insurance market, has a long-held belief that true success comes from being a determined dreamer and not being trapped by dogma and other people's thinking.

While some in the travel market talk about the commoditisation of travel insurance, Carole and Cover-More continue to show that otherwise commoditised insurance solutions can be re-purposed and re-imagined through innovative product design and delivery systems.

The end product of this re-purposing and re-imagining is an exceptional user experience when customers investigate, purchase and re-purchase insurance for their travel — whether from Flight Centre or Medibank or other well-known brands such as Air New Zealand and NRMA Insurance that have become Cover-More customers in the past two years.

That exceptional user experience traverses the customer's channel or shop of choice. Today's purchase environment for travel and travel insurance is a blend of retail travel agent, online, call centre and intermediated experiences — and the ability to deliver a bespoke experience and make the right offer to the right customer at the right time is the benchmark of success.

That, according to Carole Tokody, is what Cover-More does best.

And it all comes down to IMPULSE. Not, as the Macquarie Dictionary defines it 'a sudden, involuntary inclination prompting action' but rather the very clever, proprietary optimisation technology that sits at the heart of Cover-More's customer-led approach to innovation and business.

Carole describes IMPULSE as 'algorithms on steroids'.

'Fundamentally, IMPULSE is about optimising travel insurance sales through partner websites and platforms, airline booking engines and intranets, based on what we know about the customer's profile. We have already shown it has a proven impact on sales and because it is an agile and flexible tool, we can design and deliver insurance sales solutions aligned to our partners' distribution systems.'

Cameron Pearson:
original thinker, customer champion

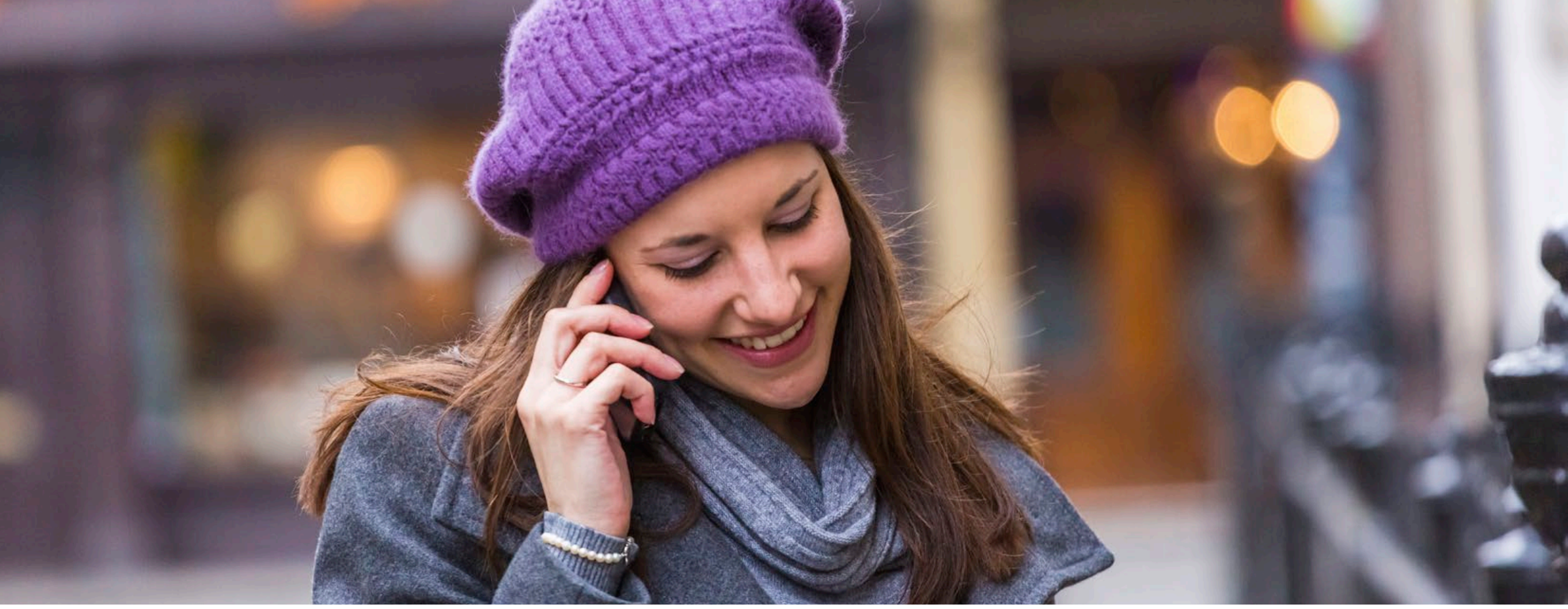
When *helloworld* Limited selected Cover-More as their sole travel insurance provider in November 2014, it was a decision based primarily on the quality of the experience their customers would have with Cover-More.

That customer experience, according to Cameron Pearson, Cover-More's Director of Growth and Innovation, was defined after months of work by the travel insurance specialist in re-inventing and re-imaging the customer value proposition that would reflect the aspirations of the new *helloworld* retail brand.

Cover-More's starting point is, and was, the customer. As the late Steve Jobs, creator of Apple, said: you have to start with the customer experience and work backwards. Cover-More did, and does.

Cameron is a determined customer champion. It's a trait that has characterised his career in marketing and innovation to date. He regularly spends time 'in market' and pushes his team of marketers to do the same.

He has brought 'outside-in' thinking to Cover-More with his focus on the customer and champions the 'day-in-the-life-of-the-customer' or DITLOC methodology of uncovering the value that lies beneath — value that can address customers' unmet needs and value that can serve as a key brand differentiator.



Mark Steinberg:
financial strategist, visionary leadership

If at a relatively young age, you decide on a career path that will take you across national boundaries into a global marketplace, it is probably an understatement that you willingly embrace challenge. Mark Steinberg, Cover-More Group CFO, did and does.

He pursued university qualifications in chartered accounting in South Africa because he sought challenge and opportunity in different countries and in different industry sectors.

Mark joined Cover-More in January 2015 after successful CFO roles in investment banking and telecommunications in Australia and Asia.

His leadership style is open and collaborative. He believes that real impact comes from ‘a good kind of busy’ and that a high level of commitment, engagement and passion makes the best type of environment to work in. This is what he has found at Cover-More and what he intends to help promulgate as Cover-More gains traction in international markets in Asia, Europe and North America.

In Mark’s view, leadership today is increasingly about creating a context for innovation and performance in the face of uncertainty and the unexpected, which is the new normal for business everywhere.

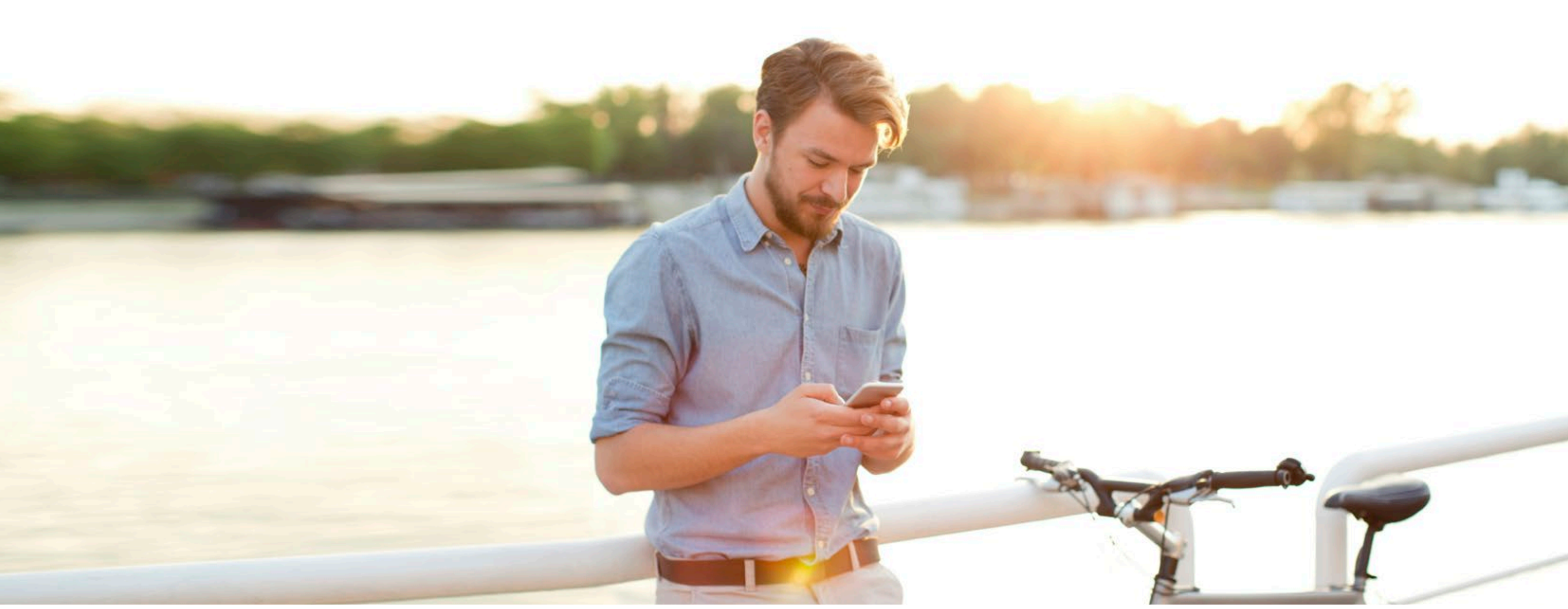
He also understands that strongly collaborative leadership is essential in dealing with global teams as time differences can fracture business reporting and projects without clear, actionable engagement.

Tanya Dawson:
talent strategist, engagement champion

Tanya joined Cover-More as Director of People in 2014. While she is still relatively new to Cover-More, Tanya has already brought an enhanced focus on leadership development in the senior layer of managers. She also brings a global perspective in talent identification and recruitment as Cover-More looks through Asia to North America to realise global growth opportunities.

She sees the challenge for any fast-growing company is to attract, retain and develop the best individual talent not only for current, but future aspirations. That is why Cover-More’s people strategy focuses on an action-orientation and a preparedness to do whatever it takes to deliver exceptional customer experience. Tanya says she is proud of the diversity of talent across the business including the representation of female leaders.

Her priority is to align people strategies to business strategies while nurturing Cover-More’s unique culture. This means continuing to create an environment where employees feel empowered to make decisions and feel they can make direct a contribution to success. She describes Cover-More as the most interestingly diverse and driven company she has worked for — and one with a medical assistance core that pervades the company psyche.



COVER-MORE'S PRINCIPLES INFORM WHO WE ARE AND WHAT WE DO. These are the beliefs that we hold dear and stick to.

What we believe in:	EXCELLENCE
What we mean:	Best practice at lowest cost, efficient, continuous improvement, specialist knowledge, innovation, being as good as we can be at what we are good at, leading by example, relevant. Focussing on what matters.
What we don't mean:	Trying to be good at everything – no matter what the cost. Focussing on what doesn't matter.

What we believe in:	COMPASSION
What we mean:	Care, empathy, respect, consideration, action with beneficial outcomes.
What we don't mean:	Pity, focussing on what doesn't matter when trying to help customers.

What we believe in:	INTEGRITY
What we mean:	Fairness, diligence, transparency, honesty, ethical behaviour.
What we don't mean:	Focussing on what doesn't matter when it comes to our partners, customers, our people.

What we believe in:	COMMITMENT
What we mean:	People-focussed, customer-focussed, loyal, providing true customer value, prioritising collaboration and teamwork, following through on promises.
What we don't mean:	Commitment without accountability. Focussing on what doesn't matter.

What we believe in:	INDEPENDENCE
What we mean:	Autonomy, self-confidence, unconstrained, in charge of our own destiny, flexibility, nimbleness.
What we don't mean:	Solitary, isolated, lacking strong support or lacking a commercial focus.

Our principles

Our people continue to be driven by an entrepreneurial spirit and a commitment to compassion and excellence and our behaviour is underpinned by a set of principles that define who we are as a company and as individuals.

Leadership

Cover-More has developed ten critical leadership competencies as part of our talent management strategy — these competencies define behavioural and performance benchmarks for the calibre of leaders we value.

Cover-More's leadership competencies

RESULTS ORIENTATION	DEVELOPING CAPABILITY
CUSTOMER FOCUS	PEOPLE LEADERSHIP
COLLABORATION AND INFLUENCING	STRATEGIC ORIENTATION
DEVELOPING CAPABILITY	MARKET INSIGHT
CHANGE AND INNOVATION LEADERSHIP	TECHNICAL CAPABILITY

In FY2015, we continued to invest in our people and leadership development with bespoke programs and initiatives underpinning the strategic direction of our business.

Leading for Growth and Impact program

The Leading for Growth and Impact program is a six month development experience designed to enhance the leadership and commercial capabilities of our senior leaders. This global program connects our Australian participants with their colleagues from India and China through a series of experiential workshops and an action learning project addressing a key priority for our business.

Each participant also benefits from 1:1 coaching on results from best in class psychometric assessments. This new program sits within a broader leadership curriculum which includes our popular Leadership Frontiers program and soon to be launched Leadership Essentials program, aimed at team leaders new to their role, or those who have been working in the role without formal development.

Performance and talent management

The performance management process is in place to build a shared understanding of, and to deliver to the strategic priorities of our business. This annual process enables individuals to understand how their goals contribute to the ongoing success of Cover-More, and links overall performance across the year to the remuneration strategy. Development planning is a key feature of this process with managers working with individuals to identify development needs aligned to our 70:20:10 development philosophy.

The talent and succession management process ensures we identify and retain our talent with the potential and aspirations to grow our business, and to move into critical roles across the Cover-More enterprise.

Employee engagement

In FY2015, Cover-More continued with the global Engagement Survey, conducted confidentially by a third party provider. We achieved a pleasing 87% employee participation rate and maintained our high employee engagement scores.

Our employee focus group feedback drove positive outcomes across the global group including a greater investment in career growth and development and the creation of more regular forums for our employees to connect globally and locally with senior leaders to understand and be involved in company-wide strategic initiatives.

A mid-point 'pulse survey' was also introduced to continue to seek further feedback from employees on progress against identified areas of focus and action.

PERFORMANCE ANALYSIS (UNAUDITED)

The following pages provide an overview of the FY2015 performance against the pro-forma performance for FY2014. This section has not been subject to audit or independent review by the external auditor. The pro-forma accounting basis used to determine the 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 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. There are no pro-forma adjustments required for FY2015.

Reconciliation of Statutory Revenue and NPAT to Net Revenue and NPAT per Table B

Table A: Adjustments to the audited statutory consolidated income statement for FY2015 and pro-forma adjustments to the audited statutory consolidated income statement for FY2014.

A$ in millions	FY2015	FY2014
Statutory revenue	**220.2**	190.2
Pro-forma impact of historical acquisitions	–	22.2
Reclassification from other income	**2.7**	1.5
Underwriter (UW) profit share	–	5.2
Net revenue per Table B	**222.9**	219.1
Statutory NPAT	**25.8**	15.7
Pro-forma impact of historical acquisitions	–	(7.8)
Public company costs	–	(0.5)
Other non-recurring items	–	0.4
Offer costs (IPO transaction costs)	–	17.4
Amortisation	–	(1.7)
Interest adjustment (Debt structure costs)	–	3.9
Income tax effect	–	(2.3)
NPAT per Table B	**25.8**	25.1

Income Statement

Table B: Summary consolidated income statement for FY2015 and summary pro-forma consolidated income statement for FY2014.

A$ in millions	FY2015	Pro-forma excluding UW profit share FY2014	UW profit share FY2014	Pro-forma including UW profit share FY2014
Gross Travel Insurance sales	**400.8**	363.9	5.2	369.1
Gross Medical Assistance sales	**66.0**	64.8	–	64.8
Gross sales – total	**466.8**	428.7	5.2	433.9
Net Travel Insurance sales	**156.9**	149.1	5.2	154.3
% of Gross Travel Insurance sales	***39.1%***	*41.0%*	*100.0%*	*41.8%*
Net Medical Assistance sales	**66.0**	64.8	–	64.8
Total net revenue	**222.9**	213.9	5.2	219.1
%	***100.0%***	*100.0%*	*100.0%*	*100.0%*
Cost of sales	**(131.8)**	(128.8)	(1.8)	(130.6)
Gross margin[1]	**91.1**	85.1	3.4	88.5
%	***40.9%***	*39.8%*	*65.4%*	*40.4%*
Employment overheads	**(23.4)**	(21.2)	–	(21.2)
Occupancy costs	**(6.7)**	(5.8)	–	(5.8)
Other overheads	**(9.0)**	(9.6)	–	(9.6)
Total overheads	**(39.1)**	(36.6)	–	(36.6)
EBITDA	**52.0**	48.5	3.4	51.9
%	***23.3%***	*22.7%*	*65.4%*	*23.7%*
Depreciation	**(2.3)**	(3.1)	–	(3.1)
Amortisation of capitalised IT and software	**(2.6)**	(1.9)	–	(1.9)
EBITA	**47.1**	43.5	3.4	46.9
%	***21.1%***	*20.3%*	*65.4%*	*21.4%*
Amortisation of acquired intangibles	**(7.6)**	(7.8)	–	(7.8)
EBIT	**39.5**	35.7	3.4	39.1
%	***17.7%***	*16.7%*	*65.4%*	*17.8%*
Net interest expense	**(2.6)**	(2.8)	–	(2.8)
Forex losses[2]	**–**	(0.2)	–	(0.2)
Income tax expense	**(11.1)**	(10.0)	(1.0)	(11.0)
NPAT	**25.8**	22.7	2.4	25.1
%	***11.6%***	*10.6%*	*46.2%*	*11.5%*
NPATA	**31.1**	28.2	2.4	30.6
%	***14.0%***	*13.2%*	*46.2%*	*14.0%*

(1) Certain expenses have been reclassified in pro-forma FY2014 to align with current year disclosures.
(2) Forex gains/losses have been reclassified to other overheads in FY2015.

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 6 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. To give a clearer view of underlying trading, FY2014 performance has been adjusted in the 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 $222.9 million was 4.2% ahead of pro-forma FY2014.

Travel Insurance

Gross Travel Insurance Sales (GTIS) of $400.8 million were 10.1% ahead of pro-forma FY2014 with notable growth in Asia. Travel Insurance net revenue growth of 5.2% compared to pro-forma FY2014 was lower than GTIS growth due largely to higher claims costs in Australia arising from the impact of a weaker Australian dollar and changes in the underlying Travel Insurance portfolio. Some progress has been made at the time of this report on repricing the Travel Insurance book to restore margins and management will continue to reprice as appropriate over the course of FY2016.

FY2015 net revenue at 39.1% of GTIS was below pro-forma FY2014 at 41.0% due mainly to the reason mentioned above.

Medical Assistance

Net Revenue of $66.0 million was 1.9% higher than pro-forma FY2014. Sales growth was impacted by the loss of a major contract in the Employee Assistance business with effect in H2 FY2015.

Overheads

Overheads of $39.1 million were 6.8% higher than pro-forma FY2014 and contained at a level within the 7.1% increase in gross margin.

EBITDA

FY2015 EBITDA at $52.0 million was 7.2% above pro-forma FY2014 mainly due to strong growth in Gross Travel Insurance Sales and effective cost management which was partially offset by the impact of higher claims costs in Australia in the second half of FY2015.

Performance by Segment

Operating Segments

Table C: Summary consolidated income statement by operating segment for FY2015 and summary pro-forma consolidated income statement by operating segment for FY2014.

A$ in millions	FY2015	Pro-forma excluding UW profit share FY2014	UW profit share FY2014	Pro-forma including UW profit share FY2014
Travel Insurance	**156.9**	149.1	5.2	154.3
Medical Assistance	**66.0**	64.8	–	64.8
Net revenue	**222.9**	213.9	5.2	219.1
Travel Insurance	**61.2**	58.4	3.4	61.8
Medical Assistance	**29.9**	26.7	–	26.7
Gross margin[(1)]	**91.1**	85.1	3.4	88.5
Travel Insurance	**32.7**	32.5	3.4	35.9
Medical Assistance	**19.3**	17.0	–	17.0
Corporate/unallocated	**–**	(1.0)	–	(1.0)
EBITDA	**52.0**	48.5	3.4	51.9

(1) Certain expenses have been reclassified in pro-forma FY2014 to align with current year disclosures.

The Travel Insurance gross margin ratio of 39.0% was in line with pro-forma FY2014.

The Medical Assistance gross margin ratio of 45.3% was 4.1pts higher than pro-forma FY2014 mainly due to margin optimisation and productivity improvements in Australia.

The positive variance in Corporate/unallocated costs compared to FY2014 is due to the fact that corporate costs have been allocated to the operating segments from H2 FY2014. In FY2015 $1.5 million of corporate costs have been allocated to the Travel Insurance segment and $0.3m of corporate costs have been allocated to the Medical Assistance segment.

Excluding the impact of these allocations the Travel Insurance EBITDA and Medical Assistance EBITDA have increased by approximately 2% and 15% respectively compared to pro-forma FY2014. The growth in Travel Insurance EBITDA has been adversely impacted by the increase in claims costs in Australia in H2 FY2015 as noted above.

Geographic Segments

Table D: Summary consolidated income statement by geography for FY2015 and summary pro-forma consolidated income statement by geography for FY2014.

A$ in millions	FY2015	Pro-forma excluding UW profit share FY2014	UW profit share FY2014	Pro-forma including UW profit share FY2014
Australia, NZ, UK	**204.3**	198.4	5.2	203.6
Asia	**18.6**	15.5	–	15.5
Net revenue	**222.9**	213.9	5.2	219.1
Australia, NZ, UK	**82.1**	77.8	3.4	81.2
Asia	**9.0**	7.3	–	7.3
Gross margin(1)	**91.1**	85.1	3.4	88.5
Australia, NZ, UK	**47.3**	44.4	3.4	47.8
Asia	**4.7**	5.1	–	5.1
Corporate/unallocated	**–**	(1.0)	–	(1.0)
EBITDA	**52.0**	48.5	3.4	51.9

(1) Certain expenses have been reclassified in pro-forma FY2014 to align with current year disclosures.

Asia net revenue grew at 20.0% compared to pro-forma FY2014 with strong growth in India and Malaysia. In China management continued to focus on quality of earnings leading to an overall improvement in margins.

Australia, NZ, UK net revenue grew at 3.0% compared to pro-forma FY2014 with notable growth in New Zealand and the UK as a result of new partnerships. Net revenue growth in Australia was adversely impacted by higher claims costs in H2 FY2015.

Reported profitability in Asia has been impacted by a revised basis of allocating head office costs and additional investment in management resources to focus on profitable growth in the region. On a like for like basis, Asia profit continues to grow strongly with gross margin approximately 37% and EBITDA approximately 50% higher than pro-forma FY2014.

Australia, NZ, UK gross margin and EBITDA grew at 5.5% and 6.5% respectively compared to pro-forma FY2014. Reported profitability in this geographic segment was adversely impacted by higher claims costs in Australia in H2 FY2015.

Corporate Expenses Analysis

Table E: Corporate expenses by operating segment for FY2015 and corporate expenses by operating segment for FY2014.

A$ in millions	FY2015	Pro-forma FY2014
Corporate expenses allocated to Travel Insurance	**1.5**	0.6
Corporate expenses allocated to Medical Assistance	**0.3**	0.1
Corporate/unallocated	**–**	1.0
Total corporate expenses	**1.8**	1.7

Table F: Corporate expenses by geography for FY2015 and corporate expenses by geography for FY2014.

A$ in millions	FY2015	Pro-forma FY2014
Corporate expenses allocated to Australia, NZ, UK	**1.6**	0.6
Corporate expenses allocated to Asia	**0.2**	0.1
Corporate/unallocated	**–**	1.0
Total corporate expenses	**1.8**	1.7

Financial Position

Table G: Net borrowings as at 30 June 2015 and net borrowings as at 30 June 2014.

A$ in millions	FY2015	FY2014
Borrowings(1)	**(56.1)**	(45.6)
Cash and cash equivalents	**24.0**	20.6
Net borrowings	**(32.1)**	(25.0)

(1) FY2015 borrowings include $56.4 million drawn down on banking facilities and are net of $0.3 million capitalised costs associated with banking facilities (FY2014: borrowings include $45.8 million drawn down on banking facilities net of $0.5 million capitalised costs associated with banking facilities, and $0.3 million finance lease liabilities).

At 30 June 2015 undrawn bank facilities of $16.2 million (30 June 2014: $26.7 million) were available for use and a further $4.4 million (30 June 2014: $4.4 million) had been used as a guarantee for financial obligations.

Reconciliation of Statutory Cash Flow to Cash Flow per Table I

Table H: Adjustments to the audited consolidated cash flow statements for FY2015 and audited consolidated cash flow statements for FY2014.

A$ in millions	FY2015	FY2014
Statutory operating free cash flow after capital expenditure[1]	**33.3**	14.9
Pro-forma impact of historical acquisitions	–	6.2
Offer costs	–	14.4
Cash impact of other pro-forma adjustments	–	0.6
Income tax paid	**15.1**	10.2
Other statutory adjustments	–	(0.1)
Operating free cash flow after capital expenditure per Table I[2]	**48.4**	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 statutory operating free cash flow after capital expenditure is calculated as follows:*

	FY2015	FY2014
Net cash inflow from operating activities	*$39.7 million*	*$33.2 million*
Deduct: – IPO costs recognised in consolidated income statement	*–*	*($14.4 million)*
– Net payments for plant, equipment and intangible assets	*($6.4 million)*	*($3.9 million)*
Adjusted statutory operating free cash flow after capital expenditure	***$33.3 million***	***$14.9 million***

(2) *Pro-forma FY2014 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.*

Cash Flow

Table I: Summary consolidated cash flow statement for FY2015 and summary pro-forma consolidated cash flow statement for FY2014.

A$ in millions	FY2015	Pro-forma excluding UW profit share FY2014	UW profit share FY2014	Pro-forma including UW profit share FY2014
EBITDA	**52.0**	48.5	3.4	51.9
Non-cash items in EBITDA	**0.7**	(0.4)	–	(0.4)
Change in working capital	**2.1**	(0.4)	(0.6)	(1.0)
Operating free cash flow before capital expenditure	**54.8**	47.7	2.8	50.5
% of EBITDA	*105.4%*	*98.4%*	*82.4%*	*97.3%*
Capital expenditure				
Capitalisation of software	**(4.6)**	(2.9)	–	(2.9)
Net payments for property, plant and equipment	**(1.8)**	(1.4)	–	(1.4)
Total capital expenditure	**(6.4)**	(4.3)	–	(4.3)
Operating free cash flow after capital expenditure	**48.4**	43.4	2.8	46.2
% of EBITDA	***93.1%***	*89.5%*	*82.4%*	*89.0%*

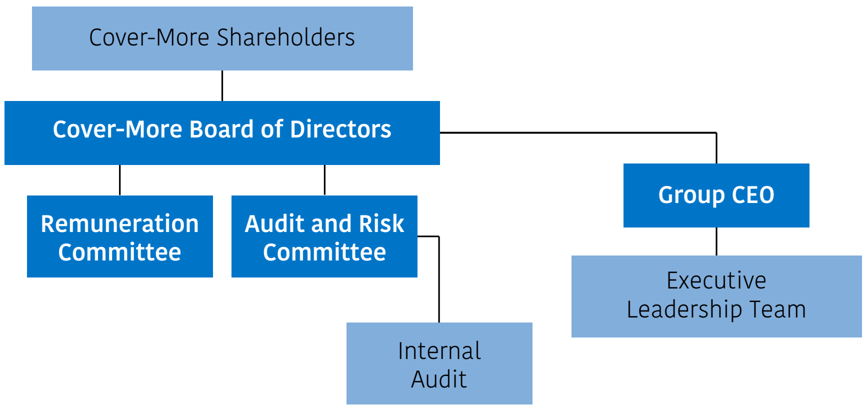
Operating free cash flow before capital expenditure grew at 14.9% compared to pro-forma FY2014 due to an ongoing focus on working capital management.

Outflows from capital expenditure were 48.8% higher than FY2014 due mainly to an increased investment in the Cover-More technology platform.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board has established a corporate governance framework, including corporate governance policies, procedures and charters, to support this commitment. The corporate governance framework for Cover-More Group Limited (Cover-More or the Company) and its subsidiaries (the Group) is reviewed regularly and revised in response to changes in law, developments in corporate governance and changes to the business. Further information on the Group's charters, procedures and policies are available on Cover-More's website at www.covermore.com (Cover-More's website).

Cover-More Corporate Governance Framework



This Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles) for the financial year ending 30 June 2015 (Financial Year). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight (8) core principles.

This Corporate Governance Statement was approved by the Board on 20 August 2015 and should be read in conjunction with the Directors' Report.

Principle 1: Lay solid foundations for management and oversight

Relevant policies and charters:

- Company Constitution
- Board Charter
- Audit and Risk Management Committee Charter
- Remuneration Charter
- Diversity Policy

Recommendation 1.1 – Role of the Board and management and matters reserved to the Board

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 (Board Charter), which is available on Cover-More's website.

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

- Setting the strategy for the Group, its operational and financial objectives, and ensuring that there are sufficient resources for this strategy to be achieved;
- Appointing and, where appropriate, removing the Group Chief Executive Officer and Company Secretary, approving other key executive appointments and planning for executive succession;
- Overseeing and evaluating the performance of the Group Chief Executive Officer and the Executive Leadership Team through a formal performance appraisal process;
- Establishing policies on meeting legal, regulatory and workplace 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;
- Approving 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 Group Chief Executive Officer and the Executive Leadership Team. The Board ensures that the Group Chief Executive Officer and Executive Leadership Team (which includes the Group Chief Financial Officer), are appropriately qualified and experienced to discharge their responsibilities.

The Board can delegate areas of responsibility to committees which are able to focus on a particular issue and provide informed feedback to the Board. Where 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 committees:

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

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

Recommendation 1.2 – Appropriate checks before appointing a person as a director

Before appointing or putting forward to security holders a new candidate for election as a director Cover-More undertakes appropriate checks to ascertain the person's character, experience, education, criminal record and bankruptcy history as well other interests, relationships or commitments which could conflict with his/her duties to Cover-More.

Recommendation 1.3 – Written agreement with each Director and senior executive

The Group has in place written agreements with each Director and senior executive of the Company which set out the terms of appointment, roles and responsibilities as well as the Company's expectations in terms of time commitment, involvement in committee work and any other special duties attaching to the position.

Recommendation 1.4 – Company Secretary

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

Recommendation 1.5 – Diversity policy

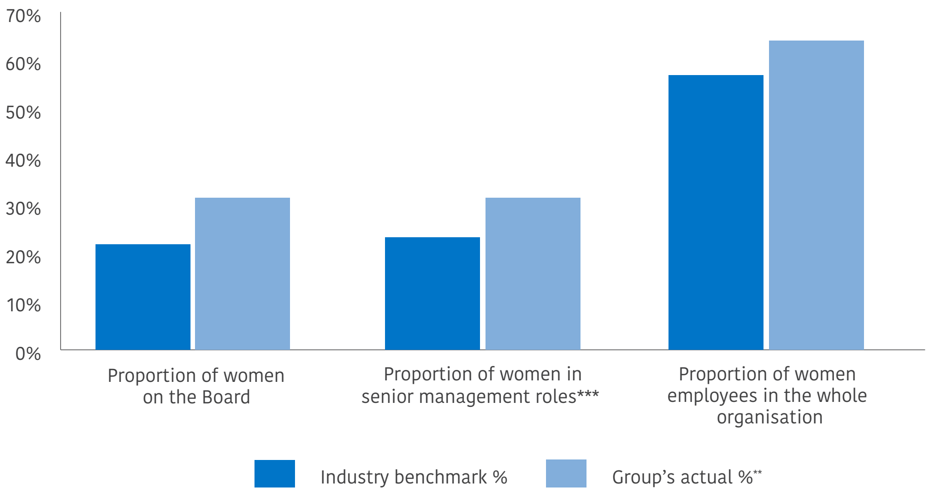
Diversity includes, but is not limited to, gender, age, ethnicity, cultural background, impairment or disability, sexual preference and religion. The Group is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available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

Gender diversity

Cover-More outperforms the industry average in terms of the number of women on the Board, in senior management positions and employed by the Group overall.

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

	Industry benchmark %*	Group's actual %**
Proportion of women on the Board	23.60%	33.33%
Proportion of women in senior management roles***	24.20%	33.33%
Proportion of women employees in the whole organisation	56.10%	63.23%



* *Source: Women on Boards 2015 for Diversified Financial Industry, Workplace Gender Equality Agency – Australia's gender equality scorecard (November 2014) for Financial and Insurance Services Industry.*

** *Group's actual data is based on the Workplace Gender Equality Agency report submitted on 29 May 2015. Employees in the whole organisation and in senior management roles is based on the consolidation of information for Cover-MoreGroup Limited. Women on the Board is based on Cover-More Group's Board.*

*** *Senior management roles are defined as members of the Executive Leadership Team.*

Recommendation 1.6 – Performance evaluation of the Board, its committees and individual directors

The Company's policy is to carry out an externally facilitated evaluation every two to three years, with an annual internal evaluation by the Chair in the intervening period.

The Board Charter, which is available on Cover-More's website, contains provisions that govern the annual evaluation of the Board and the performance of the Board, its committees and each individual Director, using where necessary an external consultant, against appropriate measures to assess:

i. the effectiveness of the Board and each committee in meeting the requirements of its charter;
ii. whether the Board and each committee has members with the appropriate mix of skills and experience to perform their functions properly;
iii. whether adequate time is being allocated to Cover-More matters, taking into account each Director's other commitments; and
iv. the independence of each Non-Executive Director, taking into account the Director's other interests, relationships and directorships.

Recommendation 1.7 – Performance evaluation of senior executives

The Board reviews the performance of the Group 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 manager's responsibilities. Performance evaluations of the Executive Leadership Team were carried out in September 2014 and will be undertaken again in September 2015.

The Remuneration Committee annually reviews and makes recommendations to the Board in relation to the remuneration arrangements for the Group Chief Executive Officer and the Executive Leadership Team. The Remuneration Committee will complete this annual review following completion of the performance evaluation process to be undertaken in September 2015.

Principle 2: Structure the Board to add value

Relevant policies and charters:

- Company Constitution
- Board Charter
- Audit and Risk Management Committee Charter
- Remuneration Charter

Recommendation 2.1 – Nomination Committee

The ASX Principles recommend that companies establish a nomination committee. Due to 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. The functions that would be performed by such a committee are undertaken by the Board as a whole.

Recommendation 2.2 – Board experience, skills and attributes matrix

Name	Position
Louis Carroll	Chairman (from 20 February 2015) Non-Executive Director
Michael Alscher	Non-Executive Director (until 30 April 2015) Chairman (until 20 February 2015)
Stephen Loosley	Non-Executive Director
Trevor Matthews	Non-Executive Director
Lisa McIntyre	Non-Executive Director
Sam Mostyn	Non-Executive Director
Peter Edwards	Group Chief Executive Officer and Executive Director

A summary of the Directors' skills and experience relevant to the Group at the end of the financial year 2015 is set out below:

Skills & Experience (out of 6 directors)	
Executive leadership Senior Executive Experience, including international experience	6
Board experience Other listed entity boards, committees and/or governance body	5
Industry experience Insurance, Medical and Health	5
Health, safety, environment and sustainability Experience in health, safety, environmental, social responsibility or sustainability initiatives	4
Governance and risk Experience with governance structures, risk management and financial controls	6
Legal & financial acumen Legal, accounting & reporting, actuarial, corporate finance and capital management	6
Strategy Experience in development and implementation of plans to achieve long term organisation goals	6
People Human resources	4

The Board considers the present mix of director skills is sufficiently diverse for an organisation the size of the Company; however the Board is seeking to add a new director next financial year with skills and experience in e-commerce and social media.

Recommendation 2.3 – 2.4 – Director independence

The Board has adopted specific principles which state that in order to be considered an Independent Director, the person must:

- Not be a member of management of the Group;
- Not, within the last three (3) years, have been employed in an executive capacity by any member of the Group;
- Not be directly involved in the audit of Cover-More or any of its subsidiaries;
- Not be a principal or material employee of a professional adviser or consultant to Cover-More where the amount paid during the year for 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;
- Not be a supplier to the Group, or an officer, principal, material shareholder, employee or consultant of such a supplier, 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 of the Group, or an officer, principal, material shareholder, employee or consultant of such a customer, where the amount paid during the year by that customer to Cover-More exceeded 5% of the consolidated group revenue of the customer 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 of Cover-More;
- Have 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; and
- Not have been a director of Cover-More for such a period that their independence may have been compromised.

The Board is comprised of six (6) Directors. The Board considers that Louis Carroll, Sam Mostyn, Lisa McIntyre, Trevor Matthews and Stephen Loosley are all free from any business or any other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement and each is able to fulfil the role of an Independent Director.

Peter Edwards is the Group Chief Executive Officer of the Group and holds approximately 2% of the shares of the Company as at the date of this report.

Whilst Louis Carroll has served as a Non-Executive Director of Group companies since 2003, the Board does not consider his tenure alters his independence.

Recommendation 2.5 – Independent Chair

The Board Charter provides that the Chair should be a Non-Executive Director. The Chair 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 Chair'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 served as Chair of the Board until 20 February 2015. As Mr Alscher did not qualify as an Independent Non-Executive Director the Company has only complied with ASX Recommendation 2.5 from 20 February 2015 onwards when Mr Louis Carroll, an Independent Non-Executive Director, was appointed Chair.

Recommendation 2.6 – Induction program for new directors and professional development

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 review the effectiveness of the program regularly 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 the Annual General Meeting held in October 2014.

At least twice a year members of the Board have the opportunity to attend strategy conferences with the Executive Leadership Team. Members of the Executive Leadership Team are also invited to attend Board meetings where matters relevant to their respective business unit are considered. Immediately following each meeting of the Board, the Independent Directors will meet without the Executive Director/Group Chief Executive Officer or any other management representatives being present.

Principle 3: Act ethically and responsibly

Relevant policies available on Cover-More's website

- Code of Conduct

Recommendation 3.1 – 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 of the Group are required 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.

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.

Securities Trading Policy

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

Before trading, employees must first obtain the permission of the Company Secretary to do so. Directors must obtain the permission of the Chair, 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.

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 corporate reporting

Relevant policy

- Audit and Risk Management Committee Charter

Recommendation 4.1 – Audit Committee

The Board has established an Audit and Risk Management Committee. The Audit and Risk Management 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 Company complied with Recommendation 4.1 until 30 April 2015 when Mr Alscher resigned as member of the Audit and Risk Management Committee and was not replaced. Since that date the Audit and Risk Management Committee has only comprised of two members: Trevor Matthews (Chair) and Lisa McIntyre. A third member of the Audit and Risk Management Committee will be appointed in the next financial year as required by Recommendation 4.1.

Details of the Audit and Risk Management Committee members, their qualifications, skills and experience are set out in the Directors' Report.

The Audit and Risk Management Committee held 4 meetings during the financial year. The number of meetings attended by each member was:

	Audit and Risk Management Committee	
	A	B
Trevor Matthews – Chair of the Audit and Risk Management Committee	4	4
Michael Alscher – resigned as member of the Audit and Risk Management Committee on 30 April 2015	3	3
Lisa McIntyre	4	4

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.

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

The Audit and Risk Management Committee's key responsibilities and functions with respect to financial reporting are to:

- Oversee Cover-More's relationship with the external auditor and the external audit function generally;
- Oversee Cover-More's internal audit function;
- Oversee the preparation of the financial statements and reports;
- Oversee Cover-More's financial controls and systems; and
- Review, monitor and assess Cover-More's financial risk management policies, procedures and systems.

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

Internal audit

Consistent with Recommendation 4.1, Cover-More's Internal Audit function is accountable to the Chair of the Audit and Risk Management Committee in relation to:

1. the scope, adequacy and overall execution of the annual audit plan; and
2. the independence, objectivity and performance of the internal audit function within Cover-More.

The role of the Internal Auditor is discussed under Recommendation 7.3.

Recommendation 4.2 – Group CEO and Group CFO declaration

In accordance with Recommendation 4.2 the Group Chief Executive Officer and Group Chief Financial Officer are required to declare in writing to the Board that, in their opinion: the financial records of Cover-More have been properly maintained; the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and a sound and effective system of risk management and internal control is operating within the Group.

Recommendation 4.3 – Attendance of external auditor at AGM

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

Principle 5: Make timely and balanced disclosure

Relevant policies

- Disclosure Policy
- Shareholder Communication Policy

Recommendation 5.1 – Disclosure policy

Cover-More has established policies and procedures to ensure timely and balanced disclosure of all material matters 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 Cover-More'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 Group Chief Executive Officer either directly or via the Company Secretary. The Group Chief Executive Officer will then advise the Chair 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, either the Group 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 including financial results, material transactions or upgrading/downgrading financial forecasts. Approval of disclosures is minuted in the meetings of the Directors or by circular resolution.

Principle 6: Respect the rights of security holders

Relevant policy

- Shareholder Communication Policy

Recommendations 6.1 – 6.4 – Security holders and investor relations

Cover-More has established a Shareholder Communication Policy (available on Cover-More's website) which describes the Company's approach to promoting effective communication with shareholders. The Company communicates to shareholders through:

- Cover-More's website: which includes contact details and an investor calendar;
- The Annual Report: which provides detailed 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: which are announced to the ASX and available to shareholders via the ASX website or Cover-More's website;
- Market announcements: all announcements made to the market and related information are made available to all shareholders on Cover-More's website, after they have been released to the ASX;
- Notice of Meetings: detailed notices of shareholder meetings are sent to all shareholders in advance of any meeting; and
- Shareholding and dividend payment communications: details are available to shareholders 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 and shareholder understanding of 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 members of the Executive Leadership Team in person.

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

Electronic communications

The Company's contact details are available on Cover-More's website under 'Investor information'. Shareholders can submit an electronic query to the Group via the website, email the Group 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

Relevant policy

- Audit and Risk Management Committee Charter

Recommendations 7.1 and 7.2 – 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; and
- 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 material business risks and any changes to the Group'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.

As set out under Recommendation 4.1, the Audit and Risk Management Committee has been established by the Board to assist the Board fulfil its risk management responsibilities.

Pursuant to its charter, the Audit and Risk Management 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 and Risk Management Committee with respect to risk management include:

- Reviewing and evaluating the adequacy and effectiveness of the risk management framework and how the Group identifies, treats, monitors, and reports key enterprise risks; and
- Evaluating the adequacy and effectiveness of the Group's internal risk control systems, including accounting and financial controls.

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

A review of the risk management framework is conducted by the Company annually.

Recommendation 7.3 – Internal Audit

Cover-More established an internal audit function in January 2015 which delivers assurance to management and the Board on the adequacy and operational effectiveness of Cover-More's internal controls, risk management and governance systems and processes. Consistent with Recommendation 4.1, the internal audit function is accountable to the Chair of the Audit and Risk Management Committee in relation to:

1. the scope, adequacy and overall execution of the annual audit plan; and
2. the independence, objectivity and performance of the internal audit function within the Group.

The scope of internal audit work undertaken in a financial year may include:

- Reviewing the adequacy, reliability and integrity of financial, operating and management information and the means used to identify, measure, classify and report such information;
- Evaluating the controls, systems and procedures in place to ensure compliance with the laws and regulations which apply to the Group's operations;
- Periodically expressing an opinion to management and the Audit and Risk Management Committee as to the effectiveness of internal controls; and
- Conducting ad hoc and special investigations assigned by the Audit and Risk Management Committee, Board or Executive Leadership Team.

Recommendation 7.4 – Material exposure to economic, environmental and social sustainability risks

The Board does not consider the Group to have any material exposure to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

Relevant policy

- Remuneration Committee Charter

Principle 8.1 – Remuneration Committee

The role of the Remuneration Committee is to assist the Board in determining appropriate remuneration arrangements for the Directors, Group Chief Executive Officer and Executive Leadership Team and to oversee the appointment and succession planning process of the Group Chief Executive Officer and Executive Leadership Team. A copy of the Remuneration Committee Charter is available on Cover-More's website.

The Remuneration Committee is comprised of Sam Mostyn (Chair), Louis Carroll, and Stephen Loosley: all Independent Non-Executive Directors. During the financial year Mr Carroll served as Chair of the Remuneration Committee until 24 February 2015 when Ms Mostyn was appointed Chair. Details of the Remuneration Committee members, their qualifications, skills and experience are set out in the Directors' Report.

The Remuneration Committee held five meetings during the Financial Year and the number of meetings attended by each member was:

	Remuneration Committee Meetings	
	A	B
Sam Mostyn – Appointed Chair of the Remuneration Committee on 24 February 2015	4	5
Stephen Loosley	5	5
Louis Carroll – Resigned as Chair of Remuneration Committee on 24 February 2015	5	5

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.

The functions of the Remuneration Committee include:

- Reviewing the adequacy and form of remuneration of Non-Executive Directors;
- Ensuring that the remuneration of the Non-Executive Directors is reflective of the responsibilities and the risks of being a Director of Cover-More;
- Reviewing the remuneration of the Group Chief Executive Officer and Executive Leadership Team;
- Comparing the remuneration of the Group 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 Group 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 performance-based incentive arrangements; and
- Reviewing proposed remuneration arrangements for new Director or Executive Leadership Team appointments.

The Remuneration Committee submits its recommendations in relation to those matters for approval by the Board.

Principle 8.2 – Remuneration policies and practices

Details of the Group's remuneration policies and practices and details of remuneration and incentives for key members of the Executive Leadership Team are set out in the Remuneration Report contained in Cover-More's Annual Report for the financial year. The Remuneration Report also contains details of the structure of Non-Executive Director remuneration.

Recommendation 8.3 – Equity-based remuneration scheme

Participants in Cover-More's equity-based remuneration scheme are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

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 2015. 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:

Louis Carroll (Chairman)

Peter Edwards

Stephen Loosley

Trevor Matthews

Lisa McIntyre

Sam Mostyn

Michael Alscher (resigned on 30 April 2015)

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:

	2015 $'000	2014 $'000
Final dividend for the year ended 30 June 2014 of 7.2 cents (2013: 54.0 cents[1]) per share paid on 26 September 2014 – ordinary: 4.0 cents (2013: 54.0 cents[1]) and special: 3.2 cents (2013: nil)	**22,860**	7,932
Interim dividend for the year ended 30 June 2015 of 5.0 cents (2014: 69.0 cents[1]) per share paid on 10 April 2015 – ordinary: 3.2 cents (2014: 69.0 cents[1]) and special: 1.8 cents (2014: nil)	**15,875**	10,124
	38,735	18,056

(1) Dividends paid to shareholders of ASTIS Holdings Limited prior to Initial Public Offering.

On 20 August 2015, the Directors declared a final ordinary dividend (fully franked) for the year ended 30 June 2015, of $13.018 million (4.1 cents per share) to be paid on 20 October 2015.

Operating and financial review

The profit for the Group after providing for income tax amounted to $25.753 million (2014: $15.650 million).

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.

	2015 $'000	2014 $'000
Statutory profit before income tax	**36,830**	24,451
Depreciation and amortisation expense	**12,466**	10,545
Interest income	**(170)**	(369)
Interest expense	**2,851**	7,060
Foreign exchange losses	**–**	206
Adjusted EBITDA	**51,977**	41,893

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

The financial position of the Group is sound with net assets of $201.302 million at 30 June 2015 (30 June 2014: $206.998 million).

The profit before income tax has increased to $36.830 million in 2015 due to organic growth, lower finance costs, the inclusion of full year profit from acquisitions made during 2014 and the impact of IPO related expenses in 2014.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 20 August 2015 the Directors approved the appointment of William Easton as a Non-Executive Director of Cover-More Group Limited with effect from 1 September 2015.

No other matter or circumstance has arisen since 30 June 2015 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:	**Louis Carroll** (Appointed on 2 December 2013)
Title:	Independent Non-Executive Chairman (appointed as Chairman on 20 February 2015) Previously Independent Non-Executive Director
Qualifications:	BA(Hons) degree in English from London University
Experience and expertise:	Louis joined the original 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. Louis also originally co-founded the CustomerCare business, which was acquired by Cover-More in 1997.
Other current directorships:(1)	None
Former directorships (in the last three years):(2)	None
Special responsibilities:	Member of Remuneration Committee (from 24 February 2015) Chair of Remuneration Committee (up to 24 February 2015)
Interests in shares:	285,388 ordinary shares
Interests in options:	None

Name:	**Peter Edwards** (Appointed on 14 November 2013)
Title:	Group Chief Executive Officer
Experience and expertise:	Peter was appointed Group CEO of Cover-More in 2011. He has more than 20 years' 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 three years):(2)	None
Special responsibilities:	None
Interests in shares:	6,353,488 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 and holds several board and advisory roles including Chairman of Thales Australia Advisory Board, Chairman of the Australian Strategic Policy Institute, Canberra, independent Chair of Woomera Prohibited Area Advisory Board and Deputy Chair of the Asia Society, Australia. Stephen served as a Senator for New South Wales and General Secretary of the Australian Labor Party, NSW Branch. He is also a former advisory board member of Crescent Capital Partners. He served for five years as a Senior Vice President of the European Australian Business Council, he is a former advisory board member of Veolia Australia and former board member of the Australian American Leadership Dialogue. Stephen was awarded an AM for services to the Parliament and International Policy in 2015.
Other current directorships:(1)	None
Former directorships (in the last three 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 more than forty years' experience in the financial services industry in Australia, North America, Asia and Europe. He is currently a board member of AMP Limited, Bupa Australia and New Zealand, FNZ Australia and New Zealand and Tokio Marine Asia and is chairman of 1stAvailable. Prior to joining Cover-More he was an executive director of Aviva plc., a leading global life and general insurer and chairman of its UK and French businesses. Previously he held CEO level positions in life and general insurance companies in the UK, Japan, Canada and Australia. Trevor served as Commissioner for the UK Commission for Employment and Skills, Chairman of the Financial Services Skills Council in the UK and has served on the boards of several national life industry associations.
Other current directorships:(1)	Trevor is a Non-Executive Director of AMP Limited and Chair and Non-Executive Director of 1st Available Limited.
Former directorships (in the last three 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 is an experienced company director with more than 25 years experience providing strategic, commercial and operational advice to leading companies in the healthcare and technology sectors in Australia and overseas. She is Chairman of Silex Systems Limited, a publicly listed technology company; director of HCF Group, the largest member-based private health insurance organisation in Australia; director of Genesis Care Ltd; and Chairman of Tutoring Australasia.
Other current directorships:(1)	Silex Systems Limited
Former directorships (in the last three years):(2)	None
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	15,000 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 significant experience in the Australian corporate sector both in Executive and Non-Executive capacities, in particular in the areas of human resources, corporate and government affairs, sustainability management, and diversity. Sam is currently a Non-Executive Director of Virgin Australia Holdings Limited, Citigroup Pty Ltd, the Transurban Group and the Mirvac Group. She is President of the Australian Council for International Development and is also a Non-Executive Director of Australian Volunteers International, the Australia Council for the Arts, and Carriageworks. Sam is currently Deputy Chair of the Diversity Council Australia, and is a member of the NSW Climate Change Council, the advisory boards of ClimateWorks Australia and the Crawford School of Government and Economics, ANU. She is also a Commissioner of the Australian Football League.
Other current directorships:(1)	Sam is a Non-Executive Director of Virgin Australia Holdings Limited, the Transurban Group and Mirvac Group.
Former directorships (in the last three years):(2)	None
Special responsibilities:	Chair of Remuneration Committee (from 24 February 2015) Member of Remuneration Committee (up to 24 February 2015)
Interests in shares:	50,000 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 three years for listed entities on the ASX only and exclude directorships of all other types of entities, unless otherwise stated.

Company Secretary

Effective from 3 February 2015, Mark Steinberg replaced John Murphy as Company Secretary for Cover-More Group. Mark joined Cover-More as Group Chief Financial Officer (CFO) on 27 January 2015.

His appointment follows the move of John Murphy to the new executive role of Group Chief Operating Officer (COO) to head Cover-More's global travel insurance operations. John Murphy was Group CFO from January 2013 and was appointed as Company Secretary of Cover-More Group Limited in November 2013.

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 2015, and the number of meetings attended by each Director was:

	Full Board		Remuneration Committee		Audit and Risk Management Committee	
	A	B	A	B	A	B
Louis Carroll (appointed as Chair on 20 February 2015)	9	9	5	5	–	–
Michael Alscher (resigned on 30 April 2015)	6	7	–	–	3	3
Peter Edwards	9	9	–	–	–	–
Stephen Loosley	8	9	5	5	–	–
Trevor Matthews	9	9	–	–	4	4
Lisa McIntyre	9	9	–	–	4	4
Sam Mostyn	9	9	4	5	–	–

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)

Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present Cover-More Group's Remuneration Report for the 2015 financial year. This is my first report as Chair of the Remuneration Committee following Louis Carroll's resignation from this Committee.

As indicated last year, the Group undertook a comprehensive review of remuneration practices in order to better reflect the size and complexity of the business, and to better align the interests of executives and shareholders in a publicly listed environment. The principal changes effective from 1 July 2014 were:

- Executive fixed remuneration was set at comparable levels to the market in order to remain competitive and be able to attract and retain talent;
- Introduction of short-term incentive (STI) deferral to provide increased equity exposure to executives; and
- Introduction of a new long-term incentive (LTI) plan to drive long-term growth and performance against Cover-More's key financial metrics.

The Board believes the new framework is critical in assisting the Company to attract, motivate and retain high performing senior executives. The new structure will continue to ensure alignment to long term shareholder interests and focus on driving sustainable, long-term growth for Cover-More. There are no changes proposed to our executive remuneration framework for the 2016 financial year.

Following our Initial Public Offering (IPO) on 19 December 2013, we have continued to experience strong financial results across the business. In relation to the 2015 financial year, the Group achieved 7.2% growth from prior year in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding underwriter profit share). The Company set even more challenging stretch targets for the annual STI plan. The STI payments awarded to executives are reflective of the level of performance achieved. In FY2015, the first grant under the new LTI plan was made with two tranches vesting subject to performance up to 30 June 2016 and 30 June 2017.

I would also like to take this opportunity to thank Louis Carroll, our former Chair of the Remuneration Committee, for his valuable contribution.

We are pleased to be providing this information to shareholders and value your feedback. We look forward to welcoming you to our 2015 Annual General Meeting.

Yours faithfully,

Sam Mostyn
Chair of the Remuneration Committee

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

1. Introduction

Upon listing, the Remuneration Committee undertook a comprehensive review of all remuneration arrangements for KMP. For Non-Executive Directors (NEDs), the review focused on setting fee levels at comparable levels to the market. For executives, the focus was on ensuring total remuneration opportunities continue to be market competitive, motivating to individuals, aligned to the Group's goals and to shareholder interests. This report details the new remuneration frameworks implemented effective 1 July 2014.

KMP presented in this report

Consistent with the approach used for FY2014, 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. The KMP for FY2015 were:

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

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

The table below outlines the KMP for the financial year.

	Position	Date	Term as KMP
Non-Executive Directors			
L. Carroll	Chair (non-executive) Director (non-executive)	Appointed 20 February 2015	Full Year
M. Alscher	Director (non-executive) Chair (non-executive)	Ceased 30 April 2015 Ceased 20 February 2015	Part Year
S. Loosley	Director (non-executive)		Full Year
T. Matthews	Director (non-executive)		Full Year
L. McIntyre	Director (non-executive)		Full Year
S. Mostyn	Director (non-executive)		Full Year
Executive Directors			
P. Edwards	Group Chief Executive Officer (CEO)		Full Year
Senior Executives			
M. Steinberg	Group Chief Financial Officer (CFO)	Appointed 27 January 2015	Part Year
J. Murphy(1)	Group Chief Operating Officer (COO)		Full Year

(1) J. Murphy was acting as Group CFO to 27 January 2015

Changes since the end of the reporting period

On 20 August 2015, the Directors approved the appointment of William Easton as a Non-Executive Director of Cover-More Group Limited with effect from 1 September 2015.

There have been no other changes to KMP since the end of the reporting period and before the date the Annual Report was authorised for issue.

D. Ferguson, Global Flight Centre Director and S. Sequeira, Director of Actuarial, Underwriting & Pricing ceased as KMP in the previous reporting period (23 December 2013). G. Saunders ceased as a KMP on 30 June 2014.

Remuneration governance and use of remuneration consultants

All remuneration matters for KMP at Cover-More are reviewed and developed by the Remuneration Committee, which makes recommendations for the approval of the Board. The Remuneration Committee meets at least twice per year.

At 30 June 2015, the Remuneration Committee comprised independent Non-Executive Directors and consisted of the following members:

- Sam Mostyn (Chair)
- Louis Carroll
- Stephen Loosley

Further information on the function of the Remuneration Committee is set out in the Corporate Governance Statement on page 54 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.

During 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 KMP remuneration policy

Cover-More's executive KMP remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executive KMP and shareholders. The Board intends the executive reward framework satisfy the following key criteria:

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

During FY2015, the Remuneration Committee undertook a comprehensive review of remuneration arrangements for executives to better align the interests of executives and shareholders in a publicly listed environment. The key changes effective FY2015 were:

- Executive fixed remuneration was set at comparable levels to the market in order to remain competitive and be able to attract and retain talent;
- Introduction of STI deferral to provide increased equity exposure to executives; and
- Introduction of a new LTI plan to drive long-term growth and performance against Cover-More's key financial metric.

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

Group objectives

Remuneration strategy linkages to Group objectives

Align the interests of executives with shareholders

- The remuneration framework incorporates performance-based "at-risk" components, with STI and LTI components.
- Performance is a key component:
  - Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) as a core component of the STI
  - Earnings Per Share (EPS) as a core component of the LTI

Attract, motivate and retain high performing individuals

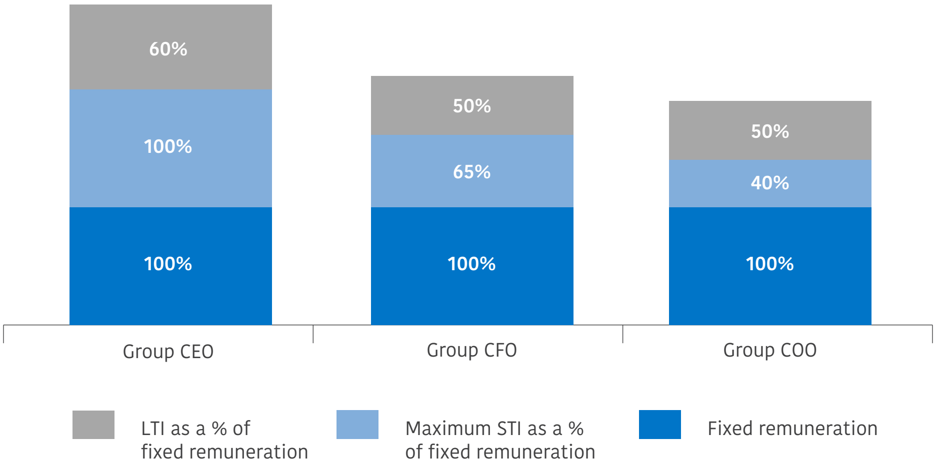
- The remuneration offering is competitive compared to companies of a similar size and complexity.
- Reward executives with a level and mix of fixed and variable remuneration based on their position and responsibilities.
- Longer-term remuneration encourages sustained performance.

Component	Vehicle	Purpose	Link to performance
Fixed remuneration	• Comprises base salary, superannuation and non-monetary benefits	• To provide competitive fixed remuneration set with reference to role, market, experience and contribution	• Company and individual performance are considered during the annual remuneration review
STI (including deferral)	• Cash and deferred share rights	• Reward executive KMP for contribution to the achievement of Group outcomes • Provide greater equity exposure to employees	• EBITDA is the key financial metric • Payment entirely performance-based
LTI	• Performance rights	• Reward executive KMP for contribution to the growth in the value of the Group over a three-year period	• Vesting of awards is dependent on EPS performance • EPS links to both dividends and share price

a) Remuneration mix

In FY2015, the executive KMP remuneration framework consisted of fixed remuneration and short and long-term incentives, as outlined below.

A significant portion of total remuneration for executive KMP only becomes payable if performance is acceptable. The following diagram summarises the Group CEO, Group CFO and Group COO's maximum remuneration mix (as a percentage of fixed remuneration).



b) Fixed remuneration

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

Fixed remuneration is reviewed annually by the Remuneration Committee, based on reference to role, market, experience and contribution. The primary comparator groups are based on market capitalisation and industry.

No executive is entitled to a contractual increase in fixed remuneration.

c) Short-term incentive

The STI plan is an annual "at risk" incentive designed to align executive KMP reward with achievement of Group targets.

The table below outlines the key features of the FY2015 STI plan.

Design element	Description
Eligibility	Executives
Award vehicle	85% paid in cash and 15% deferred into share rights for two years.
Opportunity	The Group CEO has a maximum STI opportunity of 100% of fixed remuneration, Group CFO 65% of fixed remuneration and Group COO 40% of fixed remuneration.
Performance measures	For executive KMP, STI is measured solely against a Group EBITDA performance measure. EBITDA was chosen as it represents the key measure of the short-term success of the Group.
Performance assessment and payment determination	After consideration of performance against targets, the Board determines the amount, if any, of the STI to be paid to each executive, seeking recommendations from the Group CEO as appropriate. For the Group CEO, the Board considers the performance against targets and determines the STI to be paid. These assessment methods have been chosen as they provide the Remuneration Committee with an objective assessment of each individual's performance.
Mandatory deferral of STI	Delivery of 15% of any STI awarded is deferred for two years and held as share rights. If service conditions are met, deferred share rights convert into shares at the end of the deferral period. At the end of the deferral period, to the extent shares vest, dividend equivalent payments are made. No dividends are paid on awards which do not vest.
Clawback	The Board retains discretion to offset future STI awards in the event of a material misstatement impacting STI performance outcomes.

d) Long-term incentive

Cover-More's LTI plan is designed to strengthen the alignment of executive interests with the long-term performance goals of the Group and interests of shareholders.

The table below outlines the key features of the LTI plan.

Design element	Description
Eligibility	Executives
Award vehicle	Performance rights. Each performance right may convert to one share in the future (or the equivalent value in cash at the discretion of the Board), subject to performance.
Determining the number of performance rights	A face value approach is used to determine the number of performance rights to award. Each executive has a maximum dollar value LTI opportunity as a proportion of their total remuneration package. The Group CEO has a maximum LTI opportunity of 60% of fixed remuneration. The Group CFO and Group COO have a maximum LTI opportunity of 50% of fixed remuneration. The dollar value is converted into a number of performance rights based on the Group's Volume Weighted Average Share Price (VWAP) for the five trading days immediately following the announcement of the Group's annual results.
Performance period	Awards made under the LTI plan are subject to a three-year performance period. There is no retesting of performance hurdles. For the FY2015 LTI grant, 50% of the award vests after two years and 50% vests after three years, subject to the satisfaction of performance conditions. A transitional arrangement was considered appropriate to ensure executive alignment to shareholders during the initial period post IPO.

Design element	Description
Performance measures/ hurdles	Performance rights vest subject to growth in Earnings per Share (EPS). EPS is defined as Net Profit After Tax prior to the amortisation of acquisition related intangibles (net of tax effect) (NPATA) divided by the average number of shares on issue in the relevant year (excluding treasury shares). EPS was selected as it is the key metric underpinning investor's interest in Cover-More and the strategy of the business. Performance is measured based on growth in EPS over the period focusing participants on year-on-year growth in earnings. For the FY2015 LTI grant, FY2014 will be the base year for the purpose of the EPS performance hurdle. EPS for pro-forma FY2014 excluding underwriter profit share was 8.9 cents per share. EPS in FY2016 and FY2017 will be compared against EPS in FY2014 to determine whether the EPS hurdles have been met in respect of the FY2015 grant. EPS targets were selected based on consideration of shareholder and analyst expectations and the earnings and EPS targets set in Cover-More's business plan. A required compound annual growth rate for EPS is set and documented for each award. The required growth rate will be retrospectively disclosed for the performance period along with performance outcomes. The Board believes this approach provides a transparent basis for communicating the EPS performance hurdle to shareholders. The prospective release of detailed EPS growth objectives is commercially sensitive. Recognising shareholder interest in this area, the Company confirms for the FY2015 award, no vesting occurs for compound annual growth in EPS less than 10% per annum over the performance period.
Vesting	To the extent performance is sufficient for vesting, a cash equivalent payment for dividends foregone is made on vested awards. This reflects our transparent face value allocation approach and reinforces shareholder alignment during the performance period. No dividend equivalent payments are made on awards which do not vest.
Cessation of employment	The following treatment will apply unless the Board determines otherwise. In the event of resignation or termination for cause/gross misconduct, any unvested LTI awards will lapse. In all other cases, participants will have unvested Rights (pro-rated for time elapsed since the start of the performance period) continue to be performance tested on the normal vesting date.
Change of control	In the event of a change of control, awards will vest pro-rata based on time elapsed and performance to the date of change of control. The Board retains full flexibility to determine whether a change of control event has occurred.
Clawback	Unvested Rights will be subject to clawback (at the discretion of the Board) where a participant's conduct may lead, or may have led, to termination for cause (if the actions of the participant were known prior to the participant's cessation of employment) or in the event of a material misstatement in the Company's financial statements that impacted LTI vesting results.

Legacy LTI plan

Cover-More's previous LTI plan was discontinued as a result of the IPO in December 2013. Awards under the previous LTI plan vested with the IPO. The majority of shares issued to executives, in accordance with this plan, were escrowed until December 2014, ensuring continued alignment of executives with shareholders.

e) Group performance and link to remuneration

Remuneration for executives is directly linked to the performance of the Group.

As the Group was listed on 19 December 2013, financial information for the past five years cannot be presented. Therefore, key shareholder value measures for the past two years are presented in the table below:

	FY2015 performance	FY2014 pro-forma performance excluding UW profit share
EBITDA	**$52.0m**	$48.5m
Underlying operating revenue	**$222.9m**	$213.9m
Net profit after tax	**$25.8m**	$22.7m
NPATA	**$31.1m**	$28.2m
Earnings per share (EPS)(1)	**9.8 cents**	8.9 cents
Dividends per share – Ordinary(2)	**7.3 cents**	4.0 cents
Dividends per share – Special(2)	**1.8 cents**	3.2 cents
Total shareholder return (TSR)(3)	**37%**	6%

(1) EPS is calculated by NPATA divided by weighted average number of shares.
(2) Dividends per share are based on cash amount paid per share.
(3) TSR is share price growth and dividends reinvested in shares.

STI performance and reward outcomes

STI awards may range from zero to the maximum STI opportunity. If an award is made, 85% is paid in cash after the release of the Company's annual results. The balance of 15% is deferred into share rights for two years and vest subject to continued service.

In FY2015, the Group achieved 94% of the Group budgeted EBITDA which resulted in 50% of each Executive KMP's maximum STI opportunity being awarded. The FY2015 STI earned for Executive KMP is outlined in the table below.

Name and position	STI awarded ($)	Amount paid in cash ($)	Amount deferred into share rights ($)	STI awarded as % of maximum STI	STI forfeited as % of maximum STI
P. Edwards Group CEO	375,000	318,750	56,250	50%	50%
M. Steinberg(1) Group CFO	64,176	54,550	9,626	50%	50%
J. Murphy Group COO	93,000	79,050	13,950	50%	50%

(1) M. Steinberg commenced in the KMP role on 27 January 2015. His STI payment has been pro-rated accordingly.

LTI performance and reward outcomes

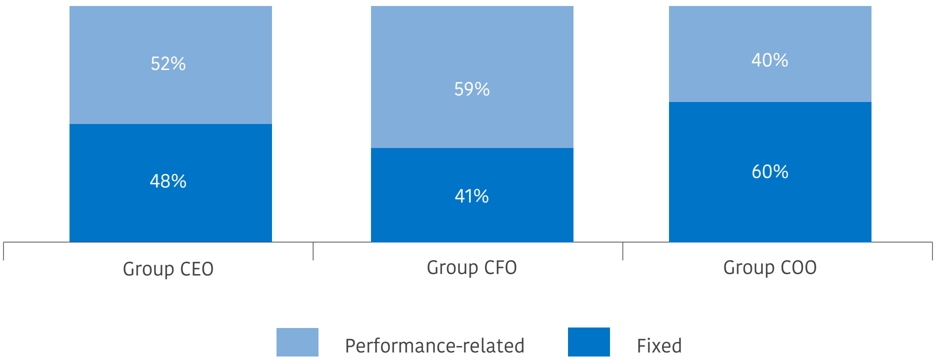
The first awards made under the new LTI plan are subject to performance testing on 30 June 2016 and 30 June 2017. No LTI awards were subject to vesting in FY2015.

Proportion of remuneration related to performance

The diagram below outlines the proportion of each executive KMP's FY2015 total remuneration which was performance related.

Fixed relates to fixed remuneration paid during the reporting period and performance-related remuneration relates to STI earned (cash and deferred component) and LTI granted during the reporting period.

Fixed remuneration and STI earned for the Group CFO has been pro-rated to reflect time as a KMP.



3. Executive KMP remuneration disclosures

The table below outlines statutory remuneration of Executive KMP for FY2014 and FY2015 in accordance with statutory rules and applicable Accounting Standards.

	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments	
	Cash salary and fees	Cash STI(1)	Non-monetary benefits(2)	Super-annuation	Cash bonus and incentives	Long-service leave	Equity-settled	Total
2015	$	$	$	$	$	$	$	$
Executive Directors								
P. Edwards	**706,514**	**318,750**	**27,304**	**27,664**	**–**	**–**	**219,200**	**1,299,432**
Senior Executives								
M. Steinberg(3)	**183,371**	**54,550**	**6,041**	**15,148**	**–**	**–**	**183,678**	**442,788**
J. Murphy	**438,304**	**79,050**	**14,505**	**28,363**	**–**	**–**	**107,900**	**668,122**
Total	**1,328,189**	**452,350**	**47,850**	**71,175**	**–**	**–**	**510,778**	**2,410,342**
2014	$	$	$	$	$	$	$	$
Executive Directors								
P. Edwards(4)	627,636	638,000	148,696	24,320	530,873	–	1,356,145	3,325,670
Senior Executives								
J. Murphy(5)	346,921	131,250	11,677	27,016	–	–	152,971	669,835
Former Executive KMP(6)								
D. Ferguson	136,010	–	525	13,255	–	7,486	–	157,276
G. Saunders	335,921	105,354	124,337	–	–	–	125,355	690,967
S. Sequeira	154,375	–	5,522	14,280	–	–	–	174,177
Total	1,600,863	874,604	290,757	78,871	530,873	7,486	1,634,471	5,017,925

(1) *For FY2015, this represents the cash accrual for performance during the reporting period. The accounting value of STI deferred share rights is reflected in the share-based payments column.*

(2) *Non-monetary benefits include salary-sacrificed benefits and related FBT where applicable.*

(3) *M. Steinberg was appointed to the Group CFO role on 27 January 2015. Remuneration presented reflects time as a KMP. M. Steinberg is entitled to an additional equity grant to the value of $300,000 on commencement of employment (in lieu of foregone LTI payments in respect of his previous employment). The equity grant vests in equal tranches over the three-year period after commencement of employment.*

(4) *P. Edwards' long term benefits in 2014 relate to compensation for incentives forfeited in respect of previous employment and were completed with the IPO process.*

(5) *J. Murphy commenced as a KMP on 29 January 2013. Remuneration presented reflects time as a KMP.*

(6) *D. Ferguson and S. Sequeira ceased as a KMP on 23 December 2013, and G. Saunders ceased as a KMP on 30 June 2014. The remuneration for these executives reflects time as a KMP.*

4. Executive contracts

Remuneration arrangements for executives are formalised in employment agreements.

Group CEO contract

The Group CEO, P. Edwards, is employed under an ongoing contract which can be terminated with notice by either party. Under the terms of the present contract, the Group CEO is entitled to:

- Fixed remuneration of $750,000 per annum;
- Maximum STI opportunity of 100% of annual fixed remuneration; and
- Participate in Cover-More's LTI plan.

Termination provisions

Termination provisions are consistent for all executive KMP contracts and are as follows:

	Notice period (both parties)	Treatment of STI on termination	Treatment of LTI on termination
Resignation	6 months (or payment in lieu of notice period may be provided).	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.	Unvested awards are forfeited, unless otherwise determined by the Board.
Termination for cause	Nil in the case of serious misconduct.	Any unvested award is forfeited.	Any unvested award is forfeited.
Termination in cases of death, disablement, redundancy or notice without cause	In the case of redundancy – zero 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.	Unvested awards are pro-rated for time and continue to be performance tested on the normal vesting date. Exemptions may be made by the Board at the recommendation of the Remuneration Committee.

Executives are not entitled to any post-employment benefits or other entitlements other than superannuation. Non-solicitation and non-compete clauses are included in executive KMP contracts.

In addition to the above terms and conditions, M. Steinberg is entitled to an additional equity grant to the value of $300,000 on commencement of employment (in lieu of foregone LTI payments in respect of his previous employment). The equity grant vests in equal tranches over the three-year period after commencement of employment on 27 January 2015.

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. The current fee pool remains at $1,500,000, which was approved by shareholders upon listing on 19 December 2013.

Approach to setting NED fees

Fees and payments to NEDs reflect the demands and responsibilities of the NEDs. Fees are reviewed annually by the Remuneration Committee which may, from time to time, receive advice from independent remuneration consultants to ensure NED fees are appropriate and in line with the market. Fee levels are set considering the duties, workload and level of responsibility required, and by comparing the fees with those paid by comparable companies in the market.

The Chair's fees are determined independently to the fees of other NEDs. The Chair is not present at any discussions relating to determination of these fees. The Chair is not entitled to receive committee fees.

NEDs do not receive performance-based incentives.

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. Within the fee pool, 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 policy

The following annual NED fees (inclusive of superannuation) applied at the end of FY2015.

Concurrent with the process to identify and appoint a successor to Michael Alscher as Board Chair, market data and independent advice was sought regarding an appropriate Board Chair fee. As a result, the Board Chair fee was increased from $200,000 to $260,000 during FY2015. No other NED policy fees were altered during FY2015.

		Fees ($)
Base fees		
Chair		260,000
Other NED		100,000
Committee fees		
Audit and Risk Management Committee	Chair Member	20,000 10,000
Remuneration Committee	Chair Member	20,000 10,000

NED fee disclosures

The table below outlines NED fees for FY2014 and FY2015 in accordance with statutory rules and applicable Accounting Standards.

	Short-term benefits		Post-employment benefit	Share-based payment	
	Board and committee fees	Non-monetary benefits	Superannuation	Equity-settled	Total
2015	$	$	$	$	$
L. Carroll	**170,497**	–	**15,103**	–	**185,600**
M. Alscher[1,2]	–	–	–	–	–
S. Loosley	**101,040**	–	**9,599**	–	**110,639**
T. Matthews	**110,010**	–	**10,451**	–	**120,461**
L. McIntyre	**100,843**	–	**9,580**	–	**110,423**
S. Mostyn	**103,112**	–	**9,796**	–	**112,908**
Total	**585,502**	–	**54,529**	–	**640,031**

2014	$	$	$	$	$
L. Carroll	89,808	–	–	49,744	139,552
M. Alscher[2]	–	–	–	–	–
S. Loosley	53,160	–	4,917	–	58,077
T. Matthews	63,792	–	5,901	–	69,693
L. McIntyre	58,476	–	5,409	–	63,885
S. Mostyn	83,461	–	7,720	–	91,181
Former NEDs[2]					
M. Caristo	–	–	–	–	–
P. Lyon-Mercado	–	–	–	–	–
N. Thomson	–	–	–	–	–
Total	348,697	–	23,947	49,744	422,388

(1) *M. Alscher ceased as a NED on 30 April 2015.*
(2) *Directors appointed by Crescent Capital Partners. Directors fees paid to Crescent Capital Partners directly of $147,397 (2014: $154,081). M. Caristo and N. Thomson ceased as a KMP on 23 December 2013 and P. Lyon-Mercado ceased as a KMP on 2 December 2013.*

6. Additional disclosures relating to share-based remuneration

Number and value of rights granted, vested and lapsed during the year

The table below presents the number of performance rights granted to executive KMP as remuneration during FY2015 as well as the number of rights that vested or lapsed during the year.

No performance rights vest if the conditions are not satisfied, hence the minimum value yet to vest is nil. The maximum value of the grants yet to vest has been determined as the fair value of awards at grant date that is yet to be expensed.

	Tranche	Grant date	Number of rights granted	Fair value per right at grant date	Vesting date	Maximum fair value yet to be expensed	% vested during the year	% lapsed during the year
2015				$		$	%	%
Executive Directors								
P. Edwards	1	29/06/2015	100,897	2.37	30/06/2016	119,563	0%	0%
	2	29/06/2015	100,897	2.37	30/06/2017	159,417	0%	0%
Senior Executives								
M. Steinberg	1	29/06/2015	52,131	2.37	30/06/2016	61,775	0%	0%
	2	29/06/2015	52,130	2.37	30/06/2017	82,365	0%	0%
J. Murphy	1	29/06/2015	52,131	2.37	30/06/2016	61,775	0%	0%
	2	29/06/2015	52,130	2.37	30/06/2017	82,365	0%	0%
Total						**567,260**		

Any rights that do not vest, lapse immediately.

All trading is in accordance with the Group's share trading policy which can be found on the Group's website at www.covermore.com.

During the reporting period, no on-market purchases of Company shares were made for the purposes of an employee incentive plan.

Movement of rights held during the reporting period

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

	Number at beginning of the period	Granted during the year as remuneration	Exercised during the year	Forfeited or lapsed during the year	Other changes during the year	Number at closing of the period	Vested at 30 June 2015	
							Exercisable	Not exercisable
2015								
Non-Executive Directors								
L. Carroll	–	–	–	–	–	–	–	–
M. Alscher	–	–	–	–	–	–	–	–
S. Loosley	–	–	–	–	–	–	–	–
T. Matthews	–	–	–	–	–	–	–	–
L. McIntyre	–	–	–	–	–	–	–	–
S. Mostyn	–	–	–	–	–	–	–	–
Executive Directors								
P. Edwards	–	201,794	–	–	–	201,794	–	201,794
Senior Executives								
M. Steinberg	–	104,261	–	–	–	104,261	–	104,261
J. Murphy	–	104,261	–	–	–	104,261	–	104,261
Total	**–**	**410,316**	**–**	**–**	**–**	**410,316**	**–**	**410,316**

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.

	Number at beginning of the period	Shares acquired during the year	Other changes during the year	Number at closing of the period
2015				
Non-Executive Directors				
L. Carroll	285,388	–	–	285,388
M. Alscher	205,214	–	(205,214)	–
S. Loosley	20,000	–	–	20,000
T. Matthews	100,000	–	–	100,000
L. McIntyre	15,000	–	–	15,000
S. Mostyn	50,000	–	–	50,000
Executive Directors				
P. Edwards	6,353,488	–	–	6,353,488
Senior Executives				
M. Steinberg	–	–	–	–
J. Murphy	644,825	–	(596,683)	48,142
Total	**7,673,915**	**–**	**(801,897)**	**6,872,018**

Loans to KMP

There were no loans to KMP and their related parties during the financial year ended 30 June 2015.

Listed Option Holdings

There were no listed options held in the Company during the financial year ended 30 June 2015 (2014: Nil).

Other transactions and balances with KMP and their related parties

There were no other transactions with Key Management Personnel or their related parties during the financial year ended 30 June 2015.

(End of audited Remuneration Report).

Indemnity and insurance of officers

Cover-More Group Limited have indemnified the Directors and Executives of the Group 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, Cover-More Group Limited paid premiums 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 Group may decide to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

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

	2015 $	2014 $
Other assurance services		
– Other advisory costs	**16,000**	25,000
– Due diligence services	**100,000**	750,000
Total remuneration for other assurance services	**116,000**	775,000
Taxation services		
– Tax advisory services	**–**	7,923
Total remuneration for taxation services	**–**	7,923
Total remuneration for non-audit services	**116,000**	782,923

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 Edwards
Director

20 August 2015
Sydney

Louis Carroll
Director

20 August 2015
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Cover-More Group Limited for the year ended 30 June 2015, 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
20 August 2015

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 consolidated financial statements, notes to the consolidated 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 20 August 2015. The Directors have the power to amend and reissue the financial report.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Revenue	4	**220,241**	190,224
Cost of sales		**130,462**	109,273
Gross profit		**89,779**	80,951
Other income	5	**3,779**	7,489
Step gain on acquisition		**–**	12,656
Other expenses from ordinary activities			
Occupancy		**8,377**	6,757
Advertising and promotion		**4,424**	5,957
Administration		**40,913**	40,240
Other		**163**	2,313
		39,681	45,829
Initial Public Offer costs		**–**	14,377
Share of net profit of associate accounted for using the equity method		**–**	(59)
Finance costs	6(e)	**2,851**	7,060
Profit before income tax		**36,830**	24,451
Income tax expense	7	**11,077**	8,801
Profit for the year		**25,753**	15,650
Profit is attributable to:			
Owners of Cover-More Group Limited		**25,753**	15,650
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32(a)	**8.1**	6.0
Diluted earnings per share	32(b)	**8.1**	6.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Profit for the year		**25,753**	15,650
Other comprehensive income			
Items that may be reclassified to the income statement			
Changes in the fair value of cash flow hedges	20(a)	**52**	(33)
Exchange differences on translation of foreign operations	20(a)	**6,468**	(699)
Income tax relating to these items	20(a)	**(16)**	10
Other comprehensive income for the period, net of tax		**6,504**	(722)
Total comprehensive income for the period		**32,257**	14,928
Total comprehensive income for the period attributable to:			
Owners of Cover-More Group Limited		**32,257**	14,928

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

CONSOLIDATED BALANCE SHEET
As at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**24,034**	20,615
Trade and other receivables	10	**31,340**	30,239
Total current assets		**55,374**	50,854
Non-current assets			
Plant and equipment	11	**4,693**	5,206
Intangible assets	12	**248,794**	248,255
Deferred tax assets	13(a)	**497**	68
Total non-current assets		**253,984**	253,529
Total assets		**309,358**	304,383
LIABILITIES			
Current liabilities			
Trade and other payables	14	**34,516**	31,293
Deferred liabilities	15	**226**	237
Borrowings	16	**–**	60
Current tax provisions		**4,548**	7,373
Employee benefits	17(c)	**4,198**	3,383
Total current liabilities		**43,488**	42,346
Non-current liabilities			
Deferred liabilities	15	**472**	361
Borrowings	16	**56,079**	45,510
Employee benefits	17(c)	**459**	427
Deferred tax liabilities	13(b)	**7,169**	8,300
Derivative financial instruments	18	**389**	441
Total non-current liabilities		**64,568**	55,039
Total liabilities		**108,056**	97,385
Net assets		**201,302**	206,998
EQUITY			
Contributed equity	19	**220,067**	220,067
Other reserves	20(a)	**6,887**	(399)
Retained earnings	20(b)	**(25,652)**	(12,670)
Total equity		**201,302**	206,998

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
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	20(b)	–	–	(18,056)	(18,056)
Share-based payment reserve	20(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
Profit for the year		**–**	**–**	**25,753**	**25,753**
Other comprehensive income		**–**	**6,504**	**–**	**6,504**
Total comprehensive income for the year		**–**	**6,504**	**25,753**	**32,257**
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs					
Dividends provided for or paid	20(b)	**–**	**–**	**(38,735)**	**(38,735)**
Share-based payment reserve	20(a)	**–**	**782**	**–**	**782**
		–	**782**	**(38,735)**	**(37,953)**
Balance at 30 June 2015		**220,067**	**6,887**	**(25,652)**	**201,302**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**227,181**	193,445
Payments to suppliers and employees (inclusive of GST)		**(176,806)**	(155,955)
		50,375	37,490
Other revenue		**4,418**	5,898
Income taxes paid		**(15,126)**	(10,160)
Net cash inflow from operating activities	27	**39,667**	33,228
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		**–**	(98,346)
Payments for plant and equipment	11	**(1,830)**	(992)
Payments for intangible assets	12	**(4,601)**	(2,903)
Proceeds from sale of plant and equipment		**41**	–
Interest received		**170**	369
Net cash outflow from investing activities		**(6,220)**	(101,872)
Cash flows from financing activities			
Proceeds from issues of shares		**–**	520,071
Proceeds relating to employee loan schemes		**–**	6,472
Proceeds from borrowings		**43,767**	128,800
Payments to shareholders for ASTIS shares		**–**	(335,818)
Payment of Initial Public Offering transaction costs		**–**	(22,966)
Repayment of borrowings		**(33,200)**	(179,891)
Finance lease payments		**(250)**	(90)
Interest and other finance costs paid		**(2,479)**	(38,705)
Dividends paid to Company's shareholders	21	**(38,735)**	(18,056)
Net cash (outflow)/inflow from financing activities		**(30,897)**	59,817
Net increase/(decrease) in cash and cash equivalents		**2,550**	(8,827)
Cash and cash equivalents at the beginning of the financial year		**20,615**	29,474
Effects of exchange rate changes on cash and cash equivalents		**869**	(32)
Cash and cash equivalents at end of year	9	**24,034**	20,615

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.

a. Basis of preparation

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.

i. Compliance with IFRS

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.

ii. Historical Cost Convention

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

iii. 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(z) .

iv. 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.

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 Note 1(h)).

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 (1(b)(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 the income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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

iv. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Cover-More Group Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the income statement. 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 the income statement.

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 the income statement 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.

Note 1. Summary of significant accounting policies continued

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 the income statement, 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 the income statement, 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 revenue

Travel insurance revenue comprises of commission revenue and ancillary income. Commission revenue is earned from arranging the sale of travel insurance policies and 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. Ancillary income is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

ii. Travel 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. 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 assistance revenue

Fixed fee service revenue is recognised in the income statement in proportion to the stage of completion of the service at the reporting date. The stage of completion is assessed by reference to the time period of the contract.

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 the income statement in the period in which the circumstances that give rise to the revision become known by the management.

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.

Note 1. Summary of significant accounting policies continued

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.

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 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 the income statement, 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 16). 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 income statement 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 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement 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 (refer to Note 5).

Lessor's contribution to fit outs are recognised as deferred liabilities and progressively reduced over the lease term (refer to Note 15).

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. 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 the income statement as a bargain purchase.

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 the income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the income statement.

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). 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 and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 1. Summary of significant accounting policies continued

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 the income statement 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 the income statement.

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 20. 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 the income statement within other income or other expense.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects the income statement (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 the income statement within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the income statement.

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 the income statement and are included in other income or other expenses.

m. Investments and other financial assets

i. 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.

ii. 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 the income statement as gains and losses from investment securities.

iii. 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 the income statement.

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 are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in the income statement within other income or other expenses;
- for available for sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in the income statement and other changes in the carrying amount are recognised in other comprehensive income; and
- for other monetary and non–monetary securities classified as available for sale – in other comprehensive income.

Other income on financial assets at fair value through profit or loss and available–for–sale equity instruments are recognised in the income statement as part of revenue from continuing operations when the group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available–for–sale securities calculated using the effective interest method is recognised in the income statement as part of revenue from continuing operations.

Note 1. Summary of significant accounting policies continued

iv. 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 the income statement. 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 the income statement.

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 the income statement – is removed from equity and recognised in the income statement.

Impairment losses on equity instruments that were recognised in the income statement are not reversed through the income statement 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 the income statement, the impairment loss is reversed through the income statement.

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 the income statement 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)).

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 (refer to Note 3).

ii. Capitalised software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. 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.

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 recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost 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).

Note 1. Summary of significant accounting policies continued

iv. Brands and trademarks

Brands and trademarks acquired as part of a business combination are recognised separately from goodwill. The brands and trademarks are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost 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 the income statement 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.

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 the 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 the income statement, 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

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

s. 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 corporate 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.

iii. Defined contribution superannuation expense

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

iv. Share–based payment transactions

Share–based compensation benefits are provided to 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.

Non–market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of shares that are expected to vest based on the non–market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

v. 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.

vi. 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.

t. Contributed equity

Ordinary shares are classified as equity.

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.

u. 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.

Note 1. Summary of significant accounting policies continued

v. 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.

w. 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.

x. Changes in accounting policies

i. New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013–2 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013–3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non–Financial Assets
- AASB 2013–4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2014–1 Amendments to Australian Accounting Standards

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

ii. New standards and interpretations issued not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The standard is not applicable until 1 January 2018 but is available for early adoption. The Group will apply the standard on 1 July 2018. The amendments required under AASB 9 are only expected to affect the presentation of the Group financial report and will not have a major direct impact on the measurement and recognition of amounts disclosed in the financial report.

AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The standard is not applicable until 1 January 2017 and the Group will apply the standard on 1 July 2017. Its impact is yet to be assessed by the Group.

y. Parent entity financial information

The financial information for the parent entity, Cover-More Group Limited, disclosed in Note 29 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 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 have also entered into 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.

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.

Note 1. Summary of significant accounting policies continued

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.

z. 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.

i. 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 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 to Note 13).

ii. 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.

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 and interest rate risk, 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) and Indian rupee (INR).

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 2015			
Financial assets	**295**	**1**	**48**
Financial liabilities	**–**	**–**	**–**
Total exposure	**295**	**1**	**48**
30 June 2014			
Financial assets	214	3	45
Financial liabilities	–	–	–
Total exposure	214	3	45

Amounts recognised in the income statement and other comprehensive income

During the year, the following foreign–exchange related amounts were recognised in the income statement and other comprehensive income:

	2015 $'000	2014 $'000
Amounts recognised in the income statement		
Net foreign exchange gain/(loss) included in other expenses/other income	**413**	(206)
Net gain/(loss) recognised in other comprehensive income (Note 20(a)):		
Translation of foreign operations and net investment hedges	**6,468**	(699)

Note 2. Financial risk management continued

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 2015 (2014: 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% (2014: 10%) then this would have had the following impact:

	$'000 USD	$'000 EUR	$'000 PGK
30 June 2015			
Profit after tax	**(21)**	**–**	**(3)**
Equity	**(21)**	**–**	**(3)**
30 June 2014			
Profit after tax	(15)	–	(3)
Equity	(15)	–	(3)

If the AUD had weakened against the foreign currencies by 10% (2014: 10%) then this would have had the following impact:

	$'000 USD	$'000 EUR	$'000 PGK
30 June 2015			
Profit after tax	**21**	**–**	**3**
Equity	**21**	**–**	**3**
30 June 2014			
Profit 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 2015, 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 swaps 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% (2014: ± 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.

Sensitivity analysis of variable interest bearing instruments

	Profit after tax		Equity	
	$'000 +1%	$'000 –1%	$'000 +1%	$'000 –1%
30 June 2015	**(265)**	**265**	**(149)**	**149**
30 June 2014	(192)	192	1	(1)

c. Credit risk

Credit risk is the risk that a counterparty 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:

	2015 $'000	2014 $'000
Up to 3 months	**2,876**	2,309
3 to 6 months	**271**	388
6 to 12 months	**208**	26
More than 12 months	**199**	13
	3,554	2,736

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; and
- continuously monitoring forecast and actual cash inflows and outflows and matching the maturity.

Note 2. Financial risk management continued

Financing arrangements

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

	2015 $'000	2014 $'000
Total facilities:		
Used at balance sheet date	**56,367**	45,800
Used at balance sheet date under contingent liabilities	**4,374**	4,364
Unused at balance sheet date	**16,159**	26,736
	76,900	76,900

Maturity of financial liabilities

			Contractual cash flow			
	Notes	Carrying amount $'000	< 6 months $'000	6–12 months $'000	1–3 years $'000	>3 years $'000
2015						
Trade and other payables*	14	**33,111**	**33,106**	**–**	**5**	**–**
Borrowings – secured	16	**56,079**	**1,184**	**1,163**	**57,510**	**–**
Derivative financial instruments	18	**389**	**108**	**91**	**173**	**–**
		89,579	**34,398**	**1,254**	**57,688**	**–**
2014						
Trade and other payables*	14	30,155	29,897	19	239	–
Borrowings – secured	16	45,570	1,184	1,317	49,347	–
Derivative financial instruments	18	441	105	98	288	22
		76,166	31,186	1,434	49,874	22

**Excluding payroll tax and other statutory liabilities.*

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 (Secured borrowings less cash and cash equivalents)/Total equity

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

	Notes	2015 $'000	2014 $'000
Net debt*	9, 16	**32,045**	24,955
Total equity		**201,302**	206,998
Net debt to equity ratio		**16%**	12%

**Net debt = Secured borrowings less cash and cash equivalents.*

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 Group 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 Group 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 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
2015				
Revenue				
Sales to external customers	155,469	64,772	–	220,241
Total revenue	155,469	64,772	–	220,241
Segment EBITDA	32,598	19,317	62	51,977
Depreciation and amortisation expenses	(3,772)	(1,096)	(7,598)	(12,466)
Interest revenue	82	57	31	170
Interest expense	(36)	(2)	(2,813)	(2,851)
Foreign exchange losses	–	–	–	–
Profit before income tax	28,872	18,276	(10,318)	36,830
Income tax expense	(8,575)	(5,670)	3,168	(11,077)
Profit after income tax	20,297	12,606	(7,150)	25,753

Note 3. Segment information continued

	Travel insurance $'000	Medical assistance $'000	Intersegment eliminations/ Unallocated $'000	Total $'000
2014				
Revenue				
Sales to external customers	145,029	45,195	–	190,224
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

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.

	Australia/ NZ/UK $'000	Asia $'000	Intersegment eliminations/ Unallocated $'000	Total $'000
2015				
Revenue				
Sales to external customers	**202,882**	**17,359**	**–**	**220,241**
Total revenue	**202,882**	**17,359**	**–**	**220,241**
2014				
Revenue				
Sales to external customers	178,961	11,263	–	190,224
Total revenue	178,961	11,263	–	190,224

c. Segment balance sheet

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

Note 4. Revenue

	2015 $'000	2014 $'000
Travel insurance revenue	**155,175**	148,271
Travel assistance fee revenue	**18,599**	14,287
Case fee revenue	**7,999**	7,838
Employee assistance revenue	**37,901**	19,323
Medical assessment revenue	**567**	505
Total revenue	**220,241**	190,224

Note 5. Other income

	2015 $'000	2014 $'000
Interest income	**170**	369
Profit share from underwriter	**–**	5,231
Cost containment income	**603**	564
Lease income	**804**	771
Other income	**2,202**	554
Total other income	**3,779**	7,489

Note 6. Expenses

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

	Notes	2015 $'000	2014 $'000
a. Occupancy expenses relating to operating leases			
Minimum lease payments		**6,796**	4,576
Other		**812**	624
Total occupancy expenses relating to operating leases		**7,608**	5,200
b. Impairment charge			
Intangibles–capitalised software	12	**–**	10
c. Depreciation and amortisation			
Depreciation			
Leased motor vehicles		**73**	94
Plant and equipment		**2,235**	2,494
Total depreciation	11	**2,308**	2,588
Amortisation			
Customer contracts and distributor relationships		**6,743**	5,759
Capitalised software		**2,561**	1,937
Brands and trademarks		**854**	261
Total amortisation	12	**10,158**	7,957
Total depreciation and amortisation		**12,466**	10,545
d. Employee benefits expenses			
Total employee benefits	17(a)	**65,004**	58,271
e. Finance costs			
Interest and finance charges		**2,638**	6,951
Fair value changes on interest swaps cash flow hedges – transfer from equity		**213**	109
Total finance costs		**2,851**	7,060

Note 7. Income tax expense

	2015 $'000	2014 $'000
a. Income tax expense		
Current tax	**12,939**	9,700
Deferred tax	**(1,749)**	(971)
Adjustments for current tax of prior periods	**(113)**	72
Aggregate income tax expense	**11,077**	8,801
Deferred income tax (benefit)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**539**	(3,931)
(Decrease)/increase in deferred tax liabilities	**(2,288)**	2,960
	(1,749)	(971)
b. Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit before income tax expense	**36,830**	24,451
Tax at the Australian tax rate of 30% (2014: 30%)	**11,049**	7,336
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	**–**	3
Share-based payments	**212**	748
Entertainment	**125**	85
Non-deductible IPO transaction costs	**–**	40
Sundry items	**43**	(39)
	11,429	8,173
Difference in overseas tax rates	**58**	536
Adjustments for current tax of prior periods	**(113)**	72
Adjustments for deferred tax of prior periods	**(24)**	(104)
Unrecognised tax losses	**182**	215
Previously unrecognised tax losses now recouped to reduce current tax expense	**(455)**	(91)
Income tax expense	**11,077**	8,801
Tax recognised in other comprehensive income		
Changes in the fair value of cash flow hedges	**(16)**	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%	**(231)**	(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
2015			
Cash and cash equivalents	9	**24,034**	**24,034**
Trade and other receivables*	10	**26,171**	**26,171**
		50,205	**50,205**
2014			
Cash and cash equivalents	9	20,615	20,615
Trade and other receivables*	10	25,841	25,841
		46,456	46,456

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
2015				
Trade and other payables*	14	**–**	**33,111**	**33,111**
Borrowings – secured	16	**–**	**56,079**	**56,079**
Derivatives financial instruments	18	**389**	**–**	**389**
		389	**89,190**	**89,579**
2014				
Trade and other payables*	14	–	30,155	30,155
Borrowings – secured	16	–	45,570	45,570
Derivatives financial instruments	18	441	–	441
		441	75,725	76,166

** 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.

Recurring fair value measurement	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at June 2015					
Financial liabilities					
Derivatives used for hedging	18	**–**	**389**	**–**	**389**
Total financial liabilities		**–**	**389**	**–**	**389**
As at June 2014					
Financial liabilities					
Derivatives used for hedging	18	–	441	–	441
Total financial liabilities		–	441	–	441

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; and
- **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 Group Chief Financial Officer (Group 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

	2015 $'000	2014 $'000
Cash at bank and in hand	**17,953**	18,309
Deposits at call	**6,081**	2,306
Total cash and cash equivalents	**24,034**	20,615

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 three months (if the projection covers a period longer than 3 months, the cash outflow may be adjusted to produce a three-month average); and

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

The Group's AFSLs require it to hold a certain level of cash reserves. The Group's total multi-option working capital loan facility is $12.500 million (2014: $12.500 million) of which $7.500 million (2014: $7.500 million) 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.

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

	2015 $'000	2014 $'000
Commission receivable	**18,264**	19,855
Assistance fees receivable	**6,385**	6,043
Provision for impairment of trade receivables (d)	**(46)**	(123)
	24,603	25,775
Prepayments	**4,863**	4,398
Net GST receivable	**306**	–
Other receivables	**1,568**	66
Total current trade and other receivables	**31,340**	30,239

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.

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:

	2015 $'000	2014 $'000
1 to 3 months	**13**	2
3 to 6 months	**1**	2
Over 6 months	**32**	119
	46	123
Movement in the provision for impairment of receivables is as follows:		
Opening balance	**123**	126
Provision acquired as part of business combination	**–**	80
Provision for impairment recognised during the year	**24**	66
Receivables written off during the year as uncollectable	**(6)**	(113)
Unused amount reversed	**(95)**	(36)
Closing balance	**46**	123

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 2015, trade receivables of $3.554 million (30 June 2014: $2.736 million) 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:

	2015 $'000	2014 $'000
Up to 3 months	**2,876**	2,309
3 to 6 months	**271**	388
6 to 12 months	**208**	26
More than 12 months	**199**	13
	3,554	2,736

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 and equipment $'000	Leased motor vehicles $'000	Total $'000
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
Year ended 30 June 2015				
Opening net book amount		**4,860**	**346**	**5,206**
Exchange differences		**32**	**–**	**32**
Additions		**1,830**	**–**	**1,830**
Disposals at cost		**(1)**	**(147)**	**(148)**
Accumulated depreciation on disposal		**–**	**81**	**81**
Depreciation charge	6(c)	**(2,235)**	**(73)**	**(2,308)**
Closing net book amount		**4,486**	**207**	**4,693**
At 30 June 2015				
Cost		**21,637**	**436**	**22,073**
Accumulated depreciation		**(17,151)**	**(229)**	**(17,380)**
Net book amount		**4,486**	**207**	**4,693**

a. Leased assets

All leased assets are motor vehicles. Refer to Note 16 for information on finance lease liabilities.

b. Non–current assets pledged as security

Refer to Note 28 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 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		–	(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
Year ended 30 June 2015						
Opening net book amount		**196,340**	**36,243**	**4,873**	**10,799**	**248,255**
Additions – Internal development*		**–**	**–**	**4,601**	**–**	**4,601**
Exchange differences		**6,139**	**–**	**(43)**	**–**	**6,096**
Amortisation charge	6(c)	**–**	**(6,743)**	**(2,561)**	**(854)**	**(10,158)**
Closing net book amount		**202,479**	**29,500**	**6,870**	**9,945**	**248,794**
At 30 June 2015						
Cost		**202,479**	**69,842**	**14,289**	**11,060**	**297,670**
Accumulated amortisation and impairment		**–**	**(40,342)**	**(7,419)**	**(1,115)**	**(48,876)**
Closing net book amount		**202,479**	**29,500**	**6,870**	**9,945**	**248,794**

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

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.

Note 12. Intangible assets continued

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 2015						
Goodwill	**83,989**	**40,006**	**29,000**	**45,897**	**3,587**	**202,479**
At 30 June 2014						
Goodwill	83,989	34,539	29,000	45,897	2,915	196,340

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*		Terminal period growth rate		Pre-tax discount rate	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Travel insurance						
Australia & New Zealand	**6.0**	6.0	**3.0**	3.0	**10.8**	11.1
India	**20.0**	20.0	**8.0**	8.0	**16.7**	17.4
Medical assistance						
Medical assistance – Australia & New Zealand	**6.0**	6.0	**3.5**	3.5	**11.9**	12.1
Medical assistance – China	**33.3**	12.4	**3.0**	3.0	**14.8**	14.2
Employee assistance – Australia & New Zealand	**4.9**	8.0	**3.5**	3.5	**11.8**	11.9

* *Average growth rate used to extrapolate cash flows for the four–year projection period.*

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

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

Note 13. Deferred tax assets/liabilities

a. Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**406**	–
Employee benefits	**2,123**	1,892
Deferred revenue	**218**	293
	2,747	2,185
Other:		
Intangible assets	**248**	338
Fixed assets	**1,282**	1,033
Doubtful debts	**5**	31
Trade and other payables	**1,124**	1,005
Provisions	**150**	219
Initial public offer costs	**4,089**	5,461
Cash flow hedges	**–**	10
Other	**262**	185
Sub-total Other	**7,160**	8,282
Total deferred tax assets	**9,907**	10,467
Set-off of deferred tax liabilities pursuant to set-off provisions	**(9,410)**	(10,399)
Net deferred tax assets	**497**	68
Deferred tax assets expected to be recovered within 12 months	**5,237**	4,738
Deferred tax assets expected to be recovered after 12 months	**4,670**	5,729
	9,907	10,467

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

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Fixed assets	**9**	11
Intangible assets	**11,751**	14,002
	11,760	14,013
Other:		
Other creditors and accruals	**1**	6
Employee benefits	**4**	14
Unrealised foreign exchange gains	**54**	–
Trade and other receivables	**447**	539
Cash flow hedges	**6**	–
Step gain on acquisition	**4,127**	4,127
Other	**180**	–
Sub-total Other	**4,819**	4,686
Total deferred tax liabilities	**16,579**	18,699
Set-off of deferred tax liabilities pursuant to set-off provisions	**(9,410)**	(10,399)
Net deferred tax liabilities	**7,169**	8,300
Deferred tax liabilities expected to be settled within 12 months	**6,417**	9,762
Deferred tax liabilities expected to be settled after 12 months	**10,162**	8,937
	16,579	18,699

c. Movement in deferred tax (assets)/liabilities

	Opening balance $'000	Acquired in business combination $'000	Recognised in the income statement $'000	Recognised in other compre-hensive income $'000	Recognised directly in equity $'000	Recognised in foreign currency translation reserve $'000	Closing balance $'000
At June 2015							
Intangible assets	**13,664**	**–**	**(2,161)**	**–**	**–**	**–**	**11,503**
Plant and equipment	**(1,023)**	**–**	**(250)**	**–**	**–**	**–**	**(1,273)**
Trade and other receivables	**540**	**–**	**(93)**	**–**	**–**	**–**	**447**
Trade and other payables	**(1,002)**	**–**	**(122)**	**–**	**–**	**–**	**(1,124)**
Provisions	**(250)**	**–**	**95**	**–**	**–**	**–**	**(155)**
Employee benefits	**(1,878)**	**–**	**(241)**	**–**	**–**	**–**	**(2,119)**
Initial public offer costs	**(5,461)**	**–**	**1,372**	**–**	**–**	**–**	**(4,089)**
Step gain on acquisition	**4,127**	**–**	**–**	**–**	**–**	**–**	**4,127**
Other	**(485)**	**–**	**(349)**	**16**	**–**	**173**	**(645)**
Net deferred tax (assets)/ liabilities	**8,232**	**–**	**(1,749)**	**16**	**–**	**173**	**6,672**

	Opening balance $'000	Acquired in business combination $'000	Recognised in the income statement $'000	Recognised in other comprehen-sive income $'000	Recognised directly in equity $'000	Recognised in foreign currency 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 offer 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

Note 14. Trade and other payables

	2015 $'000	2014 $'000
Trade payables	**5,305**	4,770
Payroll tax and other statutory liabilities	**885**	924
Net GST payable	**520**	214
Unearned revenue	**5,323**	5,280
Other payables	**22,483**	20,105
Total current trade and other payables	**34,516**	31,293

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

The carrying amounts of trade and other payables approximate 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 15. Deferred liabilities

	2015 $'000	2014 $'000
Current liability		
Deferred lease incentive liability	**226**	237
Total current deferred liabilities	**226**	237
Non–current liabilities		
Deferred lease incentive liability	**155**	361
Other deferred liabilities	**317**	–
Total non–current deferred liabilities	**472**	361
Total deferred liabilities	**698**	598

Note 16. Borrowings

	2015			2014		
	Current $'000	Non–current $'000	Total $'000	Current $'000	Non–current $'000	Total $'000
Secured						
Bank loans*	–	**56,079**	**56,079**	–	45,338	45,338
Finance lease liabilities	–	–	–	60	172	232
Total borrowings	–	**56,079**	**56,079**	60	45,510	45,570

**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 28.

b. Compliance with loan covenants

Under the terms of the loan facility agreement, the Group is required to comply with the following financial covenants:

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

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. Certain adjustments have been made to EBITDA as prescribed in the loan facility agreement to calculate the ratios.

The Group has complied with these covenants throughout the reporting period. As at 30 June 2015, the ratio of net finance debt to EBITDA was 0.9 (30 June 2014: 1.4) and the ratio of EBITDA to net interest expense for 2015 was 17.8 (2014: 8.9). The Group was in full compliance with loan covenants in 2014.

c. Fair value measurement

	2015			2014		
	Carrying amount $'000	Fair value $'000	Discount rate %	Carrying amount $'000	Fair value $'000	Discount rate %
Bank loans	**56,079**	**57,383**	**2.9**	45,338	47,549	3.6

Note 17. Employee compensation

a. Employee benefits expenses

Expenses recognised for employee benefits are analysed below:

	2015 $'000	2014 $'000
Wages, salaries and on-costs	**64,188**	55,782
Share-based payments	**816**	2,489
Employee benefits expenses	**65,004**	58,271

b. Share-based employee remuneration

i. Executive incentive plan

The Group introduced a new executive remuneration structure focussed on driving sustainable, long-term growth that is effective from 1 July 2014. Details of the new structure are as follows:

- Executive short-term incentive scheme

Under the Group's short-term incentive (STI) scheme, Executives receive 85% of the annual STI achieved in cash and 15% in the form of rights to deferred shares of Cover-More Group Limited. The rights vest after two years from the grant date if service conditions are met. The rights convert into shares (or cash, at the discretion of the Board) on vesting. The Executives do not receive any dividends and are not entitled to vote in relation to the deferred share rights during the vesting period. However, they are entitled to the cash equivalent of dividends foregone when the rights vest.

There were no rights to deferred shares granted in 2015 (2014: nil).

- Executive long-term incentive scheme

Under the long-term incentive (LTI) plan, LTI awards are delivered in the form of share rights which will vest over a period of three years subject to meeting performance measures, with no opportunity to retest. The Group uses Earnings per Share (EPS) as the performance measure for the LTI. The share rights convert to shares (or cash, at the discretion of the Board) on vesting. The Executives do not receive any dividends and are not entitled to vote in relation to the deferred share rights during the vesting period. However, they are entitled to the cash equivalent of dividends foregone when the rights vest.

The initial LTI grant was made on 29 June 2015 and has a transitional arrangement with 50% of the award vesting after two years (i.e., performance period covers 1 July 2014 to 30 June 2016) and 50% vesting after three years (i.e., performance period covers 1 July 2014 to 30 June 2017).

The following table illustrates the number and fair value of share rights granted during the year:

	2015	2014
Number of LTI share rights granted on 29 June 2015	**685,093**	–
Fair value of LTI share rights at grant date	**$2.37**	–

The fair value of LTI share rights granted is based on the company's market share price as at grant date.

Note 17. Employee compensation continued

ii. ASTIS share purchase agreement

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.

iii. 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:

	2015 $	2014 $
Share rights under the executive short-term incentive scheme	**48,959**	–
Share rights under the executive long-term incentive scheme	**676,530**	–
Shares issued under ASTIS share purchase agreement	**–**	2,488,768
Share rights granted as sign-on incentive	**77,310**	–
Other	**13,571**	–
Total share-based payment expense	**816,370**	2,488,768

c. Employee benefits

	2015 $'000	2014 $'000
Current		
Employee entitlements – annual leave	**3,277**	2,628
Employee entitlements – long service leave	**921**	755
Total current provisions	**4,198**	3,383
Non-current		
Employee entitlements – long service leave	**459**	427
Total non-current provisions	**459**	427
Total provisions	**4,657**	3,810

Note 18. Derivative financial instruments

	2015 $'000	2014 $'000
Non-current liability		
Interest rate swap contracts: cash flow hedges (a)	**389**	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 Group has an interest rate swap arrangement, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The notional amount on the interest rate swap contract is $10.150 million at 30 June 2015 (30 June 2014: $11.600 million). At 30 June 2015, the drawn down facilities on the Westpac Senior Facilities agreement are $56.367 million (30 June 2014: $45.800 million) 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 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 to the income statement when the hedged interest expense is recognised. For the year ended 30 June 2015, a loss of $0.213 million (2014: a loss of $0.109 million) was reclassified to the income statement. The hedge is deemed effective for both 2015 and 2014.

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 19. Contributed equity

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:

	Number	2015 $'000	Number	2014 $'000
a. Share capital				
Ordinary shares – fully paid	**317,500,000**	**220,067**	317,500,000	220,067
Total contributed equity	**317,500,000**	**220,067**	317,500,000	220,067
b. Movements in ordinary share capital issued and fully paid ordinary shares				
Balance at the beginning of the financial year	**317,500,000**	**220,067**	14,726,136	14,376
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 share for share exchange of ASTIS Holdings Limited with existing owners	–		57,355,215	
Contributed equity retained to fund transaction costs and acquisition		–		211,727
	317,500,000	**220,067**	317,500,000	226,103
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**	317,500,000	220,067

Note 20. 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 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)
	–	(1,594)	–	(1,594)
At 30 June 2014	(23)	622	(998)	(399)
Revaluation	**52**	**–**	**–**	**52**
Deferred tax	**(16)**	**–**	**–**	**(16)**
Currency translation differences – current period	**–**	**–**	**6,468**	**6,468**
Other comprehensive income	**36**	**–**	**6,468**	**6,504**
Transactions with owners in their capacity as owners:				
Share-based payment expense	**–**	**816**	**–**	**816**
Other movements	**–**	**(34)**	**–**	**(34)**
	–	**782**	**–**	**782**
At 30 June 2015	**13**	**1,404**	**5,470**	**6,887**

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 the income statement when the net investment is disposed of.

iii. Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to senior management, including key management personnel as part of their remuneration. Refer to Note 17(b) for further details of these plans.

Note 20. Other reserves and retained earnings continued

b. Retained earnings

	Notes	2015 $'000	2014 $'000
Movements in retained earnings were as follows:			
Opening balance 1 July		**(12,670)**	(10,264)
Net profit for the year		**25,753**	15,650
Dividends	21	**(38,735)**	(18,056)
Closing balance 30 June		**(25,652)**	(12,670)

Note 21. Dividends

a. Dividends paid or provided for

	2015 $'000	2014 $'000
Final dividend for the year ended 30 June 2014 of 7.2 cents (2013: 54.0 cents[(1)]) per share paid on 26 September 2014 – ordinary: 4.0 cents (2013: 54.0 cents[(1)]) and special: 3.2 cents (2013: nil)	**22,860**	7,932
Interim dividend for the year ended 30 June 2015 of 5.0 cents (2014: 69.0 cents[(1)]) per share paid on 10 April 2015 – ordinary: 3.2 cents (2014: 69.0 cents[(1)]) and special: 1.8 cents (2014: nil)	**15,875**	10,124
	38,735	18,056

(1) Dividends paid to shareholders of ASTIS Holdings Limited prior to Initial Public Offering.

b. Dividends not recognised at the end of the reporting period

On 20 August 2015 the Directors declared a final ordinary dividend (fully franked) for the year ended 30 June 2015, of $13.018 million (4.1 cents per share) to be paid on 20 October 2015.

c. Franked dividends

The franked portions of the final dividends recommended after 30 June 2015 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 2016.

	Parent entity 2015 $'000	Parent entity 2014 $'000
The amount of the franking credits available for subsequent reporting periods are:		
– Balance at the end of the reporting period	**5,922**	9,684
– Franking credits that will arise from the payment of the amount of provision for income tax	**4,038**	6,133
– Franking debits that will arise from the payment of dividends unrecognised as a liability at the end of the reporting period	**(5,583)**	(9,797)
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2014: 30%)	**4,377**	6,020

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 22. 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:

a. PricewaterhouseCoopers

	2015 $	2014 $
Audit and other assurance services		
Audit and review of financial statements	**692,000**	552,350
Other assurance services		
– Other advisory costs	**16,000**	25,000
– Due diligence services	**100,000**	750,000
Total remuneration for audit and other assurance services	**808,000**	1,327,350
Taxation services		
– Tax advisory services	**–**	7,923
Total remuneration for taxation services	**–**	7,923

b. Non–PricewaterhouseCoopers firms

	2015 $	2014 $
Audit and review of financial statements	**120,911**	58,497
Tax compliance services	**53,028**	196,890
Due diligence services	**–**	311,478
Other	**–**	34,128
Total remuneration for non–PricewaterhouseCoopers audit firms	**173,939**	600,993

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 23. Contingencies

The Westpac Banking Corporation holds financial guarantees amounting to $4.374 million (2014: $4.364 million).

No other contingent liabilities exist at 30 June 2015.

Note 24. Commitments

a. Capital commitments

The Group has no capital expenditure contracted for at the reporting date but not recognised as liabilities.

b. Lease commitments

i. Non-cancellable operating leases

The Group leases various offices and motor vehicles 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:

	2015 $'000	2014 $'000
Payable lease payments		
Within one year	**5,980**	5,164
Later than one year but not later than five years	**7,516**	11,544
	13,496	16,708
Rental income		
Within one year	**(815)**	(823)
Later than one year but not later than five years	**(634)**	(1,531)
	(1,449)	(2,354)

ii. Finance leases

The Group leased various motor vehicles under hire-purchase or leasing agreements to pay for and use the motor vehicles over a term of four years rather than paying the full cost up front. All finance lease arrangements have expired and the corresponding liabilities have been settled by 30 June 2015.

	2015 $'000	2014 $'000
Within one year	**–**	250
Future finance charges	**–**	(18)
Recognised as a liability	**–**	232

Note 25. 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 26(b).

c. Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below:

	2015 $	2014 $
Short-term employee benefits	**2,413,891**	3,114,921
Long-term benefits	**–**	538,359
Post-employment benefits	**125,704**	102,818
Share-based payments	**510,778**	1,684,215
	3,050,373	5,440,313

Detailed remuneration disclosures are provided in the remuneration report on pages 60 to 75.

d. Transactions with other related parties

The following transactions occurred with related parties:

	2015 $	2014 $
Other transactions		
– Remuneration paid to other related parties for Director services	**147,397**	154,081
– Purchase of DTC Holdco Pty Ltd, a portfolio company of a related entity, from Crescent Capital Partners and management shareholders	**–**	99,893,677

e. 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. The purchase of DTC Holdco Pty Ltd was as at an agreed price with Crescent Capital Partners.

Note 26. Subsidiaries

Entity	Country of incorporation/ formation	2015 %	2014 %	Principal activities
a. Parent entity				
Cover-More Group Limited	Australia	**–**	–	Holding
b. Controlled entities				
Applyhere Pty Limited*	Australia	**100**	100	Holding
Assistance Online (China) Co. Ltd	China	**100**	100	Assistance
Assistance Online HK Ltd	Hong Kong	**100**	100	Assistance
Assistance Online Pte. Ltd	Singapore	**100**	100	Assistance
ASTIS Holdings Limited	Australia	**100**	100	Holding
Cover-More (NZ) Limited	New Zealand	**100**	100	Insurance
Cover-More Asia Pte. Ltd.	Singapore	**100**	100	Holding
Cover-More Asia Pte. Ltd.	Malaysia	**100**	100	Branch
Cover-More Australia Pty. Limited	Australia	**100**	100	Holding
Cover-More Finance Pty Limited	Australia	**100**	100	Holding
Cover-More Holdings Pty Limited	Australia	**100**	100	Holding
Cover-More Insurance Services Limited	United Kingdom	**100**	100	Insurance
Cover-More Insurance Services Pty. Limited	Australia	**100**	100	Insurance
Customer Care Assistance Pty Limited	Australia	**100**	100	Holding
Customer Care Holdings Pty Limited	Australia	**100**	100	Holding
Customer Care Pty Limited	Australia	**100**	100	Assistance
Davidson Trahaire Corpsych (Singapore) Pte. Ltd	Singapore	**100**	100	Assistance
Davidson Trahaire Corpsych Pty Limited*	Australia	**100**	100	Assistance
Davidson Trahaire Holding Pty Limited*	Australia	**100**	100	Holding
DTC Australia Pty Limited*	Australia	**100**	100	Holding
DTC Bidco Pty Limited*	Australia	**100**	100	Holding
DTC Holdco Pty Limited	Australia	**100**	100	Holding
Karvat Cover-More Assist Pvt Ltd	India	**100**	100	Insurance
Prime Corporate Psychology Services Pty Limited*	Australia	**100**	100	Assistance
Springboard Health & Performance Pty Limited*	Australia	**100**	100	Assistance
Travel Assist Pty Limited	Australia	**100**	100	Holding
Travel Insurance Partners Pty Limited	Australia	**100**	100	Insurance

* *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 31.*

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 a 30 June reporting date and one with a 31 December reporting date. 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 27. Reconciliation of profit after income tax to net cash flow from operating activities

	Notes	2015 $'000	2014 $'000
Profit for the year		**25,753**	15,650
Finance costs	6(e)	**2,851**	7,060
Depreciation and amortisation	6(c)	**12,466**	10,545
Impairment of intangible assets	6(b)	**–**	10
Share-based payments	17(b)	**816**	2,489
Interest income	5	**(170)**	(369)
Share of profits of associates		**–**	(59)
Net loss on sale of non-current assets		**24**	33
Step gain on acquisition		**–**	(12,656)
Initial public offer costs		**–**	14,377
Changes in operating assets and liabilities:			
– Decrease/(Increase) in trade and other receivables		**(1,219)**	(3,924)
– Decrease/(Increase) in deferred tax asset		**(448)**	3,688
– Increase/(Decrease) in trade and other payables		**2,314**	1,200
– Increase/(Decrease) in deferred liability – current		**(11)**	30
– Increase/(Decrease) in current tax provisions		**(2,359)**	(208)
– Increase/(Decrease) in employees benefits – current		**815**	633
– Increase/(Decrease) in deferred liability – non-current		**111**	(207)
– Increase/(Decrease) in employees benefits – non-current		**32**	(225)
– Increase/(Decrease) in deferred tax liability – non-current		**(1,308)**	(4,839)
Net cash inflow from operating activities		**39,667**	33,228

Note 28. Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Notes	2015 $'000	2014 $'000
Bank loans (a)*	16	**56,079**	45,338
Finance lease liabilities (b)	16	**–**	232
Total secured liabilities		**56,079**	45,570

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

a. 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 Limited.
c. Mortgage 20/12/2010 secured over shares in Customer Care Holdings Pty Limited.
d. Mortgage 20/12/2010 secured over shares in Customer Care Pty Limited.
e. Mortgage 20/12/2010 secured over shares in Customer Care Assistance Pty Limited.
f. Mortgage 20/12/2010 secured over shares in Cover-More Insurance Services Pty Limited.
g. Mortgage 20/12/2010 secured over shares in Cover-More Australia Pty Limited.
h. Mortgage 20/12/2010 secured over shares in Cover-More Holdings Pty Limited.
i. Mortgage 20/12/2010 secured over shares in Cover-More (NZ) 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 Limited.
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 Limited.
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 Limited.

b. Finance lease liability

Lease liabilities were effectively secured as the rights to the leased asset reverts to the lessor in the event of default. As at 30 June 2015, the Group has no outstanding finance lease liability.

Note 29. Parent entity financial information

a. Summary financial statements

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2015 $'000	2014 $'000
Balance sheet		
Current assets	**19,066**	304
Non-current assets	**617,148**	618,682
Total assets	**636,214**	618,986
Current liabilities	**16,019**	–
Non-current liabilities	**211**	211
Total liabilities	**16,230**	211
Total net assets	**619,984**	618,775
Shareholders' equity		
Issued capital	**628,964**	628,964
Share-based payment reserve	**813**	27
Profit reserve*	**423**	–
Accumulated losses	**(10,216)**	(10,216)
Total equity	**619,984**	618,775
Profit/(loss) after income tax	**39,158**	(10,216)
Total comprehensive income/(loss)	**39,158**	(10,189)

* *Subsequent to the reporting date, certain subsidiaries of the Group declared dividends totalling $13.300 million, payable to Cover-More Group Limited on 20 August 2015.*

b. Allocation of current year profits

	2015 $'000	2014 $'000
Dividends paid	**38,735**	–
Profit reserve	**423**	–
	39,158	–

c. 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.

d. Contingent liabilities of the parent entity

The Parent Entity did not have any contingent liabilities as at 30 June 2015.

e. Contractual commitments of the parent entity

The Parent Entity did not have any contractual commitments as at 30 June 2015.

Note 30. 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 28.

	2015 $'000	2014 $'000
Income statement		
Earnings before interest, taxation, depreciation and amortisation	**47,188**	25,431
Depreciation	**(2,127)**	(2,480)
Amortisation	**(8,888)**	(7,344)
Finance costs	**(2,674)**	(6,663)
Profit before tax	**33,499**	8,944
Income tax expense	**(10,174)**	(3,530)
Profit after tax	**23,325**	5,414
Balance sheet		
Current assets	**41,496**	40,520
Non-current assets	**240,529**	256,735
Total assets	**282,025**	297,255
Current liabilities	**35,797**	37,727
Non-current liabilities	**58,414**	58,818
Total liabilities	**94,211**	96,545
Total net assets	**187,814**	200,710
Shareholders' equity		
Issued capital	**220,067**	220,067
Reserves	**1,464**	585
Retained earnings	**(33,717)**	(19,942)
Total equity	**187,814**	200,710

Note 31. 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 Limited
- Applyhere Pty Limited
- Davidson Trahaire Corpsych Pty Limited
- Prime Corporate Psychology Services Pty Limited
- 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 of the "Closed Group".

i. Consolidated Income Statement

	2015 $'000	2014 $'000
Revenue	**37,706**	19,235
Cost of sales	**23,560**	10,311
Gross profit	**14,146**	8,924
Other income	**542**	22
Other expenses from ordinary activities		
Occupancy	**2,268**	1,286
Advertising and promotion	**231**	124
Administration	**4,191**	3,008
Other	**–**	59
	7,998	4,469
Finance costs	**2**	–
Profit before income tax	**7,996**	4,469
Income tax expense	**2,265**	1,397
Profit for the year	**5,731**	3,072

ii. Consolidated Statement of Comprehensive Income

	2015 $'000	2014 $'000
Profit for the year	**5,731**	3,072
Other comprehensive income for the period, net of tax	**–**	–
Total comprehensive income for the period	**5,731**	3,072

iii. Summary of movements in consolidated retained earnings

	2015 $'000	2014 $'000
Retained earnings at the beginning of the financial year*	**6,137**	3,065
Profit for the year	**5,731**	3,072
Retained earnings at the end of the financial year*	**11,868**	6,137

* *$1.705 million has been reclassified from retained earnings to contributed equity in 2014. The reclassification has no impact on the net assets of the "Closed Group".*

Note 31. Deed of cross guarantee continued

b. Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June of the “Closed Group”.

	2015 $’000	2014 $’000
ASSETS		
Current assets		
Cash and cash equivalents	**2,117**	3,163
Trade and other receivables	**5,859**	7,418
Total current assets	**7,976**	10,581
Non-current assets		
Plant and equipment	**914**	1,358
Intangible assets	**46,544**	46,667
Receivables from related parties	**518**	–
Deferred tax assets	**508**	1,234
Total non-current assets	**48,484**	49,259
Total assets	**56,460**	59,840
LIABILITIES		
Current liabilities		
Trade and other payables(1)	**7,032**	8,174
Payable to related parties	**4,350**	–
Deferred liabilities	**20**	–
Current tax provisions	**–**	1,341
Employee benefits	**782**	566
Total current liabilities	**12,184**	10,081
Non-current liabilities		
Deferred liabilities	**317**	–
Payable to related parties	**–**	11,397
Employee benefits	**65**	150
Deferred tax liabilities	**–**	49
Total non-current liabilities	**382**	11,596
Total liabilities	**12,566**	21,677
Net assets	**43,894**	38,163
EQUITY		
Contributed equity(2)	**32,026**	32,026
Retained earnings(2)	**11,868**	6,137
Total equity	**43,894**	38,163

(1) Trade and other payables include unearned revenue of $4.612 million which will be recognised in the income statement in future periods.

(2) $1.705 million has been reclassified from retained earnings to contributed equity in 2014. The reclassification has no impact on the net assets of the “Closed Group”.

Note 32. Earnings per share

	2015 Cents	2014 Cents
a. Basic earnings per share		
Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company	**8.1**	6.0
b. Diluted earnings per share		
Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company	**8.1**	6.0

	$'000	$'000
c. Reconciliations of earnings used in calculating earnings per share		
i. Basic earnings per share:		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**25,753**	15,650
ii. Diluted earnings per share:		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**25,753**	15,650
Add: Share-based payment expense on historical employee LTI plan	**14**	27
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**25,767**	15,677

	Number	Number
d. 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*	**317,500,000**	259,499,002
Adjustments for calculation of diluted earnings per share:		
Shares issued on historical employee LTI plan	**250,000**	129,452
Weighted average number of shares and potential shares used as the denominator used in calculating diluted earnings per share	**317,750,000**	259,628,454

* *Weighted average number of shares in 2014 has been adjusted retrospectively to reflect the change in the number of ordinary shares as if the IPO had occurred at the beginning of 2014.*

Note 33. Events occurring after the reporting period

On 20 August 2015, the Directors declared a final ordinary dividend (fully franked) for the year ended 30 June 2015, of $13.018 million (4.1 cents per share) to be paid on 20 October 2015.

On 20 August 2015 the Directors also approved the appointment of William Easton as a Non-Executive Director of Cover-More Group Limited with effect from 1 September 2015.

Except for the matters disclosed above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 78 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 2015 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 31 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 31, 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 Group Chief Executive Officer and Group 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 Edwards
Director

20 August 2015
Sydney

Louis Carroll
Director

20 August 2015
Sydney

INDEPENDENT AUDITOR'S REPORT
to the members of Cover-More Group Limited

pwc

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 2015, the consolidated income statement and 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 (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

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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 2015 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 60 to 75 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Scott Fergusson
Partner

Sydney
20 August 2015

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 14 August 2015.

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	424	–
1,001 to 5,000	616	–
5,001 to 10,000	422	–
10,001 to 100,000	530	–
100,001 and over	60	–
	2,052	–
Holding less than a marketable parcel	**80**	**–**

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:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Limited	99,566,753	31.33
National Nominees Limited	66,670,491	20.98
HSBC Custody Nominees (Australia) Limited	43,898,776	13.82
Citicorp Nominees Pty Limited	27,826,007	8.76
BNP Paribas Nominees Pty Ltd <DRP>	8,123,075	2.56
Peter Edwards	6,291,488	1.98
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,744,379	1.81
Smallco Investment Manager Ltd <The Cut A/C>	5,086,747	1.60
Australian Foundation Investment Company Limited	4,737,254	1.49
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	3,000,000	0.94
RBC Investor Services Australia Nominees Pty Limited <BKMINI A/C>	2,385,754	0.75
Djerriwarrh Investments Limited	2,300,000	0.72
Milton Corporation Limited	2,013,944	0.63
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,707,766	0.54
Mirrabooka Investments Limited	1,680,000	0.53
Carole Tokody	1,216,861	0.38
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,164,287	0.37
UBS Nominees Pty Ltd	1,142,572	0.36
Marich Nominees Pty Ltd <R Marich Superannuation A/C>	978,348	0.31
Amcil Limited	940,000	0.30
	286,474,502	**90.16**

Shareholder Information continued

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued under the Group Long-Term Incentive Plan	685,093	10

No unlisted share options have been granted.

c. Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
National Australia Bank Limited	34,841,274	10.96
FIL Limited	31,416,337	9.89
AustralianSuper Pty Ltd	29,317,537	9.23
Challenger Limited	28,572,488	8.99
Commonwealth Bank of Australia	27,968,470	8.80
Paradice Investment Management Pty Ltd	16,613,596	5.23
Westpac Banking Corporation	16,141,537	5.08
UBS AG	16,039,970	5.05
Eley Griffiths Group Pty Limited	15,955,957	5.02
BlackRock Group	15,909,427	5.01
Alphinity Investment Management Pty Ltd	15,897,495	5.00

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.

CORPORATE DIRECTORY

Directors

Louis Carroll (Chairman)

Peter Edwards

Stephen Loosley

Trevor Matthews

Lisa McIntyre

Sam Mostyn

Company secretary

Mark Steinberg

Registered office

Cover–More Group Limited
Level 2, 60 Miller Street
North Sydney, NSW, 2060, Australia
Phone: (02) 8907 5301

Principal place of business

Cover–More Group Limited
Level 2, 60 Miller Street
North Sydney, NSW, 2060, Australia

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW, 2000, Australia
Phone: 1300 554 474

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