Cover-More GROUP LIMITED

ANNUAL REPORT 2016

keep travelling

$502.1m
gross sales, up 7.6% on FY2015

$44.6m
EBITDA, down 14.2% on FY2015

8 countries
in global footprint with expansion into USA

>82%
conversion of EBITDA into cash flow, before capex

7.6c
earnings per share based on NPATA

29%
increase in net revenue in Asia

4.7 cps
fully franked dividend

>15
new distribution partnerships, across all markets

CONTENTS

OUR 2016 PERFORMANCE

Cover-More has always seen opportunities where others see challenge. We have never been daunted by change, competition or market sentiment and we continue to find opportunity in new distribution channels and new markets.

The confidence we have in our capital-light, scalable and repeatable business model took Cover-More this year into the largest travel insurance market in the world in a distribution partnership with one of the world's largest travel groups.

The investment we made in our own online optimisation technology enabled Cover-More to secure new direct partnerships in global markets where we previously did not have a presence.

And the determination we have for best practice at lowest cost saw us in protracted negotiations with our underwriting partner in Australia before we emerged with a preferred underwriting model based on generalised linear modelling and 30 years' of proprietary travel insurance data.

However, along the way, we learnt a hard and valuable lesson. The substantial work we were doing to secure the optimum underwriting model for our travel insurance risk caused some distraction in our business that negatively impacted our margins and earnings.

From 1 July 2016, Cover-More moves to underwriter payments based on our preferred modelling which will ensure stronger alignment between the manner in which we price our distribution contracts and the manner in which we pay our underwriter for the risk they write.

This move is also designed to reduce volatility by ensuring that payment of underwriting premiums more closely reflects expected claims outcomes—and this provides greater certainty to our distribution and underwriting partners, as well as our investors.

Our continuing growth underlines the inherent strength of Cover-More's low-risk, repeatable business model. Because of it, we are able to enter new global markets with confidence. And because of it, we see opportunity after opportunity to widen our global footprint.

This is our growth story.

FROM OUR CHAIRMAN

On behalf of your Board of Directors, I present Cover-More's annual report for the 2016 financial year.

We have mixed results to report this year. While Cover-More's top line growth and geographic expansion have been very pleasing, the decline in EBITDA from FY2015 is as disappointing as it is uncharacteristic.

Although we have addressed the inadequacy and inflexibility of our previous underwriting model to deal with foreign exchange fluctuations and claims inflation, this resolution, late in FY2016, meant group profitability for the year has been eroded to an unsatisfactory level.

Your Board of Directors and I are adamant that this decline in no way reflects the inherent and long-term strength of the Cover-More business model. The business is focused on restoring margins to historical levels.

The key financial markers of FY2016 include:

- 7.6% growth in gross sales to $502.1 million
- 14.2% lower EBITDA of $44.6 million, compared with $52.0 million last year
- 22.5% lower NPATA of $24.1 million, compared with $31.1 million in FY2015
- more than 82% conversion of EBITDA into cash flow, before capital expenditure.

This has enabled the Board of Cover-More to declare a fully franked dividend of 2.6 cents per share bringing FY2016 total dividends to 4.7 cents per share. The business has maintained a conservative gearing level, with net debt at the end of the financial year being 0.9x EBITDA.

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

- entry into the travel insurance market in the United States in partnership with Flight Centre Travel Group and Aon Affinity Travel Practice and establishment of Cover-More operations in New York
- extension of our partnership agreement with Flight Centre Travel Group until 2024
- commencement of other new travel insurance partnerships in Australia, New Zealand and India, and our first airline partnership in India with GoAir
- establishment of a relationship with Zurich Insurance Group to extend our Global Direct business—new markets are expected to come online in FY2017
- above market growth in travel insurance in Australia, New Zealand and India
- achievement of preferred underwriting terms with our underwriter in Australia
- propagation of a continuous improvement culture throughout Cover-More Group based on a best-practice-at-lowest-cost operating principle.

Growth

This year has marked another pleasing year of channel, and market growth for Cover-More exemplified by:

- entry into the USA retail travel insurance market with Flight Centre Travel Group
- entry into the USA online travel insurance market with Berkshire Hathaway Travel Protection in July 2016
- the commencement of three intermediary partnerships in India—with airline GoAir and two of India's leading online travel agents, Goibibo and Yatra
- a new relationship with Zurich Insurance Group as part of our expanding Global Direct business
- more than 10 new distribution partnerships in Australia and New Zealand alone.

Leadership in transition

This year also brought the retirement of Group Chief Executive Officer, Peter Edwards, from his position.

Peter had done an outstanding job leading Cover-More since 2011 and while your Board and I were disappointed to see him leave the role, we understand the decision that Peter made to prioritise his family life and minimise travel away from home.

Since 2011, Peter has been commuting weekly to Sydney from his family and home in Queensland. We accepted Peter's decision and, after an executive search was conducted, selected Mike Emmett from QBE as Peter's replacement.

Over the past five years Cover-More has expanded into new markets, established strategic partnerships and implemented technology capabilities to support millions of travellers on their journeys across the world.

Peter Edwards' transformative leadership and energy have been instrumental in our success in this period and Cover-More is now poised for the next phase of our growth and evolution. His legacy lies also in the exceptionally talented group of leaders that he attracted and recruited to the business. In the past five years, Cover-More's culture has moved to embrace greater empowerment, entrepreneurism, performance, accountability and discipline.

On 4 July 2016, Mike Emmett succeeded Peter Edwards as Group Chief Executive Officer to oversee the next phase of Cover-More's growth and evolution. Mike joins Cover-More after a successful executive career with QBE, EY, Morse, IBM, Accenture and PwC. Most recently at QBE Mike held the role of Group Executive, Operations.

During his career Mike has had extensive international experience assisting companies in the insurance, banking and technology industries in Australia, Asia, Africa, the UK and the USA to transform through revenue growth and operational improvement.

Mike is an accomplished senior executive who brings vast global experience, proven leadership qualities, highly developed market acumen and a strong ability to continue Cover-More's outcomes focus, customer-centricity and the growth agenda established by Peter Edwards and the leadership team.

As a longstanding Board member since 2003 and now, Chairman, I have had the opportunity to closely witness the depth of leadership and expertise that Peter's executive leadership team exemplifies. Peter invested in significant talent and inculcated a high-performing leadership philosophy and our business thanks him for that.

Now, as we transition to new executive leadership under Mike Emmett, Mike has the benefit of a very experienced, expert and high-performing team of senior leaders.

We are delighted that Mike has joined Cover-More as Group CEO to oversee this next phase of our evolution.

Framing a vision for 2021

Your Board of Directors and the executive leadership of Cover-More Group participated in a pivotal strategy planning session in 2016. Our objective was clear: to frame a brave vision for Cover-More through to 2021.

Our approach was built on the premise that if we are determined to be brave, then the future must belong to us.

I am pleased to share the vision we determined for Cover-More Group.

> To achieve our full potential as the world's pre-eminent provider of integrated travel insurance, travel assistance and health and medical assistance and consistently deliver sustained, profitable growth to our business partners and shareholders and exceptional value and experiences to our customers.
>
> We will be the partner of choice for any organisation which places the experience and wellbeing of their customers or employees at the centre of their own vision and purpose.
>
> We will be the masters of data in our industry and deliver sustained, high value commercial data outcomes to our business partners and our shareholders.

Cover-More is well placed to achieve this vision. We have come so far in the last 30 years. Our transformative growth accelerated under Peter Edwards' executive leadership and now as we enter our 31st year with a new Group Chief Executive Officer in Mike Emmett, Cover-More's future growth and success is, in many ways, inevitable.

I thank our customers, business partners and shareholders for their ongoing support. To all employees and senior leaders of Cover-More, the Board and I thank you for your dedication, commitment and hard work.

LCarroll

Louis Carroll

Chairman, Cover-More Group

LOOKING BACK:
OUR OUTGOING GROUP CEO, PETER EDWARDS

It has been a great privilege to lead Cover-More Group for the past five years and I know I am handing over a strong, agile and extraordinarily capable business to my successor, Mike Emmett.

Cover-More has again delivered good growth rates in the major markets in which we operate. Our FY2016 revenue of $502.1 million reflects growth of 7.6% on the previous year and our core travel insurance business segment performed well with gross sales growth of 8.5%.

Despite outbound travel volumes remaining flat, our Australian travel insurance business recorded +7.2% growth in gross sales against last year and our international business continued to accelerate with Asia up 29.0% in net revenue compared to FY2015.

Disappointingly, our EBITDA of $44.6 million represents a 14.2% drop from last year. This decline in profitability was driven by an increase in the cost of claims, which represented more than double the financial shortfall reported for the year. As I have previously discussed, this claims cost impact arose from a combination of currency exchange, a now superseded underwriting model and increases in underlying claims frequencies.

Critically, the business has a clear line of sight of what has to be done to restore margins and this is underway. In H2 FY2016, EBITDA margins from insurance activities improved to 6.9%, compared with 6.1% in H1 FY2016.

From 1 July 2016, Cover-More moved to underwriter payments based on our preferred generalised linear modelling (GLM). This ensures stronger alignment between the manner in which we price our distribution contracts and the manner in which we pay our underwriter for the risk they write.

This move is designed to reduce volatility by ensuring that payment of underwriting premiums more closely reflects expected claims outcomes—and this provides greater certainty to our distribution and underwriting partners, as well as our investors. It is the welcome culmination of protracted and complex discussions with our incumbent underwriter in Australia, New Zealand and United Kingdom.

Key performance highlights for FY2016

- 7.6% growth in gross sales to $502.1 million including 8.5% growth across our insurance activities.
- A return to growth for assistance activities with this segment recording growth of 6.4% in H2 FY2016.
- 20.9% growth in gross sales across Asian activities delivering an improvement in full-year EBITDA of 30.1% (excluding corporate allocations). On this basis, Asia now represents nearly 22% of Group profit.
  - In India, Cover-More further expanded reach into the intermediary channel by signing distribution agreements.
- More than 82% conversion of EBITDA into cash flow, before capital expenditure.
- Cover-More extended our contract to 2024 with Flight Centre Travel Group, one of our most valued partners and one of the world's largest travel groups.
  - This extension reflects the strength of a partnership which is based on the true alignment of economic interests and a shared sense of customer value. Both partners remain focused on delivering value that makes a difference to our customers and understand the strong commercial opportunities which flow from such an approach.
- We commenced trading in the United States, the world's largest travel insurance market which is valued at more than US$2.5 billion. Cover-More's USA entry in partnership with Aon Affinity Travel Practice and Flight Centre USA is estimated to deliver approximately $30 million in gross sales in the first year of operation.

- Cover-More established a relationship with Zurich Insurance Group to support our Global Direct expansion.
  - Our connection to Zurich in China incorporated the provision of travel insurance to Hong Kong Express, Hong Kong's only low-cost airline.
  - We expect further geographies to be rolled out in FY2017.
- Also in the United States, Cover-More signed an agreement with Berkshire Hathaway Travel Protection (BHTP) to sell travel insurance products and services online to US travellers taking domestic and international trips.
  - Berkshire Hathaway Travel Protection is the fastest growing travel insurer in the USA and our business relationship leverages BHTP's unique claims processing and real-time payment platform, BHTP Burst, with Cover-More's proprietary online optimisation platform, IMPULSE.
- Gross insurance sales in our largest market, Australia, were up 7.2% against previous year—we commenced several new partnerships including P&O Cruises, Travelex, Topdeck and The Travel Corporation's nine major brands including:
  - Contiki Holidays
  - Insight Vacations
  - Uniworld
  - Staff Travel
  - Creative Cruising
  - Busabout
  - Trafalgar
  - Adventure World
  - AAT Kings
- In New Zealand we finalised our agreement to commence distributing travel insurance with Westpac, our first banking partner.

Finalisation of underwriting agreement

The agreement reached with Great Lakes Australia, a subsidiary of Munich Re, provides for a move to underwriter payments based on generalised linear modelling (GLM), effective from 1 July 2016. It also provides an option for Cover-More to appoint alternative underwriting partners who are able to align their growth ambitions with those of our group.

The move to a GLM will ensure stronger alignment between the manner in which we price our distribution contracts and the manner in which we pay our underwriter for the risk they write. Great Lakes Australia is currently underwriting our insurance business in Australia, New Zealand and the United Kingdom.

Cover-More has received strong interest from the market and we are in discussions with multiple global underwriting partners to enter into a GLM-based arrangement at the same, or very similar, target loss ratio. Once discussions have been finalised and a preferred partner has been chosen, Cover-More will transition to the new underwriter.

It is expected that a relationship with a new underwriting partner would commence no later than 1 January 2017.

Notable features of the agreement reached with Great Lakes Australia are as follows.

- The new term will run until 30 September 2017. However, Cover-More is able to give between three and six months' notice to terminate the current agreement with Great Lakes Australia on reaching an agreement with new underwriter partners.
- Cover-More is able to establish new underwriting relationships with alternative underwriters in Australia, New Zealand and the United Kingdom.
- The target loss ratio in the agreement remains unchanged.
- Cover-More agreed to an interim arrangement with a profit share mechanism for non-catastrophe claims performance which is favourable to the target loss ratio and limited and capped participation for any non-catastrophe claims cost experience which is adverse to target loss ratio:
  - on that basis and under the terms of the agreement, if the claims experience is either favourable or adverse to target loss ratio for policies written in H2 FY2016 and H1 FY2017, limited and capped adjustments to the underwriting payments to the underwriter may occur for policies written in H2 FY2016 through to FY2018 and policies written in H1 FY2017 through to FY2019, as claims fully develop
  - while this interim arrangement does involve some measured risk for Cover-More capped at $700,000, this was a position we were willing to take in order to achieve the optimum commercial terms and desired GLM basis for the new underwriting model.

Extension of contract with Flight Centre Travel Group

The extension of our contract with Flight Centre to 2024 cements our partnership with one of the world's leading and most progressive travel agency networks—a partnership which goes back 25 years.

Both organisations share a customer value-driven mindset and a propensity to shape, not be shaped by, the markets in which we operate.

Cover-More's entry into the USA

In May 2016, we launched our travel insurance product into the US$2.5 billion travel insurance market in partnership with Aon Affinity Travel Practice and Flight Centre USA.

It is anticipated that Cover-More's USA operations will become a significant contributor to the travel insurance business by volume in the group.

The distribution partnership with Flight Centre USA includes the following nine brands across 275 stores: the flagship Liberty Travel brand, GOGO Vacations, Flight Center, Travel Associates, Worldwide Traveller, GO Groups, Corporate Traveller, Stage and Screen and Cievents.

To head up our USA operation, Carole Tokody, formerly Director of Sales in Australia, relocated to New York as Cover-More's inaugural CEO, USA, Canada and Global Direct.

Carole is one of Australia's leading mobile commerce strategists and she has been the driving force behind Cover-More's digital transformation and global traction in e-commerce travel insurance. Her relocation to head up our US operations is a watershed moment for our group in North America as she is one of Cover-More's most experienced and talented senior executives.

Global partnership with Flight Centre

Our partnership with Flight Centre is now not only longer but wider. We currently have travel insurance partnerships in five countries: Australia, the USA, New Zealand, India and the UK.

Our new contract provides for joint investigation of other markets, notably Canada, followed by China, Hong Kong, Malaysia, Singapore, United Arab Emirates, Spain, The Netherlands, Ireland, South Africa and Mexico.

Expansion of our Global Direct business

This year Cover-More expanded our global online business in international markets to capitalise on the capability of our proprietary customisation and optimisation engine, IMPULSE, and our digital commerce capability.

Zurich Insurance Group

Cover-More established a new relationship with Zurich Insurance Group to support Global Direct expansion and, subsequently, rolled out consistent online commerce platforms in four countries: Australia, China, New Zealand and the United Kingdom.

We expect to launch across a further four countries in the first quarter of FY2017.

The deployment of this direct model with Zurich provides us with access to international markets in a lower-risk, capital light manner which continues to be the defining feature of Cover-More's expanding global footprint.

Berkshire Hathaway Travel Protection, USA

Cover-More also reached agreement with Berkshire Hathaway Travel Protection (BHTP), the fastest growing travel insurer in the United States to underwrite our direct travel insurance product launch. The agreement allows Cover-More, once licensed in all 50 USA states, to sell travel insurance products and services to American travellers taking domestic and international trips.

The strategic business relationship leverages BHTP's claims processing and real-time payment platform, BHTP Burst, with Cover-More's proprietary IMPULSE online optimisation platform. BHTP is the only USA insurance provider with a multi-payment platform that can reimburse travellers in a matter of seconds. Cover-More's IMPULSE technology integrates with e-commerce websites and travel booking engines to offer insurance options specifically tailored to individual travellers and their specific trip.

The two companies complement one another very well. BHTP's product, customer service standards and claims innovation combined with Cover-More's predictive intelligence solutions is a compelling combination to provide travellers with innovative, tailored insurance products.

Delivering on growth priorities

Cover-More continued our focus on our five core strategic growth priorities.

1. Make the end-user experience simpler, faster more compelling.
2. Help our partners build more successful businesses.
3. Accelerate digital transformation.
4. Invest for growth.
5. Drive efficiencies through one global platform.

Growth priority	Achievements in FY2016
CUSTOMER EXPERIENCE	• Development of capabilities to establish a central function to manage communication activity with our customers before, during and after travel. This will be pivotal to the launch and ongoing development of the **MyCover-More** platform. • Extension of *keep travelling* customer value proposition to USA partnership with nine Flight Centre Travel Group brands including flagship Liberty Travel stores. • Roll out of *keep travelling* CVP to all retail agency partners in Australia and NZ. • Negotiation of broadcast rights with National Geographic Channel in Australia and New Zealand for an observational documentary about Cover-More's response to the 2015 earthquakes in Nepal.
PARTNER RELATIONSHIPS	• Extension of contract with Flight Centre Travel Group to 2024 and commitment to deeper integration into customer touch points. • Commenced partnership with The Travel Corporation in Australia incorporating nine brands including Trafalgar and Contiki Holidays. • New partnerships in Australia also include P&O Cruises, Topdeck and Travelex. • Delivery of travel insurance to Travel Money Oz's Key to the World digital travel wallet. Key to the World will provide travellers with the ability to seamlessly arrange and manage their itinerary, currency, insurance, and Global SIM in one mobile portal. • Our growth in India continued at strong double-digit levels benefiting from market growth and strong intermediary business wins in GoAir, Goibibo and Yatra. • Cover-More was awarded 'Best Agency Support Service' by Australian travel agents in the 2015 National Travel Industry Awards supported by the Australian Federation of Travel Agents (AFTA).
DIGITAL TRANSFORMATION	• Commencement of direct travel insurance sales in USA in partnership with Berkshire Hathaway Travel Protection. • Establishment of Global Direct relationship with Zurich Insurance Group in other global markets. • Consistent digital commerce platforms developed in several countries. • Ongoing enhancements to IMPULSE optimisation and customisation platform leading to higher conversion rates and increased returns for distribution partners. • Launch preparation for **MyCover-More**. MyCover-More offers us a 'single view' of our end-customers and will allow Cover-More to synchronise the data that customers share so that the path to purchase becomes simpler, quicker and highly personalised.

Growth priority	Achievements in FY2016
EFFICIENCY	• Continuous improvement methodologies implemented to facilitate faster, more efficient claims processing. • Enhancement of operating model agility and efficiency: – new geographies including USA on global operating platform – claims outsourcing to India – DTC operating platform improvements – common general ledger (GL) platform – 'follow-the-sun' operations in travel medical assistance
INVESTING FOR GROWTH	• Advanced discussions underway to enter the Canadian travel insurance market which is valued at US$2.2 billion. • Establishment of sales and operations team to support successful entry into the USA. • Appointment of Carole Tokody as Cover-More's first CEO, USA, Canada and Global Direct, and her relocation to New York. • Creation of new GM Ancillary Products role to drive growth and focus on ancillary products central to Cover-More's CVP. • Identification of acquisition opportunities to expand medical assistance business and capability. • Continued investment in customer-led innovation to drive increased value into CVP.

A final note

After nearly five years at the helm of Cover-More, I informed the Board of my wish to retire from my role once a suitable candidate had been secured.

I am delighted that the Board has been able to attract a candidate with Mike Emmett's capability to Cover-More. This remains a business with enormous opportunity for continued growth across multiple countries and channels.

My decision is entirely driven by personal family reasons. I know this is the right time for me to hand over to new executive leadership. The executive leadership team is highly experienced and I have every confidence in their ability to continue to execute on our current growth strategies.

The appointment of Mike Emmett as my successor should bring shareholders, customers and employees comfort that the business is in very capable hands.

It has been a great pleasure to be a part of Cover-More's success. I would like to express my gratitude and appreciation to all my colleagues, customers, partners and shareholders for their tremendous support during my time here.

Peter Edwards

Outgoing Group Chief Executive Officer

LOOKING FORWARD: OUR NEW GROUP CEO, MIKE EMMETT

When I was first approached about joining Cover-More, I knew of it as a successful and well-run travel insurance provider operating predominantly in Australia, albeit with global aspirations.

I will confess that I had several questions about the impact of headwinds in the travel market and the weakening of the Australian dollar. There was also the question of whether there was room for growth in the potentially-saturated home market of Australia.

The calibre of Cover-More's distribution partnerships was impressive yet I was uncertain as to the effectiveness of the joint venture structures and relationships with major partners.

Early on I also had some queries about the sustainability of the overseas expansion and also whether it will be possible to replicate the commercially favourable arrangements with Great Lakes Australia with an alternative underwriter.

So what are my initial impressions since joining Cover-More on 4 July 2016?

I'm pleased to report that during the past seven weeks I've felt reassured that this is a business with a good deal of upside to be leveraged from strong and unique fundamentals.

- The relationships with major partners are healthy and good opportunities exist to grow within the Australian travel insurance and medical assistance markets.
- There is significant interest from a number of participants in the market to become our underwriting partner and sufficient indication that these will be on a satisfactory commercial basis.
- While we have more to do in maturing our activities overseas, Cover-More has existing partner relationships that can be used as a foundation for growth.
- Without doubt, FY2016 earnings were disappointing with EBITDA declining by 14.2% on FY2015. However, it was pleasing that year-on-year gross sales grew by 7.6%.
- Our second-half results are improved on the first half, particularly when taking into account the impact of the underwriting provision however, further action is required to improve profitability.

Is there an X-factor? A quality that is hard to describe that makes Cover-More special?

Not long after I joined, the world witnessed the terror attack in Nice on 14 July. I witnessed first hand the scale and capability that Cover-More possesses to support customers when major traumas arise. Our global footprint and specialist medical skills enable us to mobilise teams to support our travellers and customers whenever and wherever required, no matter how significant the event.

Combine that with bespoke digital technology that enables our partners to target customised insurance propositions to their customers based on a traveller's specific circumstances and there is something very special about this business.

The joint venture construct means that we are joined at the hip with our partners to ensure mutual success and our partnerships across the globe will enable us to deliver value and grow with our partners wherever they operate.

Outlook for the next year

It's clear that Cover-More has a very strong value proposition for customers and for joint venture business partners. We have unique capabilities—particularly our digital solutions and our medical and health assistance competency—and we are confident these will enable us to deliver customised and optimised solutions to corporate and individual customers.

We have demonstrated our ability to deploy these capabilities with our partners especially major airlines, travel agency networks, banks and insurers and we have shown that these capabilities are transferable across the globe.

Over the coming half year we anticipate continued growth in Australia and overseas as we focus on building new partnerships and extending the success of our existing joint ventures. We know that we cannot be complacent about our partnership relationships and are proud of the depth and tenure of many of these.

In parallel we will be replacing our underwriting partner and optimising our cost base and go-to market structures.

Cover-More is an exciting business with exciting prospects.

I joined this company because of the partner relationships, digital advantages, medical prowess and global aspirations and I look forward to working with the team to leverage these for future success.

I'd like to thank our employees, partners and customers for their commitment and loyalty. I especially wish to thank my predecessor Peter Edwards for the extraordinary contribution he has made to the Cover-More Group through the IPO and beyond.

Mike Emmett

Mike Emmett

Group Chief Executive Officer (from 4 July 2016)

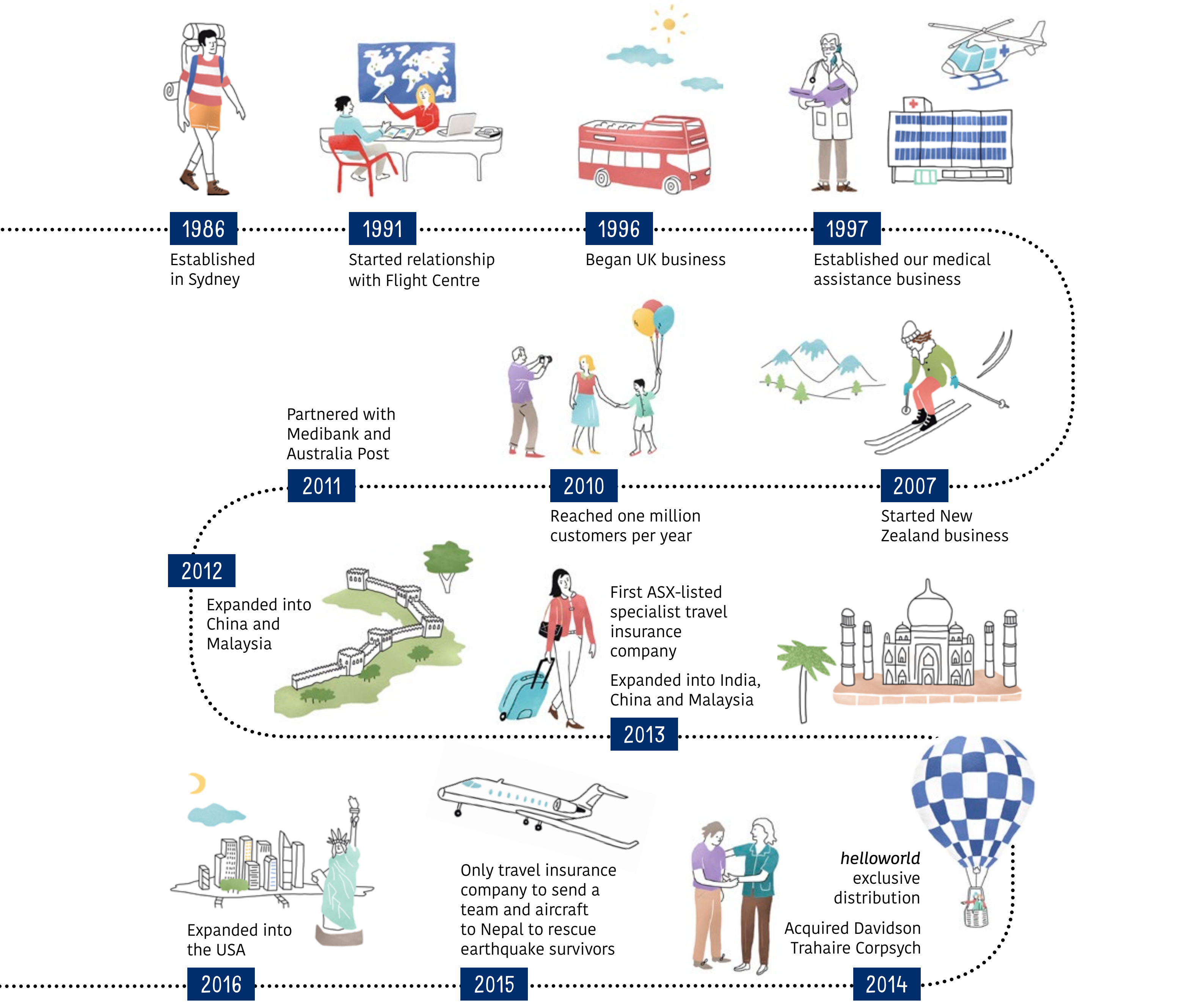
THE GROWTH WE CONTINUE TO HAVE

In FY2016, Cover-More turned 30—a year we marked with our expansion into the USA, the world's largest travel insurance market with GWP at more than US$2.5 billion.*

Birthdays are generally times for introspection and while it is interesting and instructive to reflect on where Cover-More has come from, it is more important to focus on where we are heading.

In this section, we'll do both.

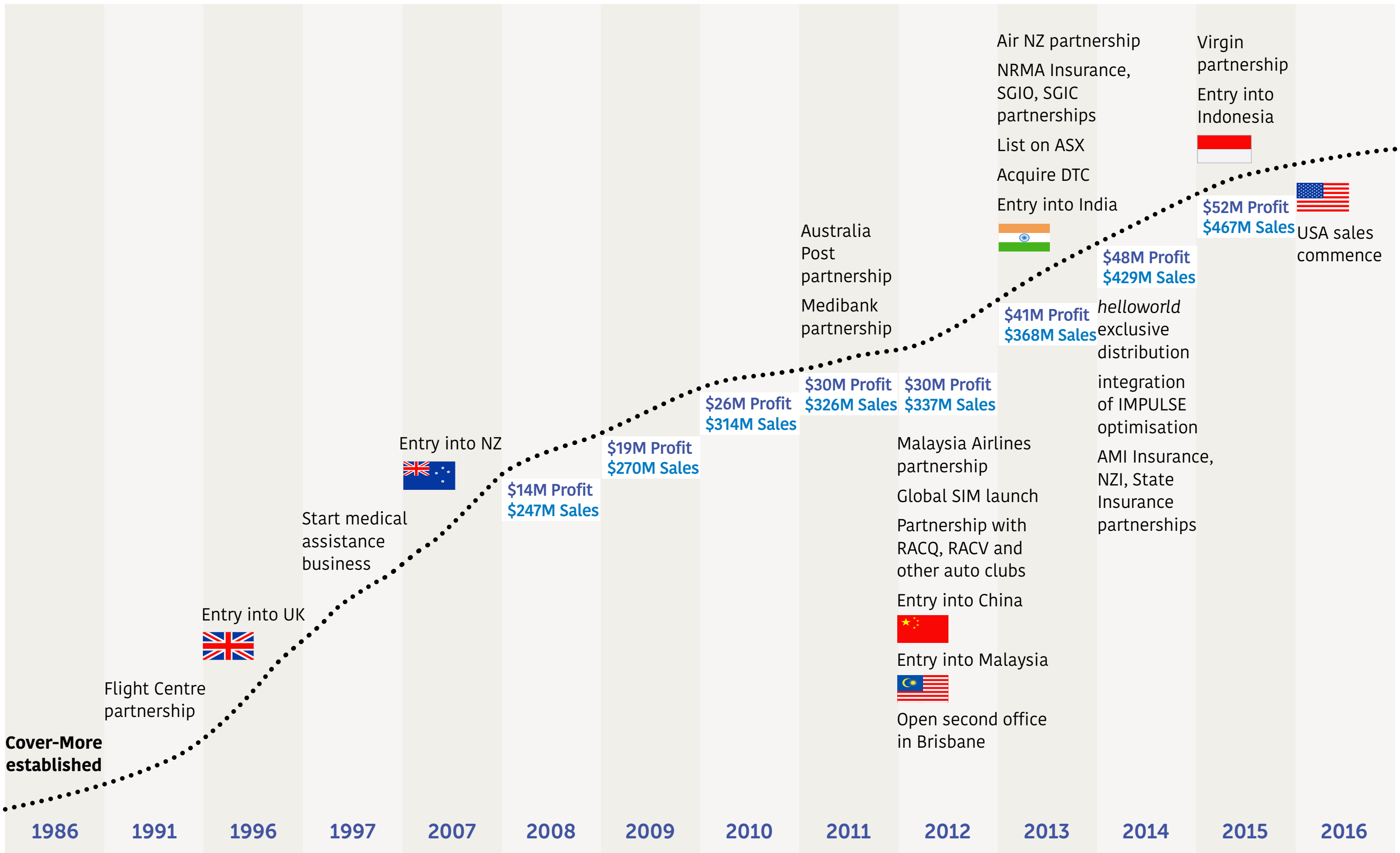
Since Cover-More was established in 1986 in Sydney, with one small office and a big dream, our business has expanded to become Australia's leading travel insurance and medical assistance provider with operations in eight countries: Australia, New Zealand, China, India, Malaysia, Singapore, the United Kingdom and the USA.



*Source: Finaccord 2016

Note: These are just some of the highlights of what we achieved in the 30 years since 1986.

Looking at our gross sales and earnings, in 2008 Cover-More's topline was $247 million with earnings before interest, tax, depreciation and amortisation (EBITDA) of $14 million. By 30 June 2016, that has grown to $502.1 million in gross sales and EBITDA of $44.6 million.



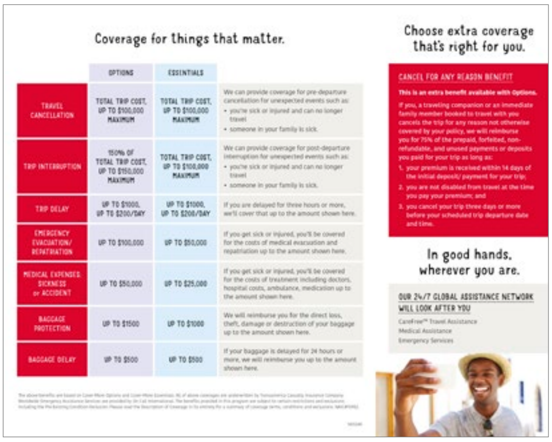
THIS YEAR'S GROWTH HIGHLIGHTS

Our entry in to the USA

Cover-More's USA entry in partnership with Aon Affinity Travel Practice and Flight Centre USA saw Cover-More supporting travel insurance available from retail travel agents in 275 stores and these nine Flight Centre USA brands across North America.

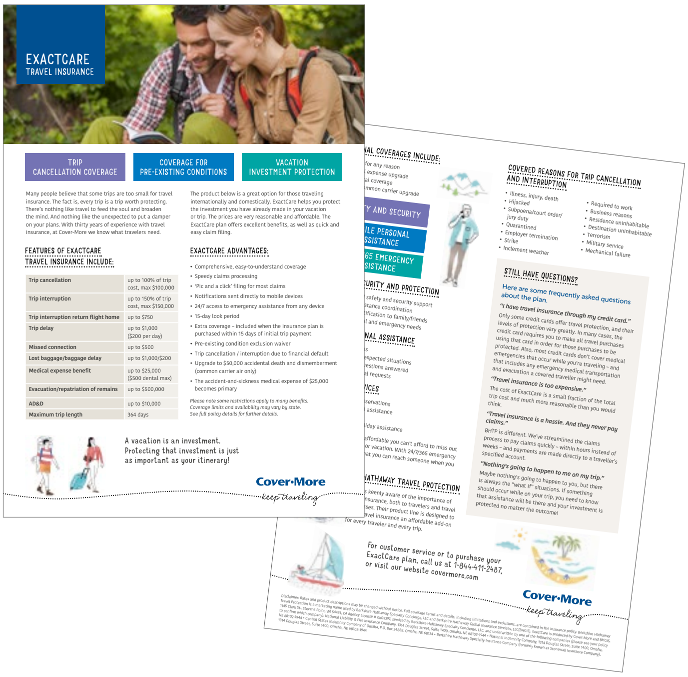
Our business in the USA is estimated to deliver approximately A$30 million in gross sales in the first year of operation.

Cover-More also introduced our *keep travelling* customer value proposition to our launch into North America.



Further expansion of Global Direct

Also in the United States, Cover-More signed an agreement with Berkshire Hathaway Travel Protection (BHTP) to sell travel insurance products and services online to travellers taking domestic and international trips.



Expansion of Global Direct into the USA

Cover-More established a relationship with Zurich Insurance Group to support our Global Direct expansion and, subsequently, completed consistent online platforms in Australia, China, New Zealand and the United Kingdom.

Our connection to Zurich in China incorporated the provision of travel insurance to Hong Kong Express, Hong Kong's only low-cost airline.

New partnerships in Australia

In FY16 we commenced several new partnerships including P&O Cruises, Travelex, Topdeck.

And The Travel Corporation's nine major brands:

- Contiki Holidays
- Busabout
- Insight Vacations
- Trafalgar
- Uniworld
- Adventure World
- Staff Travel
- AAT Kings
- Creative Cruising.

First intermediary partnerships in India

Cover-More signed distribution agreements with Yatra, India's second largest online travel agency and GoAir the country's fifth largest domestic airline as well as Goibibo, the largest online hotels booking engine in India and also one of the leading air aggregators.


keep
travelling

WHERE COVER-MORE IS HEADING

A global partnership with Flight Centre Travel Group

Cover-More extended our partnership agreement with Flight Centre Travel Group which will see us build on our existing partnerships in Australia, New Zealand, India, the United Kingdom and the USA.

There are opportunities for Cover-More to extended our distribution into Canada, Mexico, Ireland, The Netherlands, the United Arab Emirates, South Africa, Singapore, Malaysia, China and Hong Kong.

CUSTOMER VALUE

One of Cover-More's core strategic priorities is to make the end-user experience simpler, faster and more compelling.

We live in a world today where we are probably just one iPhone away from connecting most people in the entire world to each other—and with that comes increasingly sophisticated and demanding consumers who will not tolerate cumbersome, out-dated or impersonal customer experiences.

Since 2013, Facebook and Google have become two of the world's most influential brands, wearable technology and 3D printing are no longer just good ideas, Airbnb has become a $20 billion company, Uber has disrupted the global taxi industry and big data is poised to reshape the way we live, work and think.

In the middle of that, what does real customer value look like in markets in which Cover-More operates?

The customer journey

Cover-More has been focused on customer-led innovation and mobile commerce since late 2011 when we introduced new leadership and strategic imperatives to our business. We understand the power of data and we have prioritised making the end-user experience simpler, faster and more compelling and fully leveraging our data capability to improve the customer experience.

There are so many different individual experiences for a customer/end-user as they prepare for travel, as they travel and as they return home.

These experiences give rise to potential experiential touch points before, during and after a traveller travels. And these are customer touch points that offer Cover-More and our business partners real commercial opportunity.

Travel rewrites the routine of our lives. Cover-More is determined to rewrite the 'routine' of travel by delivering the right value and offer to the customer at the right time—before, during or after travel.

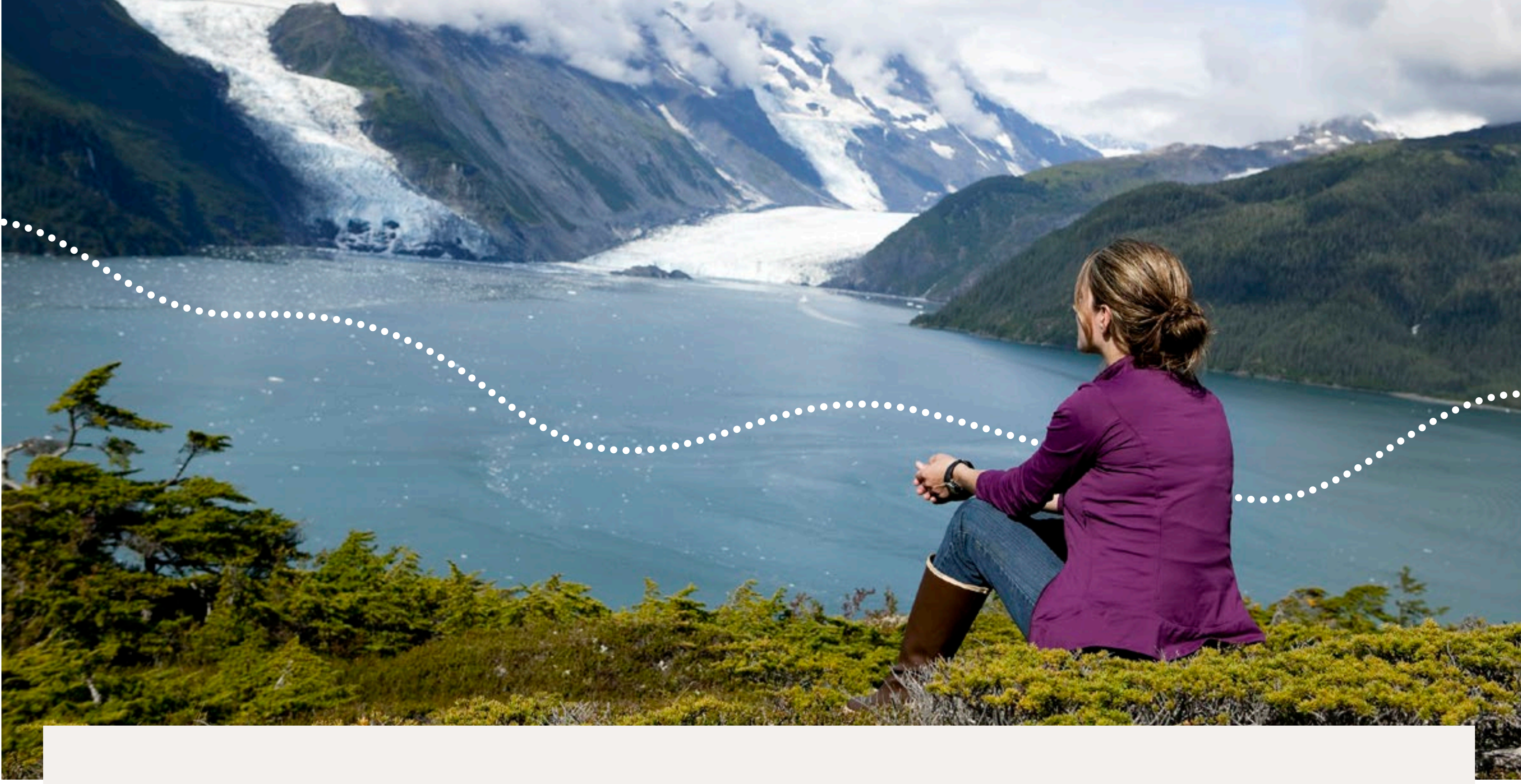
BEFORE a journey, a customer will need pre-travel security and health advice, destination-specific vaccinations, health-related dietary advice, a passport, potentially visas, a Global SIM, foreign currency and currency card, home security while they are away, pet minding, mail forwarding, transfers etc.

DURING their journey, because we are able to geo-locate where they are and because we know some detail about their travel preferences e.g. families seeking family-friendly fun, young adults seeking adventure or perhaps older travellers looking for Michelin-starred restaurants and theatre tickets, we will be able to provide tailor-made offers, accessible via smartphones and mobile connectivity.

AFTER their travel, because we know where and when they are returning home, we can reach out with transfers, welcome-home services, updates on Global SIM credit levels and other offers.

And that is just the tip of our planning.

In the past year, Cover-More has invested to bring our keep travelling customer value proposition or CVP to life.



HERE'S OUR CVP.

Our customers come first whatever situation they find themselves in.

To us, our customers are people, not policy numbers. And we are committed to doing what is best for them. Not what is easiest for us.

We guarantee expert care wherever our customers are in the world, even if that means moving them to another country where higher quality care is available.

That's why our products and services offer more, not less, for travellers. That's why we look for ways to help our customers before, during and after their trip and not just when they claim. That's why we offer holistic travel assistance through our large team of doctors, registered nurses, case managers, logistics experts, travel advisors and customer service representatives.

Cover-More has 30 years' experience and we look after more than 2.2 million travellers every year. And that's just in Australia.

So whether a customer needs urgent medical care or they need to cancel their holiday. Whether they've had their wallet stolen, lost their passport or missed their flight, our team of professionals will sort out any problem that interferes with our customer's travel experience—so they can keep travelling.

**Life's an experience.
Keep travelling with Cover-More.**

CUSTOMISED ONLINE PORTAL:
MyCover-More

After further development and usability testing, we are set to launch stage one of **MyCover-More** platform in the first quarter of FY2017.

MyCover-More affords us a 'single view' of our end-customers and allows Cover-More to synchronise the data that customers share so that the path to purchase becomes simpler, quicker and highly personalised.

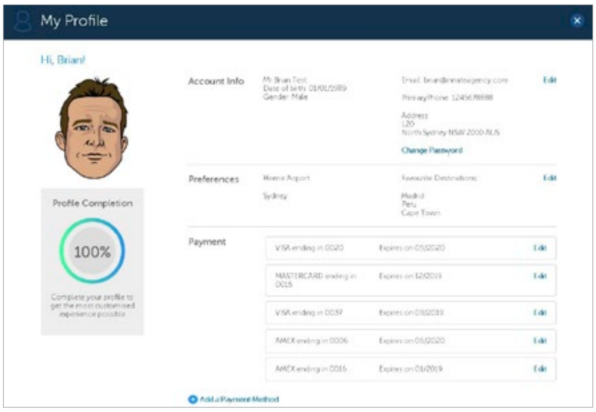
Customers will set up their own customised online portal on **MyCover-More** and then be able to:

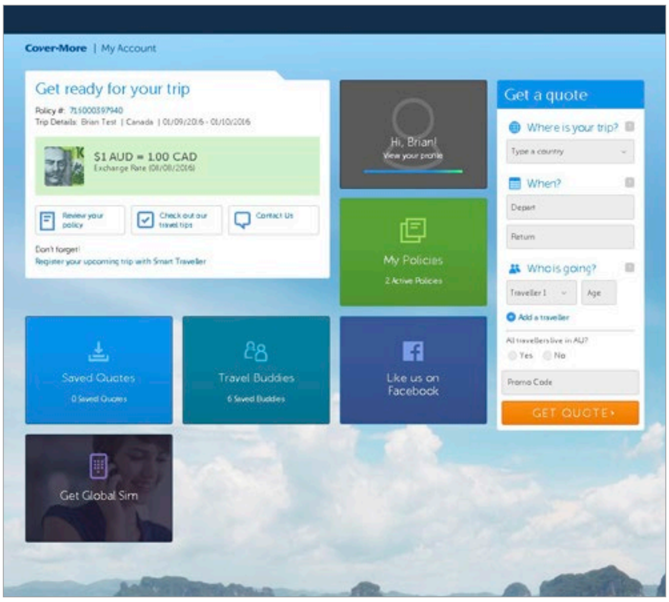
- request and store travel insurance quotes
- purchase travel insurance from enduring personalised settings
- purchase ancillary products e.g. Global SIM and currency card
- store travel insurance documents and emergency contact details
- add travel 'buddies' who are sharing their journey
- submit claims
- receive loyalty discounts
- engage in personalised communication with Cover-More consultants e.g. chat, click-to-call.

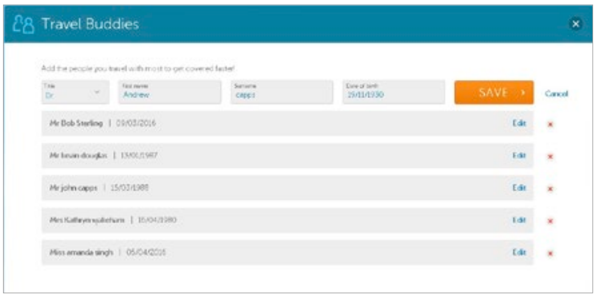
That is the scope of stage one however, we intend to amplify the functionality in subsequent stages to include geo-localised security and heath alerts and geo-localised tips and offers to deepen and enrich the customer experience.

For Cover-More, the portal will allow us to segment, customise offers and build enduring relationships with customers through a unique, seamless interface built on rich data.

For our end-customers, **MyCover-More** will take their customer experience to the next level—before, during and after they travel. **MyCover-More** has the potential to be their personal trip planner, their personal security vault, their personal assistant for help when they need it and for more fun when they want it.








keep travelling

WHAT OUR TRAVEL AGENTS SAY ABOUT COVER-MORE

Central to our approach to marketing and innovation is a customer research methodology where we spend a day-in-the-life-of-the-customer. By immersing ourselves in dialogue with our customers—whether travel agents or travellers or other partners—we are able to begin to understand their unmet needs, 'pain' points, aspirations and motivations.

In the past year, we have spent time with travel agents around Australia.

Some of their verbatim comments speak volumes to their understanding of and trust in the Cover-More brand.

"They're not the cheapest but they're the best. If you pay for cheap then you get cheap."

"You don't get a Ferrari for the price of a Toyota."

"I wouldn't want to travel with anyone else and haven't found anything better out there."

"Cover-More is not the cheapest but they try to be the best."

Of course, it's not all rosy for Cover-More and we know there are things that need work in the eyes of travel agents.

"People find insurance boring."

"What Cover-More does well for customers is not something that can help in the sale process initially. The Cover-More CVP/medical DNA is great but it doesn't often convince customers."

"Cover-More needs to improve the strength and awareness of the brand with consumers."

Voted best agency support by Australia's travel agents

In FY2016, Australia's travel agents voted Cover-More Travel Insurance as the 'Best Agency Support Service' in the 2015 National Travel Industry Awards.

This was a breakthrough win in 2015 after a gap of a few years. For us, it is great recognition from our travel agents that we are offering the support they need.

afta NATIONAL TRAVEL INDUSTRY AWARDS

HOW WE HELP WHEN TRAGEDY STRIKES

We look back at the last 12 months with sadness and grief given the number of horrific events that have killed so many, devastated so many lives and threatened to tear at the fabric of a world where so many of us just want peace, love and tolerance.

It is at the worst of times—the massacres in France, Turkey and Belgium—when most people around the world pause in disbelief and horror, that our medical assistance and customer service teams work so hard to reach out to and help affected customers.

And it is not just our customers' physical wellbeing that we safeguard. We reach out with trauma counselling from the experienced psychologists who make up the breadth of our medical assistance team in our DTC business.

Trauma counselling

Cover-More's trauma counselling is offered to our customers because we can offer it and because we care enough to offer it. The service sits outside policy benefits and coverage and is part of our unique keep travelling value proposition.

We utilise our global network of providers through the International Assistance Group (IAG), and our sister company DTC.

We offer our customers telephone counselling or face-to-face depending on the type of counselling the customer feels most comfortable with, the location and the urgency of need. And we coordinate that to occur from the other side of the world with one phone call.

Sometimes cataclysmic events can be of a very personal nature—such as the unexpected death of a loved one or perhaps the premature birth of baby.

Some customers choose to take us up on the offer at the time, others come back months later when they feel comfortable or they are ready to talk. For example, in the past 12 months, we offered counselling to family members after the sudden death of their father while on a holiday of a lifetime. Many of the family members came back to us six months later and had counselling.

These situations are identified early to ensure the appropriate care and support is provided.

This is a unique part of the value that Cover-More continues to offer our customers.

"The way they dealt with me and the experience I've had with them has been nothing but positive for me ... nothing but positive for me. And they need to know that. And they need to know that because of them it's going to be better. And that matters."

Leeann Lloyd, July 2015, three months after we brought her home from the devastating earthquakes in Nepal and continued her care with trauma counselling.

PEOPLE: DREAMERS, DOCTORS, STRATEGISTS, EXPERTS AND NUMBER-CRUNCHERS

There is a fascinating breadth to Cover-More's business with emergency medicine experts working side-by-side with actuaries, marketing strategists and digital commerce specialists.

Layer in trauma counsellors, operations executives and finance professionals and you start to appreciate the unique and eclectic mix which makes Cover-More who we are today.

There are more than 1000 people working for Cover-More across eight countries—Australia, China, India, Singapore, Malaysia, New Zealand, the United Kingdom and the United States.

We'd like you to meet some of them.

Dr Camilo Villalobos MBBS

Medical Officer
Cover-More China, Shanghai

Born in Colombia, Dr Camilo Villalobos has lived in China for the past 14 years and is fluent in Mandarin, English and Spanish. He is our most senior medical officer in China and has worked for Cover-More China for the past eight years.

Camilo brings great compassion, strong medical expertise and an extensive knowledge of the Chinese health system to Cover-More. He was also a central figure in the medical assistance team we sent into Kathmandu after earthquakes devastated many parts of Nepal in 2015.

It was in Nepal where Camilo again demonstrated the skills and qualities that make him such an important part of our global medical assistance team. He has extensive experience in aviation medicine and in evacuating and repatriating patients worldwide on commercial airlines and air ambulances and has successfully assisted with or directed more than 100 medical evacuations worldwide.

Camilo is a devoted husband and new father and also holds a Master degree Traditional Chinese Medicine and Acupuncture from the Shanghai University of Traditional Chinese Medicine.

Tamara Hitchcock

Marketing Director and GM, Ancillary Products, Cover-More Group

Tamara was instrumental in developing Cover-More's *keep travelling* customer value proposition, a unique offer for travellers everywhere and one that has the potential to change the way people think about travel and travel insurance.

Tamara joined Cover-More as Marketing Director in 2014 and continues to embody the values, work ethic and talent that we are striving to develop in the future leaders of Cover-More.

Her next opportunity with Cover-More will be as General Manager, Ancillary Products. This is a newly created senior role with P&L responsibility for ancillary products given their importance to Cover-More's growth, profitability and customer value generation. It is an opportunity to integrate our customer value proposition into online and offline activities for distribution partners, and align customer-centric thinking across the entire value chain.

Tamara is a highly experienced marketing and sales executive with a strong track record of helping companies with large subscriber or customer bases to maximise value for all stakeholders by enhancing perceptions and engaging, maintaining and growing profitable customer relationships. She has more than 18 years' experience across a number of industries including utilities, telecommunications, energy, property, financial services, insurance, retail and software.

Bill Konstantinidis

General Manager, Product

Bill is a highly experienced and sought-after insurance executive who joined Cover-More in 2016 to head up our product, actuarial underwriting and pricing team. His expertise and leadership will be invaluable as we proceed with the implementation of our new GLM-based underwriting model with Great Lakes Australia and subsequent preferred underwriting partners.

Bill is a Non-Executive Director of the Actuaries Institute Australia and joined Cover-More after executive roles in commercial pricing, actuarial pricing and underwriting management with Suncorp Group and Allianz Global Assistance.

Above: Dr Camilo Villalobos

While he has a strong technical background of actuarial analysis, product management and underwriting, it is Bill's adept team management and relationship management skills that has enhanced his reputation and gravitas as a builder of businesses, capability and products.

Bill has an MBA from the Australian Graduate School of Management and a Bachelor of Economics majoring in Actuarial Studies from Macquarie University.

Paul Taylor

Head of Risk and Compliance
Cover-More Group, Sydney, Australia

Paul is a critical part of the Cover-More senior team involved in key strategic projects, operational initiatives and commercial arrangements. He continues to make an exceptional contribution to Cover-More's business and business growth.

As Head of Risk and Compliance, and as Cover-More's General Counsel until April 2015, Paul brings a sage mix of astute legal advice and commercial pragmatism to Cover-More's business operations and regulatory compliance.

Paul leads a diverse team of regulation and compliance specialists and manages our ongoing reporting to the Australian Securities and Investments Commission (ASIC) and other regulatory authorities. He joined Cover-More in 2012 after working in corporate law with Insurance Australia Group and in private practice in New York.

Paul holds a Masters degree in Commercial Law and an Honours Degree in Commerce and Business Strategy both from the University of Melbourne and a Bachelor of Laws from Monash University.

Clare Howie

Head of Global Projects, Medical and Health
Cover-More Group, Sydney, Australia

Clare joined Cover-More's Medical Assistance team in 2016 to accelerate our push into global health and medical markets. She is a highly credentialed operations manager, most recently with Cover-More's employee assistance business, Davidson Trahaire Corpysch (DTC).

Her new role with Cover-More comes at a time of a burgeoning Australian and global health crisis—a 'silver tsunami' where a growing, ageing population is exhibiting a proliferation of chronic diseases which will lead to an unprecedented explosion in the cost of healthcare.

Given Cover-More's core competency in medical assistance, Clare will be an integral part of a senior team dedicated to leveraging the scalability and cost-responsibility of Cover-More's operating model to deliver the health and medical services of the future.

Clare possesses strong expertise in strategic operational planning and project management and holds a Masters degree in Health Management from the Curtin University of Technology.

From left: Tamara Hitchcock, Paul Taylor, Bill Konstantinidis, Glenn Broadhurst, Clare Howie.

Glenn Broadhurst

General Manager, Global Digital and Direct Cover-More Group, Brisbane, Australia

Glenn is an integral part of Cover-More's expanding digital expertise as we look to accelerate our digital transformation and strengthen our global direct e-commerce business.

Glenn joined Cover-More in early 2014 as Head of E-commerce to manage our direct channel. Since then, Cover-More has emerged with new website architecture, content management system (CMS) and content strategy for Australia, New Zealand and the United Kingdom. Website traffic, sales and conversion have all lifted each year since then, and Cover-More's burgeoning digital capability and capacity have continued to underpin our global growth aspirations.

In 2016, Glenn was chosen to lead our Global Direct initiative with roll-out already on track in several countries including the United States.

Glenn is a senior digital leader with a proven track record of delivery. His adaptability, creativity and analytical ability are a natural fit with Cover-More's high performance, 'personal ownership' culture.

Prior to joining Cover-More, Glenn, worked for Virgin Australia, and the Translink Transit Authority. For the past seven years, he has also been guest lecturer at the Queensland University of Technology, leading final year students through digital marketing strategy, focusing on digital approach, search engines, mobile and digital promotion.

PERFORMANCE ANALYSIS (UNAUDITED)

The following pages provide an overview of the FY2016 performance against the FY2015 performance. This section has not been subject to audit or independent review by the external auditor.

Reconciliation of Statutory Revenue to Net Revenue per Table B

Table A: Adjustments to the audited statutory consolidated income statement for FY2016 and FY2015

A$ in millions	FY2016	FY2015
Statutory revenue	**220.3**	220.2
Reclassification from other income	**2.3**	2.7
Net revenue per Table B	**222.6**	222.9

Income Statement

Table B: Summary consolidated income statement for FY2016 and FY2015

A$ in millions	FY2016	FY2015
Gross Travel Insurance sales	**435.0**	400.8
Gross Medical Assistance sales	**67.1**	66.0
Total gross sales	**502.1**	466.8
Net Travel Insurance sales	**155.9**	156.9
% of Gross Travel Insurance sales	***35.8%***	39.1%
Net Medical Assistance sales	**66.7**	66.0
Total net revenue	**222.6**	222.9
%	***100.0%***	100.0%
Cost of sales	**(134.4)**	(131.8)
Gross margin	**88.2**	91.1
%	***39.6%***	40.9%
Employment overheads	**(23.6)**	(23.4)
Occupancy costs	**(7.4)**	(6.7)
Other overheads	**(12.6)**	(9.0)
Total overheads	**(43.6)**	(39.1)
EBITDA	**44.6**	52.0
%	***20.0%***	23.3%
Depreciation	**(3.1)**	(2.3)
Amortisation of capitalised IT and software	**(3.5)**	(2.6)
EBITA	**38.0**	47.1
%	***17.1%***	21.1%
Amortisation of acquired intangibles	**(7.5)**	(7.6)
EBIT	**30.5**	39.5
%	***13.7%***	17.7%
Net interest expense	**(2.8)**	(2.6)
Forex losses	**(0.2)**	–
Income tax expense	**(8.8)**	(11.1)
NPAT	**18.7**	25.8
%	***8.4%***	*11.6%*
NPATA	**24.1**	31.1
%	***10.8%***	*14.0%*

PERFORMANCE ANALYSIS (UNAUDITED) continued

Net Revenue

Net Revenue at $222.6 million was marginally lower than FY2015. A decline in Net Travel Insurance sales in H1 FY2016, due mainly to an increase in the percentage of premium paid to the underwriter on the Travel Insurance portfolio in Australia, was largely offset by growth in Net Travel Insurance sales in H2 FY2016, due mainly to strong growth in Gross Travel Insurance sales and an improvement in the percentage of premium paid to the Australian underwriter in H2 FY2016.

Gross Medical Assistance Sales were 1.7% higher than FY2015, with a decline in sales in H1 FY2016 being more than offset by good growth in the Australian Employee Assistance business and the Asian Medical Assistance business in H2 FY2016.

Travel Insurance

Gross Travel Insurance Sales (GTIS) of $435.0 million were 8.5% ahead of FY2015 with notable growth in India. Travel Insurance net revenue was materially unchanged compared to FY2015 due mainly to the reasons mentioned above.

In order to restore margins, management has implemented price increases and other initiatives during the period and will continue these actions as appropriate in consultation with Cover-More's partners. Cover-More has also completed an agreement with the Australian underwriter which provides for a move to underwriter payments based on generalised linear modelling (GLM), effective from 1 July 2016, and an option for Cover-More to appoint alternative underwriting partners.

FY2016 net revenue at 35.8% of GTIS was below FY2015 at 39.1%, however, H2 FY2016 net revenue at 36.3% of GTIS was in line with H2 FY2015.

Medical Assistance

Net Revenue of $66.7 million was marginally higher than FY2015, after a decline in sales in H1 FY2016, due largely to the loss of some high value contracts in the Medical Assistance and Employee Assistance businesses in Australia in FY2015, was offset by good growth in the Australian Employee Assistance business and Asian Medical Assistance business in H2 FY2016.

Overheads

Overheads of $43.6 million were 11.5% higher than FY2015. FY2016 overheads include one-off settlement costs in relation to employment disputes, higher than usual external advisory fees and additional costs for IT infrastructure and management build-out and change to support business growth. These costs have been partially offset by savings due to a realignment of incentives to current Group performance and an ongoing focus on achieving efficiencies across the Group.

EBITDA

FY2016 EBITDA at $44.6 million was 14.2% below FY2015 mainly due to: higher underwriter payments for the Travel Insurance portfolio in Australia; higher overheads; lower Medical Assistance margins due to the impact of the Bali ash clouds and the timing required to adjust labour mix to evolving business needs; and business expansion costs as the Group invests in building out new businesses, markets and opportunities.

Performance by Segment

Operating Segments

Table C: Summary consolidated income statement by operating segment for FY2016 and FY2015

A$ in millions	FY2016	FY2015
Travel Insurance	**155.9**	156.9
Medical Assistance	**66.7**	66.0
Net revenue	**222.6**	222.9
Travel Insurance	**60.9**	61.2
Medical Assistance	**27.3**	29.9
Gross margin	**88.2**	91.1
Travel Insurance	**28.4**	32.7
Medical Assistance	**16.2**	19.3
EBITDA	**44.6**	52.0

The Travel Insurance gross margin ratio of 39.1% compares to the FY2015 gross margin ratio of 39.0%.

The Medical Assistance gross margin ratio of 40.9% is 4.4pts lower than FY2015 due mainly to higher labour costs in the Medical Assistance business due to the Bali ash clouds and the timing required to adjust labour mix to evolving business needs.

Travel Insurance EBITDA at $28.4 million is 13.1% lower than FY2015 due to higher underwriter payments for the Travel Insurance portfolio in Australia and higher overheads.

Medical Assistance EBITDA at $16.2 million is 16.1% lower than FY2015 due mainly to lower margins for the reasons noted above.

Geographic Segments

Table D: Summary consolidated income statement by geography for FY2016 and FY2015

A$ in millions	FY2016	FY2015
Australia, NZ, UK, USA[1]	**198.6**	204.3
Asia	**24.0**	18.6
Net revenue	**222.6**	222.9
Australia, NZ, UK, USA[1]	**76.7**	82.1
Asia	**11.5**	9.0
Gross margin	**88.2**	91.1
Australia, NZ, UK, USA[1]	**39.4**	47.3
Asia	**5.2**	4.7
EBITDA	**44.6**	52.0

1. The Group's USA operations commenced in May 2016.

PERFORMANCE ANALYSIS (UNAUDITED) continued

Asia net revenue grew at 29.0% compared to FY2015 with notable growth in India and China. Sales in Malaysia decreased compared to FY2015 due to trading difficulties experienced by a major partner in the region.

Australia, NZ, UK, USA net revenue decreased by 2.8% compared to FY2015. Strong growth in Gross Travel Insurance Sales in Australia has been offset by higher underwriter payments in Australia and NZ.

Asia gross margin ratio of 47.9% compares to the FY2015 gross margin ratio of 48.4%.

Australia, NZ, UK, USA gross margin of 38.6% is below FY2015 at 40.2%.

Asia EBITDA at $5.2 million is 10.6% higher than FY2015 due largely to higher volumes in India which has been partially offset by lower volumes and margins in Malaysia.

Corporate Expenses Analysis

Table E: Corporate expenses by operating segment for FY2016 and FY2015

A$ in millions	FY2016	FY2015
Corporate expenses allocated to Travel Insurance	**1.5**	1.5
Corporate expenses allocated to Medical Assistance	**0.3**	0.3
Total corporate expenses	**1.8**	1.8

Table F: Corporate expenses by geography for FY2016 and FY2015

A$ in millions	FY2016	FY2015
Corporate expenses allocated to Australia, NZ, UK, USA[1]	**1.6**	1.6
Corporate expenses allocated to Asia	**0.2**	0.2
Total corporate expenses	**1.8**	1.8

1. The Group's USA operations commenced in May 2016.

Net Borrowings

Table G: Net borrowings as at 30 June 2016 and 30 June 2015

A$ in millions	30 June 2016	30 June 2015
Borrowings[1]	**(63.8)**	(56.1)
Cash and cash equivalents	**24.0**	24.0
Net borrowings	**(39.8)**	(32.1)

1. 30 June 2016 borrowings include: $64.0 million drawn down on banking facilities and are net of $0.3 million capitalised costs associated with the banking facility; and $0.1 million finance lease liabilities (30 June 2015: borrowings include $56.4 million drawn down on banking facilities and are net of $0.3 million capitalised costs associated with the banking facility).

A three year extension and modification of the debt facility was signed on 21 December 2015. The new debt facility has a $20.0 million increase in the working capital facility as well as the inclusion of a $100.0 million accordion to facilitate an increase in borrowings in the event of a substantial transaction.

At 30 June 2016 undrawn bank facilities of $28.4 million were available for use (30 June 2015: $16.2 million) and a further $4.4 million (30 June 2015: $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 FY2016 and FY2015

A$ in millions	FY2016	FY2015
Statutory operating free cash flow after capital expenditure[1]	**15.0**	33.3
Income tax paid[2]	**13.5**	15.1
Operating free cash flow after capital expenditure per Table I	**28.5**	48.4

1. The statutory operating free cash flow after capital is calculated as follows:

	FY2016	**FY2015**
Net cash inflow from operating activities	$23.2 million	$39.7 million
Deduct: Net payments for plant, equipment and intangible assets	($8.2 million)	($6.4 million)
Statutory operating free cash flow after capital expenditure	**$15.0 million**	**$33.3 million**

2. Income tax paid is included in the net cash inflow from operating activities in the consolidated statement of cash flows.

Cash Flow

Table I: Summary consolidated cash flow statement for FY2016 and FY2015

A$ in millions	FY2016	FY2015
EBITDA	**44.6**	52.0
Non-cash items in EBITDA	**(1.0)**	0.7
Change in working capital	**(6.9)**	2.1
Operating free cash flow before capital expenditure	**36.7**	54.8
% of EBITDA	***82.3%***	*105.4%*
Capital expenditure		
Capitalisation of software	**(6.8)**	(4.6)
Net payments for property, plant and equipment	**(1.4)**	(1.8)
Total capital expenditure	**(8.2)**	(6.4)
Operating free cash flow after capital expenditure	**28.5**	48.4
% of EBITDA	***63.9%***	*93.1%*

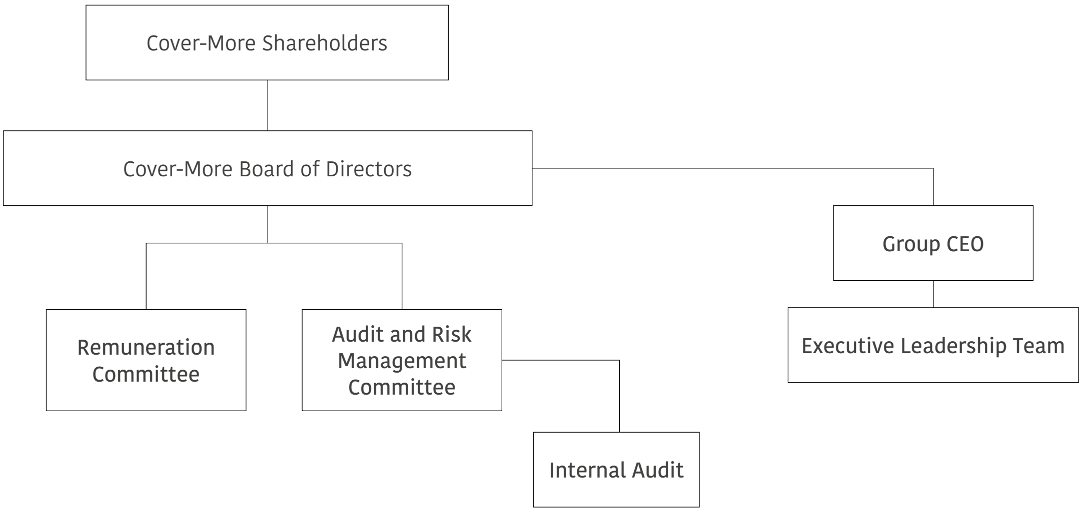
Cash conversion before capital expenditure in FY2016 remains strong however conversion has been impacted by advance payments made in respect of new distribution arrangements.

Outflows from capital expenditure were 28.1% higher than FY2015 due mainly to increased investment in the Cover-More technology platform.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating high 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 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/group (Cover-More's Website).

CVO 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 2016 (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 18 August 2016 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 Committee 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 occupational health and safety requirements and standards;
- Overseeing the identification of key risks faced by the Group and the implementation of an appropriate internal control framework to ensure those risks are managed to an acceptable level;
- Approving the Group's budgets, including operational and capital budgets, and the approval of significant acquisitions, expenditures or divestitures;
- 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 sub-committees which are able to focus on a particular issue and provide informed feedback to the Board. Where sub-committees are established, they function in accordance with charters approved by the Board.

To assist the Board in the discharge of its responsibilities, the Board has established the following sub-committees:

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

The Board may also establish other sub-committees from time to time to deal with issues of special importance or invite members of the Executive Leadership Team to attend Board meetings where matters relevant to their respective business units are considered.

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

Before appointing or putting forward to shareholders 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 sub-committees. The Company Secretary's responsibilities are set out in the Board Charter which is available on Cover-More's Website.

CORPORATE GOVERNANCE STATEMENT continued

Recommendation 1.5 – Diversity policy

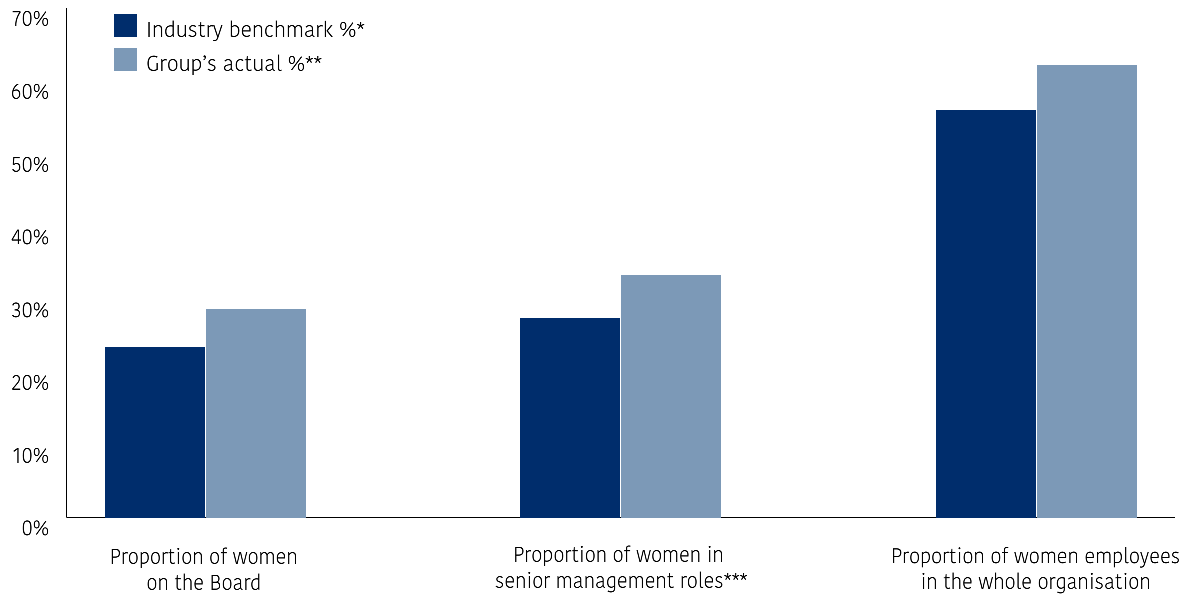
Diversity includes, but is not limited to, gender, age, ethnicity, cultural background, impairment or disability, sexual preference and religion. The Group is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent. A copy of the Company's Diversity Policy is available on 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	23.4%	28.6%
Proportion of women in senior management roles***	27.4%	33.3%
Proportion of women employees in the whole organisation	56.0%	62.2%



* Source: Women on Boards 2016 – Percentage of female directorships on ASX 200 boards, Workplace Gender Equality Agency – Australia's gender equality scorecard (November 2015) – for senior management with Financial and Insurance Services Industry used for whole organisation benchmark.

** Group's actual data is based on the Workplace Gender Equality Agency report submitted on 30 May 2016. Employees in the whole organisation and in senior management roles are based on the consolidation of information for Cover-More Insurance Services Pty Ltd and Customer Care Pty Ltd. Women on the Board is based on Cover-More Group's Board.

*** Senior management roles are defined as direct reports to the CEO.

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

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 sub-committees and each individual Director, using where necessary an external consultant, against appropriate measures to assess:

i. the effectiveness of the Board and each sub-committee in meeting the requirements of its charter;

ii. whether the Board and each sub-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.

During FY2016 the Chair of the Board undertook a review of the Board and its sub-committees to assess how each functions as a unit, and the efficiency of their processes and dynamics. In addition, the Chair of the Board assessed the performance of each individual Director having regard to their leadership, interaction with other Directors and management, knowledge and experience, attendance at meetings and involvement in decision making. The Chair of the Board was satisfied that the Board and its sub-committees were functioning in accordance with their respective charters, and had an appropriate mix of skills and experience to perform their functions properly. The Chair of the Board was also comfortable with the independence of Non-Executive Directors, and their dedication to the Company. No external consultant was engaged to assist with the review.

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 2015 and will be undertaken again in August to September 2016.

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 the annual review of the Executive Leadership Team following completion of the performance evaluation process to be undertaken in August to September 2016.

Principle 2: Structure the Board to add value

Relevant policies and charters:

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

Recommendation 2.1 – Nomination Committee

The ASX Principles recommend that companies establish a nomination committee. Due to 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) and Non-Executive Director
Stephen Loosley	Non-Executive Director
Trevor Matthews	Non-Executive Director
Lisa McIntyre	Non-Executive Director
Sam Mostyn	Non-Executive Director
William Easton	Non-Executive Director
Mike Emmett	Group Chief Executive Officer and Executive Director (appointed 4 July 2016)
Peter Edwards	Group Chief Executive Officer (resigned on 4 July 2016) and Executive Director (resigned on 22 July 2016)

The Board seeks a mix of Director skills, experience and diversity that will assist the Group to achieve its strategic priorities of: growth; accelerating digital transformation; helping our partners to build more successful businesses; making the end-user experience simpler, faster and more compelling; and ensuring our global operating model is agile, lowest cost to operate, and scalable. This mix of skills, experience and diversity includes:

- financial expertise;
- insurance, health and medical industry experience;
- technology, e-Commerce and social media expertise; and
- experience in international markets.

A summary of the Directors' skills and experience relevant to the Group at the end of the financial year 2016 is set out below:

Skills and Experience (out of seven Directors)	
Senior executive and Board experience Senior executive and/or experience as a member of other listed entity board, committees and/or governance bodies	7
Industry experience Insurance, Health and Medical industries	5
Health, safety, environment and sustainability Experience in health, safety, environmental, social responsibility or sustainability initiatives	5
Legal, governance and risk Formal legal qualifications and/or experience with governance structures, risk management and financial controls	4
Financial acumen Experience in accounting and reporting, actuarial, corporate finance and capital management	4
Strategy Experience in developing and implementing long term strategic plans for an organisation	7
People Senior executive (or equivalent) experience in resource management of and/or development and succession planning for a diverse workforce	7
Technology Experience in technology platform rollout and development, digital transformation, e-commerce , m-commerce, social media and/or technology commercialisation	2

Skills and Experience (out of seven Directors)	
Geographic Experience	
North American	3
Europe	5
East Asia	7

The Board considers the present mix of director skills to be sufficiently diverse for an organisation the size of the Company.

Recommendations 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 seven (7) Directors. The Board considers that Louis Carroll, Sam Mostyn, Lisa McIntyre, Trevor Matthews, Stephen Loosley and William Easton 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, who was the Group Chief Executive Officer up to 4 July 2016, resigned as Director on 22 July 2016. Peter Edwards held approximately 0.4% of the Shares of the Company as at the date of his resignation.

Mike Emmett, appointed Group Chief Executive Officer and Director effective from 4 July 2016, does not hold any Shares in 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 values his deep understanding of the Group and 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.

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 to regularly 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.

Mike Emmett was appointed Group Chief Executive Officer and Director effective from 4 July 2016. Mr Emmett has undergone an extensive induction program that included provision of a due diligence package covering all board papers, minutes, policies and the Group's strategic plans. Mr Emmett has had extensive meetings with management and staff at Cover-More offices around Australia, and will travel to Cover-More's international offices as his induction program continues.

Principle 3: Act ethically and responsibly

Relevant policies available on Cover-More's Website

- Code of Conduct

Recommendation 3.1 – Code of Conduct

Cover-More 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 Company 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

Cover-More's Securities Trading Policy governs trading in the Company's shares and applies to all Directors and employees of the Group. A copy of the Securities Trading Policy is available on Cover-More's Website.

Before commencing to trade, 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 six weeks leading up to and 24 hours after the release of the half year and full year results, and the two 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.

During the period 1 July 2015 to 1 September 2015, the Audit and Risk Management Committee was comprised of only two members; Trevor Matthews (Chair) and Lisa McIntyre. On 1 September 2015, William Easton was appointed to the committee and the Company has complied with Recommendation 4.1 from that date.

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 six 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	6	6
William Eason – appointed as member of the Audit and Risk Management Committee on 1 September 2016	3	4
Lisa McIntyre	6	6

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 audit partner, 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 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 below.

Recommendation 4.2 – CEO and 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 Cover-More; 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 shares, 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;
- Notices 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 Company's remuneration report, the granting of rights 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 send their questions to the Company 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 Company via the website, email the Company at investorrelations@covermore.com.au or contact its Share Registry, Link Market Services.

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

Principle 7: Recognise and manage risk

Relevant policy

- Audit and Risk Management Committee Charter

Recommendations 7.1-7.2 – 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 above, 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 Company 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. The last review was undertaken in August 2016.

Recommendation 7.3 – Internal Audit

Cover-More has an internal audit function 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 Group has material exposures to economic and social sustainability risks which are managed in accordance with the Group's risk management framework as set out under the heading Recommendation 7.1-7.2 – Risk management framework. The Group considers that it operates in a manner that does not compromise the environment. The table below identifies the material sustainability risks, some of which may fall into more than one category.

Risk Type	Identified Risk
Economic Sustainability	Reputation Competition Travel market dynamics Material service provider failure Underwriting partner Technology Strategy and project execution Regulatory change
Social Sustainability	Reputation Customer experience

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 each of them. 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. Details of the Remuneration Committee members, their qualifications, skills and experience are set out in the Directors' Report.

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

	Remuneration Committee Meetings	
	A	B
Sam Mostyn – Chair of the Remuneration Committee	4	4
Stephen Loosley	4	4
Louis Carroll	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 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 Company'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 2016. 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)

William Easton (appointed 1 September 2015)

Peter Edwards (resigned 22 July 2016)

Mike Emmett (appointed 4 July 2016)

Stephen Loosley

Trevor Matthews

Lisa McIntyre

Sam Mostyn

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, the United Kingdom and the United States of America.

Dividends

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

	2016 $'000	2015 $'000
Final dividend for the year ended 30 June 2015 of 4.1 cents (2014: 7.2 cents) per share paid on 20 October 2015 – ordinary: 4.1 cents (2014: 4.0 cents) and special: nil (2014: 3.2 cents)	**13,018**	22,860
Interim dividend for the year ended 30 June 2016 of 2.1 cents (2015: 5.0 cents) per share paid on 11 April 2016 – ordinary: 2.1 cents (2015: 3.2 cents) and special: nil (2015: 1.8 cents)	**6,668**	15,875
	19,686	38,735

On 18 August 2016 the Directors declared a final ordinary dividend (fully franked) for the year ended 30 June 2016 of $8.256 million (2.6 cents per share) to be paid on 14 October 2016.

Operating and financial review

The profit for the Group after providing for income tax amounted to $18.679 million (2015: $25.753 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.

DIRECTORS' REPORT continued

	2016 $'000	2015 $'000
Statutory profit before income tax	**27,478**	36,830
Depreciation and amortisation expense	**14,070**	12,466
Interest income	**(156)**	(170)
Interest expense	**2,971**	2,851
Foreign exchange losses	**247**	–
Adjusted EBITDA	**44,610**	51,977

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 $198.638 million at 30 June 2016 (30 June 2015: $201.302 million).

The profit before income tax has decreased to $27.478 million in 2016 mainly due to: higher underwriter payments for the Travel Insurance portfolio in Australia; higher overheads; lower Medical Assistance margins due to the impact of the Bali ash clouds and the timing required to adjust labour mix to evolving business needs; and business expansion costs as the Group invests in building out new businesses, markets and opportunities.

Significant changes in the state of affairs

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

Refinancing of the borrowing facility

In December 2015, the Group renegotiated its existing loan facilities held with Westpac Banking Corporation. The amended facilities agreement is valid for a term of three years. The revolving term cash advance facility remained unchanged at $64.400 million but the multi-option working capital facility increased from $12.500 million to $32.500 million. The agreement also includes a $100.000 million accordion to facilitate an increase in borrowings in the event of a substantial transaction (see Note 17).

Commencement of USA operations

Cover-More commenced operations in the United States of America in May 2016.

Underwriting agreement

A new underwriting agreement was finalised with the Australian underwriter in June 2016. The agreement provides for a move to underwriter payments based on generalised linear modelling (GLM). The GLM, which has been developed with data from more than 30 years of travel insurance history, is designed to reduce volatility of payments to the underwriter by ensuring payment of underwriting premiums more closely reflects expected claims outcomes.

Other notable features of the agreement are as follows:

- the new term will run until 30 September 2017; however, the Group is able to give between three and six months' notice to terminate the current agreement on reaching an agreement with new underwriter partners;
- ability for the Group to establish new underwriting relationships with alternative underwriters in Australia, New Zealand and the United Kingdom;
- the target loss ratio in the agreement remains unchanged; and

- the Group has agreed to an interim arrangement with:
  - a profit share mechanism for non-catastrophe claims performance which is favourable to the target loss ratio; and
  - limited and capped participation for any non-catastrophe claims cost experience which is adverse to target loss ratio.

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

Matters subsequent to the end of the financial year

Mike Emmett replaced Peter Edwards as Group Chief Executive Officer on 4 July 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Cover-More will continue to focus on growth in Australia and global markets through channel diversification, digital commerce, product innovation and the customer experience.

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 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 USA-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:	William Easton (Appointed on 1 September 2015)
Title:	Independent Non-Executive Director
Qualifications:	BA Hons Financial Services
Experience and expertise:	Extensive executive experience across online, digital and technology companies including Facebook, Google and Microsoft. Operated in markets across Europe, Asia and Australia. Most recently held the position of Managing Director of Facebook Australia and New Zealand (2013 – 2015) and Managing Director of Facebook's Emerging Markets (2015 – Current). Also held a number of advisory roles in Australian start-ups.
Other current directorships:[1]	None
Former directorships (in the last three years):[2]	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	None
Interests in options:	None

Name:	Peter Edwards (Appointed on 14 November 2013)
Title:	Group Chief Executive Officer (resigned as Group CEO on 4 July 2016 and as director of Cover-More Group Limited on 22 July 2016)
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 10 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:	1,353,488 ordinary shares
Interests in options:	None

Name:	Mike Emmett (Appointed on 4 July 2016)
Title:	Group Chief Executive Officer (appointed 4 July 2016)
Qualifications:	B.Commerce, Management Accounting, Law, Rhodes University H.Dip.Acc, Postgraduate Accounting, Rhodes University CA (SA), Accounting, Tax, Law, South African Institute of Chartered Accountants
Experience and expertise:	On 4 July 2016 Mike Emmett succeeded Peter Edwards as Group Chief Executive Officer to oversee the next phase of Cover-More's growth and evolution. Mike joined Cover-More after a successful and extensive executive career with QBE, EY, Morse, IBM, Accenture and PwC. At QBE Mike held the role of Group Executive, Operations responsible for: • Group Shared Services providing underwriting, claims, finance, HR and knowledge services to QBE's operating divisions; • technology; and • transformation and change. During his career Mike has had extensive international experience assisting companies in the insurance, banking and technology industries in Australia, Asia, Africa, the UK and the USA to transform through revenue growth and operational improvement. As Managing Director at Morse as well as in his roles at IBM and EY he played a critical role leading the growth and expansion of these businesses into new markets and product areas.
Other current directorships:[1]	None
Former directorships (in the last three years):[2]	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

Name:	Stephen Loosley (Appointed on 2 December 2013)
Title:	Independent Non-Executive Director
Qualifications:	BA Hons from University of NSW, LLB Hons from 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. Stephen is former Chairman of the Australian Strategic Policy Institute (Canberra) and serves as Independent Chair of the Woomera Prohibited Area Advisory Board. Stephen is a Director of O'Connell Street Associates Pty Limited, Director of RA Pty Ltd, Director of R & R Pty Ltd and Corporate Counsellor and former Deputy Chair of the Asia Society, Australia. Stephen served as 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. Stephen served for five years as a Senior Vice President of the European Australian Business Council, 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 Actuarial Studies from Macquarie University, FIA, FIAA, ASA , GAICD
Experience and expertise:	Trevor has more than 40 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 Asia Pacific and Tokio Marine Asia and is chairman of 1stAvailable and the State Insurance Regulatory Authority. 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 1stAvailable 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, Director of icare NSW, a large state-owned workers compensation and government insurer and Chairman of Tutoring Australasia.
Other current directorships:[1]	Lisa is a Non-Executive Chair of 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:	Independent 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. Sam chairs Carriageworks and is currently Deputy Chair of the Diversity Council Australia, is a member of the NSW Climate Change Council, and serves on the advisory boards of ClimateWorks Australia and the Crawford School of Government and Economics, ANU. Sam was previously a Commissioner of the Australian Football League, and served as an inaugural Commissioner on the National Mental Health Commission.
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

Mark Steinberg, the Group Chief Financial Officer (CFO), was appointed as Company Secretary for Cover-More Group Limited on 3 February 2015. He is a member of the Institute of Chartered Accountants in Australia as well as a member of the Financial Services Institute of Australia.

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 2016, and the number of meetings attended by each Director was:

	Full Board		Audit And Risk Management Committee		Remuneration Committee	
	A	B	A	B	A	B
Louis Carroll (Chair of the Board)	10	10	–	–	4	4
William Easton (appointed on 1 September 2015)	7	8	3	4	–	–
Peter Edwards	10	10	–	–	–	–
Stephen Loosley	9	10	–	–	4	4
Trevor Matthews (Chair of Audit and Risk Management Committee)	9	10	6	6	–	–
Lisa McIntyre	10	10	6	6	–	–
Sam Mostyn (Chair of Remuneration Committee)	9	10	–	–	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

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 2016 financial year which sets out the remuneration strategy, framework and arrangements for Key Management Personnel.

The Board remains committed to continuing to support a remuneration strategy that links executive remuneration to both the strategic growth ambitions of Cover-More and our continued focus on customers and shareholders. This year we have introduced a balanced scorecard for executive KMP short term incentives. The balanced scorecard strengthens the link between the Group's strategy, performance and remuneration outcomes. Non-financial performance measures relating to People, Customers and strategic growth initiatives are included in addition to the financial performance measure of Group EBITDA.

We are pleased there has been continued stability and continuity of the Board over the last year and fees have not increased based on the Remuneration Committee's annual review of Non-Executive Director fees.

Recently, we have said a fond farewell to Peter Edwards, our former Group Chief Executive Officer and welcomed our new Group Chief Executive Officer, Mike Emmett. A significant portion of the new Group Chief Executive Officer's remuneration is 'at risk', with outcomes linked to both financial and non-financial performance achievements. We thank Peter for his support and look forward to working with Mike during 2017 to further refine our remuneration strategy and commitment to our people and shareholders.

To ensure continued alignment with the Cover-More Strategy, feedback from shareholders is encouraged and valued. We look forward to welcoming you to our 2016 Annual General Meeting.

Yours faithfully,

Sam Mostyn

Chair of the Remuneration Committee

Remuneration Report (audited) continued

Contents

1. Introduction

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*.

2. KMP at Cover-More

Consistent with the approach used for FY2015, 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 FY2016 were:

- Non-Executive Directors; 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 Non-Executive Director (NED) fee arrangements and executive remuneration are managed separately.

The table below outlines the KMP for the financial year.

	Position	Date	Term as KMP
Non-Executive Directors			
L. Carroll	Chair Director		Full Year
W. Easton	Director	Appointed 1 September 2015	Part Year
S. Loosley	Director		Full Year
T. Matthews	Director		Full Year
L. McIntyre	Director		Full Year
S. Mostyn	Director		Full Year
Executive Director			
P. Edwards	Group Chief Executive Officer (CEO)		Full Year
Senior Executives			
M. Steinberg	Group Chief Financial Officer (CFO)		Full Year
A. Byrne	Group Chief Operating Officer (COO)	Appointed 1 March 2016	Part Year
J. Murphy	Group Chief Operating Officer (COO)	Ceased 1 March 2016	Part Year

Changes since the end of the reporting period

On 4 May 2016, the Directors approved the appointment of Mike Emmett as Group Chief Executive Officer with effect from 4 July 2016. Peter Edwards ceased as Group Chief Executive Officer from 4 July 2016 and Director from 22 July 2016.

Andrew Byrne resigned from the position of Group COO on 15 August 2016.

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.

3. Remuneration overview

Key information		Refer to
Remuneration at Cover-More during FY2016		
What changes have been made to remuneration arrangements during FY2016?	A balanced scorecard for executive KMP short term incentives has been introduced combining annual financial and non-financial performance measures to support the Group's strategy. Along with the financial performance measure of Group EBITDA, performance measures relating to People, Customer/Stakeholder and Strategic Growth are assessed when determining executive KMP achievements	Section 5 Page 61
Are there any changes proposed for FY2017?	The remuneration strategy is reviewed annually taking into consideration security holder and other stakeholder feedback, market expectations, regulatory developments and to ensure it continues to support Cover-More's group strategy	
How is Cover-More's performance reflected in the FY2016 remuneration outcomes?	The Group has seen top line growth and global expansion during FY2016. We have also seen a drop in EBITDA mainly due to: higher underwriter payments for the Travel Insurance portfolio in Australia; higher overheads; lower Medical Assistance margins due to the impact of the Bali ash clouds and the timing required to adjust labour mix to evolving business needs; and business expansion costs as the Group invests in building out new businesses, markets and opportunities. These achievements are reflected in executive KMP remuneration outcomes for this year. Executive KMP received an average of 39% of their maximum short-term incentive opportunity for their performance against a balanced scorecard of measures. Growth in Cover-More's Earnings per Share (EPS) was below the level required to allow vesting of Tranche 1 of the FY2015 LTI grant.	Section 5(e) Page 67
Remuneration strategy		
What is Cover-More's remuneration strategy?	We are a growing organisation, determined to expand our platform globally. Our passion lies in delivering a consistent and reliable service to our travellers, a safe and innovative working environment for our employees and a continued focus on our communities cared for by our DTC business. Our remuneration strategy links the growth ambitions of Cover-More and our focus on customers to the attraction and performance of our executive KMP. The remuneration strategy aims to ensure high performing individuals are attracted to work with us by offering motivating remuneration arrangements while in turn expecting performance that aligns their interests with our shareholders.	Section 5 Page 61
What proportion of remuneration is linked to performance?	Between 47% and 62% of executive KMP's total remuneration opportunity is linked to performance outcomes and is therefore at risk	Section 5(a) Page 63

Remuneration Report (audited) continued

Key information		Refer to
Remuneration strategy continued		
Are there any clawback arrangements in place?	Yes, clawback arrangements are in place for both deferred STI and LTI	Section 5(c) Page 63 Section 5(d) Page 65
Short-term incentives (STI)		
How are STI payments determined?	Performance measures are assessed against targets in order to determine the amount, if any, of STI to be paid to executive KMP	
Are any STI payments deferred?	Yes, 15% of STI awarded to executive KMP is deferred into Cover-More share rights. The rights vest after two years and are forfeited if the executive KMP ceases employment prior to the vesting date. 40% of the STI awarded to the incoming CEO will be deferred into Cover-More share rights	Section 5(c) Page 63
Long-term incentives (LTI)		
How are LTI payments determined?	Vesting of LTI awards is subject to growth in Cover-More's EPS	Section 5(d) Page 65
Does the LTI have re-testing?	No, there is no re-testing of LTI performance hurdles	
Are dividends/ distributions paid on unvested LTI awards?	Subject to satisfying performance hurdles, a cash equivalent payment for dividends foregone is made on vested awards	
Can LTI participants hedge their unvested LTI?	No, participants are not able to hedge their unvested LTI	

4. Governance of remuneration and use of remuneration consultants

The Remuneration Committee monitors the remuneration policies and practices for KMP at Cover-More making recommendations for approval by the Board. The Remuneration Committee meets at least twice per year.

At 30 June 2016, 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 47 which forms part of this Annual Report. The Remuneration Committee Charter may be found on the Group's website at www.covermore.com/group.

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.

5. Our 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:

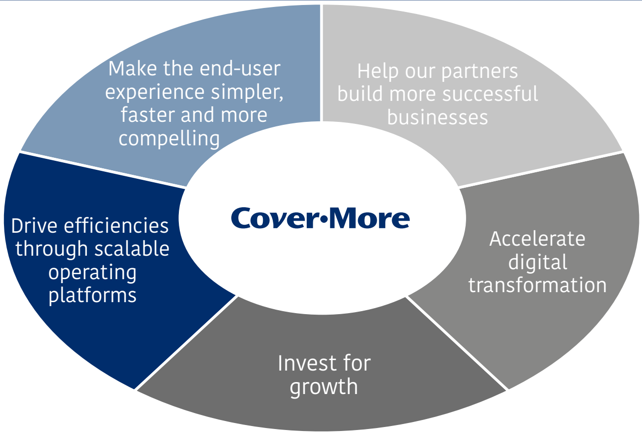
- Market competitive and reasonable
- Linked to Group performance
- Acceptable to shareholders

During FY2016, the Board introduced a balanced scorecard for executive KMP STI objectives. The balanced scorecard aims to strengthen the link between the Group's strategy, performance and remuneration outcomes. Non-financial performance measures relating to People, Customer/Stakeholders and Strategic Growth are included in the balanced scorecard in addition to the financial performance measure of Group EBITDA.

Remuneration Report (audited) continued

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

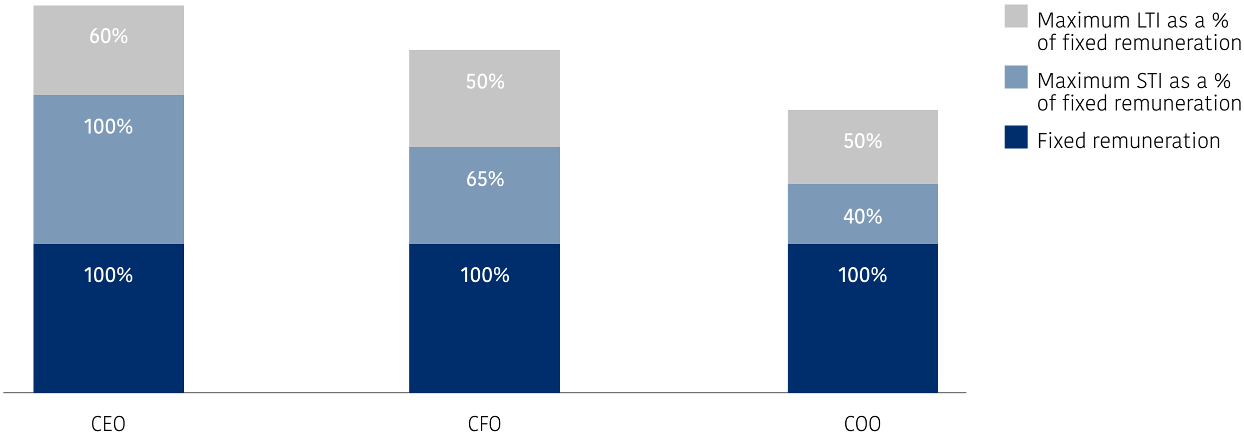
Align the interests of executives with shareholders	Attract, motivate and retain high performing individuals
• The remuneration framework incorporates performance-based "at-risk" components, with STI and LTI components. • Performance is a key component: – Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) as a core component of the STI – EPS as a core component of the LTI	• 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, employee engagement, distribution partner customer satisfaction and delivery of key growth initiatives form non-financial metrics • 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 shareholder returns and strategic performance

a) Remuneration mix

In FY2016, 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 FY2016 STI plan.

Design element	Description
Who participates in the STI plan?	Executives
How are STI awards delivered?	85% of the actual awards are paid in cash and 15% of the actual awards are deferred into share rights for two years. For the incoming Group CEO, 60% of the actual awards will be paid in cash and 40% of the actual awards will be deferred into share rights.
What is the STI 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. Actual STI awards can range from zero to the maximum opportunity subject to satisfying the performance measures.

<table>
<tr><th>Design element</th><th>Description</th></tr>
<tr><td>What are the performance measures under the STI plan?</td><td>For executive KMP, STI is measured solely against a balanced scorecard including the financial performance measure of Group EBITDA (with a weighting of 60%) and non-financial performance measures (with a combined weighting of 40%) relating to People, Customers/Stakeholders and Strategic Growth.
Each performance measure has been selected for the following reasons:
<table>
<tr><td>Group EBITDA</td><td>EBITDA represents the key measure of short-term success of the Group</td></tr>
<tr><td>People – employee engagement</td><td>A highly engaged workforce will contribute to the success of Cover-More</td></tr>
<tr><td>Customer Stakeholders – distribution partner customer satisfaction</td><td>Ensuring our customers are satisfied will ensure we retain their business and grow market share</td></tr>
<tr><td>Strategic Growth</td><td>Implementation of key growth initiatives leads to increasing the quality and diversity of Cover-More's earnings and establishes a pathway for future growth</td></tr>
</table>
The targets for the non-financial measures are not disclosed as some are commercially sensitive. The targets are quantitative in nature and recurring targets will typically increase each year.</td></tr>
<tr><td>How is performance assessed and outcomes determined?</td><td>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.</td></tr>
<tr><td>Are STI outcomes subject to deferral arrangements?</td><td>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.
For the incoming Group CEO, 40% of any STI awarded will be deferred.</td></tr>
<tr><td>What happens if an executive leaves Cover-More?</td><td>The following treatment will apply unless the Board determines otherwise.
In the event an employee ceases employment prior to payment or before the grant date of rights, there will be no payment or grant of rights.
In the event of resignation or termination for cause/gross misconduct, any unvested STI deferral awards will lapse.
In all other cases, participants will have unvested Rights vest in full at the original vesting date.</td></tr>
<tr><td>Are arrangements in place to clawback STI if required?</td><td>The Board retains discretion to offset future STI awards in the event of a material misstatement impacting STI performance outcomes.</td></tr>
</table>

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
Who participates in the LTI plan?	Executives
How are LTI awards delivered?	*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.
How are the number of performance rights determined?	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 incoming Group CEO has a maximum LTI opportunity of 77%). 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. In the event an executive KMP commences after the first half of the financial year, the VWAP for the five trading days immediately following the announcement of the Group's first half results is used to calculate the number of performance rights.
What is the performance period for LTI awards?	Awards made under the LTI plan are subject to a three-year performance period. There is no retesting of performance hurdles. The first grant under the LTI plan was for FY2015 where, 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.
What are the performance measures/hurdles under the LTI plan?	Performance rights vest subject to growth in 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 FY2016 LTI grant, FY2015 will be the base year for the purpose of the EPS performance hurdle. EPS for FY2015 was 9.8 cents per share. EPS in FY2018 will be compared against EPS in FY2015 to determine whether the EPS hurdles have been met in respect of the FY2016 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.

Design element	Description
What are the performance measures/hurdles under the LTI plan? *continued*	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 FY2016 award, no vesting occurs for compound annual growth in EPS less than 10% per annum over the performance period.
What happens at 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.
What happens if an executive leaves Cover-More?	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.
What happens if there is a change of control of Cover-More	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.
Are arrangements in place to clawback LTI if required?	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.

e) Linking Group performance 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 three years are presented in the table below:

	FY2016 Performance	FY2015 performance	FY2014 pro-forma performance excluding UW profit share
EBITDA	**$44.6m**	$52.0m	$48.5m
Underlying operating revenue	**$222.6m**	$222.9m	$213.9m
Net profit after tax	**$18.7m**	$25.8m	$22.7m
NPATA	**$24.1m**	$31.1m	$28.2m
EPS[1]	**7.6 cents**	9.8 cents	8.9 cents
Dividends per share – Ordinary[2]	**4.7 cents**	7.3 cents	4.0 cents
Dividends per share – Special[2]	**Nil**	1.8 cents	3.2 cents
Total shareholder return (TSR)[3]	**(48%)**	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 FY2016, the Group achieved 77% of the Group budgeted EBITDA which resulted in no STI award related to the financial performance measure of Group EBITDA. A year on year increase to Group and relevant Divisional employment engagement was achieved along with an increase to the distribution partner Customer Satisfaction Index and completion. A significant portion of the strategic growth initiatives were achieved during the performance period. These performance outcomes resulted in between 37% and 40% of each Executive KMP's maximum STI opportunity being awarded. The FY2016 STI earned for Executive KMP is outlined in the table below.

	STI awarded ($)	Amount paid in cash[1] ($)	Amount deferred into share rights ($)	STI awarded as % of maximum STI (%)	STI forfeited as % of maximum STI (%)
Executive Director					
P. Edwards[2]	309,000	262,650	46,350	40%	60%
Senior Executives					
M. Steinberg	120,900	102,765	18,135	40%	60%
A. Byrne[3]	–	–	–	0%	100%
J. Murphy[4]	70,885	70,885	–	37%	63%

1. Cash STI is paid in October 2016.
2. P. Edwards' deferred FY16 STI payment will vest as scheduled following the cessation of his employment with Cover-More.
3. A. Byrne commenced in the KMP role on 1 March 2016. A. Byrne has been on long term sick leave so was unable to satisfy the key performance indicators relating to his STI objectives and will not receive a STI payment.
4. J. Murphy ceased as KMP on 1 March 2016. His STI payment has been prorated accordingly and will be paid in cash.

LTI performance and reward outcomes

The first awards made under the LTI plan introduced during FY2015 are subject to performance testing in August 2016 following the completion of FY2016 and August 2017 following the completion of FY2017. The performance hurdles for the awards subject to testing in August 2016 have not been met so no awards will vest.

Proportion of remuneration related to performance

The table below outlines the proportion of each executive KMP's FY2016 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.

The remuneration for the outgoing Group COO has been pro-rated to reflect time as a KMP.

		Performance related	
	Fixed %	STI %	LTI (grant value) %
P. Edwards	51.0%	19.6%	29.4%
M. Steinberg	57.9%	14.4%	27.7%
A. Byrne	58.9%	0.0%	41.1%
J. Murphy	58.9%	12.6%	28.5%

6. Executive KMP remuneration disclosures

The table below outlines statutory remuneration of Executive KMP for FY2015 and FY2016 in accordance with statutory rules and applicable Accounting Standards.

	Short-term benefits			Post-employment benefit	Long-term benefits		Share-based payments		
	Cash salary and fees ($)	Cash STI[1] ($)	Non-monetary benefits[2] ($)	Superannuation ($)	Cash bonus and incentives ($)	Long-service leave ($)	STI Equity-settled ($)	LTI Equity-settled[3] ($)	Total ($)
Executive Director									
P. Edwards									
2016	**739,130**	**262,650**	**29,433**	**35,319**	**–**	**–**	**79,269**	**(199,272)**	**946,529**
2015	706,514	318,750	27,304	27,664	–	–	19,928	199,272	1,299,432
Senior Executives									
M. Steinberg[4]									
2016	**443,385**	**102,765**	**17,677**	**25,000**	**–**	**–**	**6,828**	**38,313**	**633,968**
2015	183,371	54,550	6,041	15,148	–	–	3,410	180,268	442,788
A. Byrne[5]									
2016	**107,788**	**–**	**5,122**	**5,673**	**–**	**–**	**–**	**–**	**118,583**
J. Murphy[6]									
2016	**298,090**	**70,885**	**12,554**	**20,769**	**–**	**–**	**8,164**	**(102,958)**	**307,504**
2015	438,304	79,050	14,505	28,363	–	–	4,942	102,958	668,122
Total									
2016	**1,588,393**	**436,300**	**64,786**	**86,761**	**–**	**–**	**94,261**	**(263,917)**	**2,006,584**
2015	1,328,189	452,350	47,850	71,175	–	–	28,280	482,498	2,410,342

Notes:

1. 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. Values reflect the EPS performance hurdle for tranche 1 of the FY15 LTI not being met.
4. 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. The first tranche vested on 27 January 2016.
5. A. Byrne commenced in the KMP role on 1 March 2016.
6. J. Murphy ceased as a KMP on 1 March 2016. Remuneration presented reflects time as a KMP.

7. Executive contracts

Remuneration arrangements for executives are formalised in employment agreements.

Group CEO contract

The Group CEO, P. Edwards, was 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 (15% deferred into Cover-More share rights); and
- Participate in Cover-More's LTI plan.

The incoming Group CEO, M. Emmett, 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 $960,000 per annum;
- Maximum STI opportunity of 100% of annual fixed remuneration (40% deferred into Cover-More share rights); and
- Participate in Cover-More's LTI plan.

M. Emmett received a cash sign-on arrangement of $310,000 on commencement and will receive two equity grants of $250,000 on the first and second anniversaries of his appointment.

All other executive KMP are employed on individual open ended employment agreements that set out the terms of their employment.

Termination provisions

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

	Resignation	Termination for cause	Termination without cause
Notice Period (both parties)	Six months (or payment in lieu of notice period may be provided)	Nil in the case of serious misconduct	In the case of redundancy – zero to three weeks' notice with a minimum of three months' fixed remuneration

M. Emmett has a provision in his employment agreement for termination as a result of fundamental change, including a material diminution in the role or delisting of Cover-More from the ASX.

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 accordance with contractual sign on arrangements. The equity grant vests in equal tranches over the three-year period after commencement of employment on 27 January 2015.

8. Our Non-Executive Director remuneration

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 FY2016.

No NED policy fees were altered during FY2016.

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

NED fee disclosures

The table below outlines NED fees for FY2015 and FY2016 in accordance with statutory rules and applicable Accounting Standards.

	Short-term benefits	Post-employment benefit	
	Board and committee fees $	Superannuation $	Total $
L. Carroll			
2016	**230,137**	**31,863**	**262,000**
2015	170,497	15,103	185,600
W. Easton[1]			
2016	**84,896**	**8,065**	**92,961**
S. Loosley			
2016	**101,229**	**9,617**	**110,846**
2015	101,040	9,599	110,639
T. Matthews			
2016	**110,432**	**10,491**	**120,923**
2015	110,010	10,451	120,461
L. McIntyre			
2016	**101,229**	**9,617**	**110,846**
2015	100,843	9,580	110,423
S. Mostyn			
2016	**110,432**	**10,491**	**120,923**
2015	103,112	9,796	112,908
Total			
2016	**738,355**	**80,144**	**818,499**
2015	585,502	54,529	640,031

1. W. Easton was appointed by the Directors on 20 August 2015 with effect from 1 September 2015.

9. 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 FY2016 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.

2016		Grant date	Number of rights granted	Fair value per right at grant date $	Vesting date	Expiry date	Maximum fair value yet to be expensed $	Number vested during the year	Number lapsed during the year
Executive Director									
P.Edwards[1]	FY16 LTI rights	16 Oct 2015	186,895	2.33	Aug 2018	16 Oct 2022	435,465	–	–
	FY15 STI deferral rights	16 Oct 2015	22,681	2.33	Aug 2017	Aug 2017	–	–	–
Senior Executives									
M. Steinberg	FY16 LTI rights	16 Oct 2015	93,750	2.33	Aug 2018	16 Oct 2022	218,438	–	–
	FY15 STI deferral rights	16 Oct 2015	3,882	2.33	Aug 2017	Aug 2017	3,015	–	–
A. Byrne	FY16 LTI rights	21 Mar 2016	33,326	1.46	Aug 2018	11 Mar 2023	48,656	–	–
	Equity buy-out	21 Mar 2016	28,662	1.60	Mar2019	21 Mar 2023	45,859	–	–
J. Murphy[1]	FY16 LTI rights	16 Oct 2015	96,563	2.33	Aug 2018	16 Oct 2022	224,992	–	–
	FY15 STI deferral rights	16 Oct 2015	5,625	2.33	Aug 2017	Aug 2017	–	–	–

1. P. Edwards and J. Murphy will cease employment with Cover-More during FY2017. Their FY2015 STI deferral rights will vest as scheduled with the expense accelerated to be recognised during FY2016.

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/group.

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.

2016	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 2016	
							Exercisable	Not exercisable
Executive Director								
P. Edwards	201,794	209,576	–	–	–	411,370	–	–
Senior Executives								
M. Steinberg	104,261	97,632	–	–	–	201,893	–	–
A. Byrne	–	61,988	–	–	–	61,988	–	–
J. Murphy	104,261	102,188	–	–	–	206,449	–	–
Total	410,316	471,384	–	–	–	881,700	–	–

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.

2016	Number at beginning of the period	Shares vested during the year	Shares acquired during the year	Disposed	Ceased as KMP	Other changes during the year	Number at closing of the period
Non-Executive Directors							
L. Carroll	285,388	–	–	–	–	–	285,388
W. Easton	–	–	–	–	–	–	–
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 Director							
P. Edwards	6,353,488	–	–	(5,000,000)	–	–	1,353,488
Senior Executives							
M. Steinberg	–	50,762	–	–	–	–	50,762
A. Byrne	–	–	–	–	–	–	–
J. Murphy	48,142	–	–	–	(48,142)	–	–
Total	6,872,018	50,762	–	(5,000,000)	(48,142)	–	1,874,638

Loans to KMP

There were no loans to KMP and their related parties during the financial year ended 30 June 2016.

Listed Option Holdings

There were no listed options held in the Company during the financial year ended 30 June 2016 (2015: 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 2016.

(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.

	2016 $	2015 $
Other assurance services		
– Other advisory costs	**117,520**	16,000
– Due diligence services	**358,215**	100,000
Total remuneration for other assurance services	**475,735**	116,000
Taxation services		
– Tax advisory services	**26,028**	–
Total remuneration for taxation services	**26,028**	–
Total remuneration for non-audit services	**501,763**	116,000

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

Mike Emmett

Mike Emmett
Director

18 August 2016
Sydney

L Carroll

Louis Carroll
Director

18 August 2016
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Cover-More Group Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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.

SK Fergusson
Partner
PricewaterhouseCoopers

Sydney
18 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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FINANCIAL REPORT 2016

Consolidated financial statements

Notes to the consolidated financial statements

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 18 August 2016. The Directors have the power to amend and reissue the financial report.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Revenue	4	**220,297**	220,241
Cost of sales		**133,233**	130,462
Gross profit		**87,064**	89,779
Other income	5	**3,160**	3,779
Other expenses from ordinary activities			
Occupancy		**10,267**	8,377
Advertising and promotion		**4,128**	4,424
Administration		**44,979**	40,913
Other		**401**	163
		30,449	39,681
Finance costs	6(d)	**2,971**	2,851
Profit before income tax		**27,478**	36,830
Income tax expense	8	**8,799**	11,077
Profit for the year		**18,679**	25,753
Profit is attributable to:			
Owners of Cover-More Group Limited		**18,679**	25,753
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	33(a)	**5.9**	8.1
Diluted earnings per share	33(b)	**5.9**	8.1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Profit for the year		**18,679**	25,753
Other comprehensive income			
Items that may be reclassified to the income statement			
Changes in the fair value of cash flow hedges	21	**157**	52
Exchange differences on translation of foreign operations	21	**(1,378)**	6,468
Income tax relating to these items	21	**(47)**	(16)
Other comprehensive income for the period, net of tax		**(1,268)**	6,504
Total comprehensive income for the period		**17,411**	32,257
Total comprehensive income for the period attributable to:			
Owners of Cover-More Group Limited		**17,411**	32,257

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Notes	2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	10	**23,980**	24,034
Trade and other receivables	11	**39,868**	31,340
Total current assets		**63,848**	55,374
Non-current assets			
Receivables	11	**1,930**	–
Plant and equipment	12	**4,090**	4,693
Intangible assets	13	**243,629**	248,794
Deferred tax assets	14(a)	**608**	497
Total non-current assets		**250,257**	253,984
Total assets		**314,105**	309,358
Liabilities			
Current Liabilities			
Trade and other payables	15	**37,569**	34,516
Deferred liabilities	16	**195**	226
Borrowings	17	**11**	–
Current tax provisions		**1,322**	4,548
Provisions	18	**5,122**	4,198
Total current liabilities		**44,219**	43,488
Non-current Liabilities			
Deferred liabilities	16	**–**	155
Borrowings	17	**63,837**	56,079
Provisions	18	**1,277**	776
Deferred tax liabilities	14(b)	**5,903**	7,169
Derivative financial instruments	19	**231**	389
Total non-current liabilities		**71,248**	64,568
Total liabilities		**115,467**	108,056
Net assets		**198,638**	201,302
Equity			
Contributed equity	20	**220,067**	220,067
Other reserves	21	**5,230**	6,887
Retained earnings		**(26,659)**	(25,652)
Total equity		**198,638**	201,302

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
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:					
Dividends provided for or paid	22(a)	–	–	(38,735)	(38,735)
Share-based payment reserve	21	–	782	–	782
		–	782	(38,735)	(37,953)
Balance at 30 June 2015		220,067	6,887	(25,652)	201,302
Profit for the year		**–**	**–**	**18,679**	**18,679**
Other comprehensive income		**–**	**(1,268)**	**–**	**(1,268)**
Total comprehensive income for the year		**–**	**(1,268)**	**18,679**	**17,411**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	22(a)	**–**	**–**	**(19,686)**	**(19,686)**
Share-based payment reserve	21	**–**	**(389)**	**–**	**(389)**
		–	**(389)**	**(19,686)**	**(20,075)**
Balance at 30 June 2016		**220,067**	**5,230**	**(26,659)**	**198,638**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**221,373**	227,181
Payments to suppliers and employees (inclusive of GST)		**(187,119)**	(176,806)
		34,254	50,375
Other revenue		**2,442**	4,418
Income taxes paid		**(13,529)**	(15,126)
Net cash inflow from operating activities	28	**23,167**	39,667
Cash flows from investing activities			
Payments for plant and equipment	12	**(1,503)**	(1,830)
Payments for intangible assets	13	**(6,793)**	(4,601)
Proceeds from sale of plant and equipment		**97**	41
Interest received		**139**	170
Net cash outflow from investing activities		**(8,060)**	(6,220)
Cash flows from financing activities			
Proceeds from borrowings		**22,778**	43,767
Repayment of borrowings		**(15,000)**	(33,200)
Finance lease payments		**(6)**	(250)
Interest and other finance costs paid		**(3,084)**	(2,479)
Dividends paid to Company's shareholders	22	**(19,686)**	(38,735)
Net cash outflow from financing activities		**(14,998)**	(30,897)
Net increase in cash and cash equivalents		**109**	2,550
Cash and cash equivalents at the beginning of the financial year		**24,034**	20,615
Effects of exchange rate changes on cash and cash equivalents		**(163)**	869
Cash and cash equivalents at end of year	10	**23,980**	24,034

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 Standards Board.

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(aa).

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.

v) Reclassifications

Certain prior year amounts in the balance sheet have been reclassified for consistency with the current period presentation.

b) Principles of consolidation

Subsidiaries are all 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.

c) Segment reporting

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

d) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in 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.

Note 1. Summary of significant accounting policies continued

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, underwriter's 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.

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 credit 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 17). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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 25). 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.

Note 1. Summary of significant accounting policies continued

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 16).

h) Business combinations

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

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. 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 or annually, whichever is sooner. 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.

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 9. Movements in the hedging reserve in shareholders' equity are shown in Note 21. 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.

Note 1. Summary of significant accounting policies continued

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.

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 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.

Note 1. Summary of significant accounting policies continued

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).

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 12 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 12 months after the reporting period.

Note 1. Summary of significant accounting policies continued

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) Provisions

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

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

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

t) Employee benefits

i) Short-term obligations

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

ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on 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 12 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.

u) 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.

v) Dividends

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

w) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Note 1. Summary of significant accounting policies continued

ii) Diluted earnings per share

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

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

x) Goods and Services Tax 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.

y) Changes in accounting policies

i) New and amended standards adopted by the Group

There were no new and amended standards that are required to be adopted by the Group for the first time for the annual reporting period commencing 1 July 2015.

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 2016 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, introduces new rules for hedge accounting and a new impairment model for financial assets.

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 either a full retrospective or a modified retrospective approach for the adoption.

The standard is not applicable until 1 January 2018 and the Group will apply the standard on 1 July 2018. Its impact is yet to be assessed by the Group.

AASB 16 Leases
AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts.

The standard is not applicable until 1 January 2019 and the Group will apply the standard on 1 July 2019. Its impact is yet to be assessed by the Group.

AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate.

The standard is not applicable until 1 January 2016 and the Group will apply the standard on 1 July 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. Management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, management does not anticipate that the application of these amendments to AASB 116 and AASB 138 will have a material impact on the Group's consolidated financial statements.

AASB 2015-1 Annual Improvements 2012-2014
The amendments clarify minor points in various accounting standards, including AASB 5, AASB 7, AASB 119 and AASB 134.

The standard is not applicable until 1 January 2016 and the Group will apply the standard on 1 July 2016. The impact of the application of this standard is not expected to be material to the Group.

AASB 2015-2 Disclosure Initiative: Amendments to AASB 101
The amendments clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

The standard is not applicable until 1 January 2016 and the Group will apply the standard on 1 July 2016. The impact of the application of this standard is not expected to be material to the Group.

AASB 2016-1 Recognition of Deferred Tax Assets for Unrealised Losses
The amendments to AASB 112 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They do not change the underlying principles for the recognition of deferred tax assets.

The standard is not applicable until 1 January 2017 and the Group will apply the standard on 1 July 2017. The impact of the application of this standard is not expected to be material to the Group.

AASB 2016-2 Disclosure Initiative: Amendments to AASB 107
The amendment to AASB 107 introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment requires disclosure of changes arising from:

- cash flows, such as drawdowns and repayments of borrowings, and
- non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

The standard is not applicable until 1 January 2017 and the Group will apply the standard on 1 July 2017. The impact of the application of this standard is not expected to be material to the Group.

Note 1. Summary of significant accounting policies continued

z) Parent entity financial information

The financial information for the parent entity, Cover-More Group Limited, disclosed in Note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i) Investments in subsidiaries

Investments in subsidiaries 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.

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

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

iii) Financial guarantees

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

aa) Significant management estimates and judgements 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 judgements

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

Underwriter payments

Cover-More finalised a settlement deed with the Australian underwriter in 2016 the terms of which include (for policies written from 1 January 2016):

- a profit share mechanism for non-catastrophe claims performance which is favourable to the target loss ratio; and
- limited and capped participation for any non-catastrophe claims cost experience which is adverse to target loss ratio.

Any underwriter premium adjustments in respect of the above are measured at specified future dates based on claims development.

At the reporting date, a best estimate of the potential underwriter premium adjustment is calculated using actuarial techniques which consider historical claims experience and current claims handling practices. The best estimate is exposed to a range of outcomes depending on the performance of the underlying portfolio.

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 14).

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 9).

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 9. 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.

i) Foreign exchange risk

Most of the Group's transactions are carried out in Australian dollars (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 2016			
Financial assets	**351**	**–**	**43**
Financial liabilities	**(187)**	**(2)**	**–**
Total exposure	**164**	**(2)**	**43**
30 June 2015			
Financial assets	295	1	48
Financial liabilities	–	–	–
Total exposure	295	1	48

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:

	2016 $'000	2015 $'000
Amounts recognised in the income statement		
Net foreign exchange (loss)/gain included in other expenses/other income	**(247)**	413
Net (loss)/gain recognised in other comprehensive income (Note 21):		
Translation of foreign operations and net investment hedges	**(1,378)**	6,468

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 2016 (2015: 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% (2015: 10%) then this would have had the following impact:

	$'000 USD	$'000 EUR	$'000 PGK
30 June 2016			
Profit after tax	**(11)**	**–**	**(3)**
Equity	**(11)**	**–**	**(3)**
30 June 2015			
Profit after tax	(21)	–	(3)
Equity	(21)	–	(3)

If the AUD had weakened against the foreign currencies by 10% (2015: 10%) then this would have had the following impact:

	$'000 USD	$'000 EUR	$'000 PGK
30 June 2016			
Profit after tax	**11**	**–**	**3**
Equity	**11**	**–**	**3**
30 June 2015			
Profit after tax	21	–	3
Equity	21	–	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.

Note 2. Financial risk management continued

ii) Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 30 June 2016, 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.

Sensitivity

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of ±1% (2015: ± 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.

	Profit after tax		Equity	
	$'000 +1%	$'000 -1%	$'000 +1%	$'000 -1%
30 June 2016	**(315)**	**315**	**(258)**	**258**
30 June 2015	(265)	265	(149)	149

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, which include receivables from customers and deposits with banks and financial institutions. 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 9.

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 (refer to Note 11(d)).

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.

i) Financing arrangements

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

	2016 $'000	2015 $'000
Total facilities:		
Used at balance sheet date	**64,069**	56,367
Used at balance sheet date under contingent liabilities	**4,447**	4,374
Unused at balance sheet date	**28,384**	16,159
	96,900	76,900

The Group amended its existing loan facilities resulting in an increase in overall facility limit from $76.900 million to $96.900 million (refer to Note 17).

ii) Maturity of financial liabilities

			Contractual cash flow		
	Notes	Carrying amount $'000	< 6 months $'000	6-12 months $'000	1-3 years $'000
2016					
Trade and other payables*	15	**31,076**	**31,076**	**–**	**–**
Borrowings – secured	17	**63,848**	**1,156**	**1,098**	**67,371**
Derivative financial instruments	19	**231**	**91**	**95**	**32**
		95,155	**32,323**	**1,193**	**67,403**
2015					
Trade and other payables*	15	27,788	27,783	–	5
Borrowings – secured	17	56,079	1,184	1,163	57,510
Derivative financial instruments	19	389	108	91	173
		84,256	29,075	1,254	57,688

* Excluding non-financial liabilities.

Note 2. Financial risk management continued

e) Capital risk management

The Group's objectives when managing capital are:

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the following:

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

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

	Notes	2016 $'000	2015 $'000
Net debt*	10, 17	**39,868**	32,045
Total equity		**198,638**	201,302
Net debt to equity ratio		**20%**	16%

*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.

i) 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.

ii) Segment EBITDA

Segment performance is assessed on the basis of Segment EBITDA. Segment EBITDA comprises income and 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
2016				
Revenue				
Sales to external customers	**154,522**	**65,775**	**–**	**220,297**
Total revenue	**154,522**	**65,775**	**–**	**220,297**
Segment EBITDA	**28,390**	**16,151**	**69**	**44,610**
Depreciation and amortisation expenses	**(5,617)**	**(978)**	**(7,475)**	**(14,070)**
Interest revenue	**101**	**43**	**12**	**156**
Interest expense	**(17)**	**(27)**	**(2,927)**	**(2,971)**
Foreign exchange losses	**(232)**	**39**	**(54)**	**(247)**
Profit before income tax	**22,625**	**15,228**	**(10,375)**	**27,478**
Income tax expense	**(6,958)**	**(4,771)**	**2,930**	**(8,799)**
Profit after income tax	**15,667**	**10,457**	**(7,445)**	**18,679**
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

b) Geographical segments

The Group currently operates in Australia, New Zealand (NZ), United Kingdom (UK), United States of America (USA), Singapore, Malaysia, China and India. The Group has determined that a disclosure of two aggregated segments, Australia/NZ/UK/USA 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/USA[1] $'000	Asia $'000	Total $'000
2016			
Revenue			
Sales to external customers	**197,022**	**23,275**	**220,297**
Total revenue	**197,022**	**23,275**	**220,297**
2015			
Revenue			
Sales to external customers	202,882	17,359	220,241
Total revenue	202,882	17,359	220,241

1. The Group's USA operations commenced in May 2016.

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

	2016 $'000	2015 $'000
Travel insurance revenue	**154,712**	155,175
Employee assistance revenue	**38,499**	37,901
Travel assistance fee revenue	**19,561**	18,599
Case fee revenue	**7,456**	7,999
Medical assessment revenue	**69**	567
Total revenue	**220,297**	220,241

Note 5. Other income

	2016 $'000	2015 $'000
Lease income	**825**	804
Cost containment income	**715**	603
Interest income	**156**	170
Other income	**1,464**	2,202
Total other income	**3,160**	3,779

Note 6. Expenses

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

	Notes	2016 $'000	2015 $'000
a) Occupancy expenses relating to operating leases			
Minimum lease payments		**7,210**	6,796
Other		**1,066**	812
Total occupancy expenses relating to operating leases		**8,276**	7,608
b) Depreciation and amortisation			
Depreciation			
Leased motor vehicles		**23**	73
Plant and equipment		**3,071**	2,235
Total depreciation	12	**3,094**	2,308
Amortisation			
Customer contracts and distributor relationships		**6,730**	6,743
Capitalised software		**3,503**	2,561
Brands and trademarks		**743**	854
Total amortisation	13	**10,976**	10,158
Total depreciation and amortisation		**14,070**	12,466
c) Employee benefits expenses			
Wages, salaries and on-costs		**68,454**	64,188
Share-based payments	7	**(377)**	816
Total employee benefits		**68,077**	65,004
d) Finance costs			
Interest and finance charges		**2,768**	2,638
Fair value changes on interest swaps cash flow hedges – transfer from equity		**203**	213
Total finance costs		**2,971**	2,851

Note 7. Share-based payments

a) 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.

Note 7. Share-based payments continued

	2016	2015
Number of rights to deferred shares granted on 16 October 2015	**52,920**	–
Fair value of rights at grant date	**$2.33**	–

The fair value of deferred shares granted is based on the Company's market share price as at grant date.

- 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:

	2016		2015	
	Number granted	Fair value $	Number granted	Fair value $
LTI share rights granted on:				
16 October 2015 (2015: 29 June 2015)	**817,248**	**2.33**	685,093	$2.37
21 March 2016	**28,662**	**1.60**	–	–
30 June 2016	**200,000**	**1.21**	–	–
	1,045,910		685,093	

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

b) 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:

	2016 $	2015 $
Share rights under the executive short-term incentive scheme	**91,697**	48,959
Share rights under the executive long-term incentive scheme	**(676,530)**	676,530
Share rights granted as sign-on incentive	**141,271**	77,310
Other	**66,855**	13,571
Total share-based payment expense	**(376,707)**	816,370

Note 8. Income tax expense

	2016 $'000	2015 $'000
a) Income tax expense		
Current tax	**10,302**	12,939
Deferred tax	**(1,461)**	(1,749)
Adjustments for current tax of prior periods	**(42)**	(113)
Income tax expense	**8,799**	11,077
Deferred income tax benefit included in income tax expense:		
Decrease in deferred tax assets	**144**	539
Decrease in deferred tax liabilities	**(1,605)**	(2,288)
Total deferred tax benefit	**(1,461)**	(1,749)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**27,478**	36,830
Tax at the Australian tax rate of 30% (2015: 30%)	**8,243**	11,049
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	**230**	–
Share-based payments	**(106)**	212
Entertainment	**93**	125
Sundry items	**5**	43
	8,465	11,429
Difference in overseas tax rates	**195**	58
Adjustments for current tax of prior periods	**(37)**	(113)
Adjustments for deferred tax of prior periods	**(42)**	(24)
Unrecognised tax losses	**242**	182
Tax concessions	**(24)**	–
Previously unrecognised tax losses now recouped to reduce current tax expense	**–**	(455)
Income tax expense	**8,799**	11,077
Tax recognised in other comprehensive income		
Changes in the fair value of cash flow hedges	**(47)**	(16)
Tax losses		
Unused tax losses for which no deferred tax assets has been recognised:		
Potential tax benefit @ 30%	**(289)**	(231)

Note 9. 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:

i) Financial assets

	Notes	Financial assets at amortised cost $'000	Total $'000
2016			
Cash and cash equivalents	10	**23,980**	**23,980**
Trade and other receivables*	11	**32,379**	**32,379**
		56,359	**56,359**
2015			
Cash and cash equivalents	10	24,034	24,034
Trade and other receivables*	11	26,171	26,171
		50,205	50,205

* Excluding prepayments and other statutory receivables.

ii) Financial liabilities

	Notes	Derivatives used for hedging at fair value $'000	Financial liabilities at amortised cost $'000	Total $'000
2016				
Trade and other payables*	15	**–**	**31,076**	**31,076**
Borrowings – secured	17	**–**	**63,848**	**63,848**
Derivative financial instruments	19	**231**	**–**	**231**
		231	**94,924**	**95,155**
2015				
Trade and other payables*	15	–	27,788	27,788
Borrowings – secured	17	–	56,079	56,079
Derivative financial instruments	19	389	–	389
		389	83,867	84,256

* Excluding non-financial 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 2016					
Financial liabilities					
Derivatives used for hedging	19	**–**	**231**	**–**	**231**
Total financial liabilities		**–**	**231**	**–**	**231**
As at June 2015					
Financial liabilities					
Derivatives used for hedging	19	–	389	–	389
Total financial liabilities		–	389	–	389

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

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3**: unobservable inputs for the asset or liability

ii) Valuation process

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations as required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the 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 10. Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and in hand	**18,460**	17,953
Deposits at call	**5,520**	6,081
Total cash and cash equivalents	**23,980**	24,034

a) Cash not available for use

In accordance with the Australian Financial Services Licence (AFSL), 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 three 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 three-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 $32.500 million (2015: $12.500 million) of which $9.500 million (2015: $7.500 million) is available exclusively for use by CMIS and TIP. 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 11. Trade and other receivables

	2016			2015		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	**28,806**	**–**	**28,806**	24,649	–	24,649
Provision for impairment of trade receivables (d)	**(109)**	**–**	**(109)**	(46)	–	(46)
	28,697	**–**	**28,697**	24,603	–	24,603
Prepayments	**6,908**	**1,675**	**8,583**	4,863	–	4,863
Net GST receivable	**836**	**–**	**836**	306	–	306
Other receivables	**3,427**	**255**	**3,682**	1,568	–	1,568
Total trade and other receivables	**39,868**	**1,930**	**41,798**	31,340	–	31,340

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 that are in previously unforeseen economic difficulties.

Note 11. Trade and other receivables continued

The ageing analysis of these receivables is as follows:

	2016 $'000	2015 $'000
1 to 3 months	**85**	13
3 to 6 months	**–**	1
Over 6 months	**24**	32
	109	46
Movement in the provision for impairment of receivables is as follows:		
Opening balance	**46**	123
Provision for impairment recognised during the year	**105**	24
Receivables written off during the year as uncollectable	**(4)**	(6)
Unused amount reversed	**(38)**	(95)
Closing balance	**109**	46

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 2016, trade receivables of $4.311 million (30 June 2015: $3.554 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:

	2016 $'000	2015 $'000
Up to 3 months	**3,725**	2,876
3 to 6 months	**457**	271
6 to 12 months	**126**	208
More than 12 months	**3**	199
	4,311	3,554

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 12. Plant and equipment

	Notes	Plant and equipment $'000	Motor vehicles $'000	Total $'000
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(b)	(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
Year ended 30 June 2016				
Opening net book amount		**4,486**	**207**	**4,693**
Exchange differences		**50**	**2**	**52**
Additions*		**2,481**	**129**	**2,610**
Disposals at cost		**–**	**(321)**	**(321)**
Accumulated depreciation on disposal		**–**	**150**	**150**
Depreciation charge	6(b)	**(3,071)**	**(23)**	**(3,094)**
Closing net book amount		**3,946**	**144**	**4,090**
At 30 June 2016				
Cost		**24,102**	**248**	**24,350**
Accumulated depreciation		**(20,156)**	**(104)**	**(20,260)**
Net book amount		**3,946**	**144**	**4,090**

* Includes non-cash increase in leasehold assets relating to make-good provisions of $1.107 million.

a) Leased assets

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

b) Non-current assets pledged as security

Refer to Note 29 for information on non-current assets pledged as security by the Group.

Note 13. Intangible assets

	Notes	Goodwill $'000	Customer contracts and distributor relationships $'000	Capitalised software $'000	Brand and trademarks $'000	Total $'000
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(b)	–	(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
Year ended 30 June 2016						
Opening net book amount		**202,479**	**29,500**	**6,870**	**9,945**	**248,794**
Additions – Internal development*		**–**	**–**	**6,793**	**–**	**6,793**
Exchange differences		**(1,049)**	**–**	**67**	**–**	**(982)**
Amortisation charge	6(b)	**–**	**(6,730)**	**(3,503)**	**(743)**	**(10,976)**
Closing net book amount		**201,430**	**22,770**	**10,227**	**9,202**	**243,629**
At 30 June 2016						
Cost		**201,430**	**69,842**	**21,021**	**11,060**	**303,353**
Accumulated amortisation and impairment		**–**	**(47,072)**	**(10,794)**	**(1,858)**	**(59,724)**
Closing net book amount		**201,430**	**22,770**	**10,227**	**9,202**	**243,629**

* 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.

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 and New Zealand (Travel insurance) $'000	India (Travel insurance) $'000	Australia and New Zealand (Medical assistance) $'000	Australia and New Zealand (Employee assistance) $'000	China (Medical assistance) $'000	Total $'000
At 30 June 2016						
Goodwill	**83,989**	**38,852**	**29,000**	**45,897**	**3,692**	**201,430**
At 30 June 2015						
Goodwill	83,989	40,006	29,000	45,897	3,587	202,479

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.

Note 13. Intangible assets continued

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	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Travel insurance						
Australia and New Zealand	**5.0**	6.0	**3.0**	3.0	**11.1**	10.8
India	**20.0**	20.0	**7.0**	8.0	**16.9**	16.7
Medical assistance						
Medical assistance – Australia and New Zealand	**5.0**	6.0	**3.0**	3.5	**12.1**	11.9
Medical assistance – China	**27.2**	33.3	**3.0**	3.0	**14.2**	14.8
Employee assistance – Australia and New Zealand	**4.9**	4.9	**3.0**	3.5	**12.1**	11.8

* 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 above assumptions.

Note 14. Deferred tax balances

a) Deferred tax assets

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**351**	406
Employee benefits	**2,075**	2,123
Deferred revenue	**248**	218
	2,674	2,747
Other:		
Intangible assets	**553**	248
Fixed assets	**1,517**	1,282
Doubtful debts	**37**	5
Trade and other payables	**1,428**	1,124
Provisions	**532**	150
Initial public offer costs	**2,726**	4,089
Other	**260**	262
Sub-total Other	**7,053**	7,160
Total deferred tax assets	**9,727**	9,907
Set-off of deferred tax liabilities pursuant to set-off provisions	**(9,119)**	(9,410)
Net deferred tax assets	**608**	497
Deferred tax assets expected to be recovered within 12 months	**5,913**	5,237
Deferred tax assets expected to be recovered after 12 months	**3,814**	4,670
	9,727	9,907

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 14. Deferred tax balances continued

b) Deferred tax liabilities

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
Fixed assets	**–**	9
Intangible assets	**9,632**	11,751
	9,632	11,760
Other:		
Other creditors and accruals	**–**	1
Employee benefits	**3**	4
Unrealised foreign exchange gains	**18**	54
Trade and other receivables	**1,009**	447
Cash flow hedges	**53**	6
Step gain on acquisition	**4,127**	4,127
Other	**180**	180
Sub-total Other	**5,390**	4,819
Total deferred tax liabilities	**15,022**	16,579
Set-off of deferred tax liabilities pursuant to set-off provisions	**(9,119)**	(9,410)
Net deferred tax liabilities	**5,903**	7,169
Deferred tax liabilities expected to be settled within 12 months	**6,096**	6,417
Deferred tax liabilities expected to be settled after 12 months	**8,926**	10,162
	15,022	16,579

c) Movement in deferred tax (assets)/liabilities

	Opening balance $'000	Recognised in the income statement $'000	Recognised in other comprehensive income $'000	Recognised in foreign currency translation reserve $'000	Closing balance $'000
At June 2016					
Intangible assets	**11,503**	**(2,424)**	**–**	**–**	**9,079**
Plant and equipment	**(1,273)**	**(244)**	**–**	**–**	**(1,517)**
Trade and other receivables	**447**	**562**	**–**	**–**	**1,009**
Trade and other payables	**(1,124)**	**(304)**	**–**	**–**	**(1,428)**
Provisions	**(155)**	**(414)**	**–**	**–**	**(569)**
Employee benefits	**(2,119)**	**47**	**–**	**–**	**(2,072)**
Initial public offer costs	**(4,089)**	**1,363**	**–**	**–**	**(2,726)**
Step gain on acquisition	**4,127**	**–**	**–**	**–**	**4,127**
Other	**(645)**	**(47)**	**47**	**37**	**(608)**
Net deferred tax (assets)/liabilities	**6,672**	**(1,461)**	**47**	**37**	**5,295**
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

Note 15. Trade and other payables

	2016 $'000	2015 $'000
Trade payables	**16,160**	15,443
Payroll tax and other statutory liabilities	**854**	885
Net GST payable	**432**	520
Unearned revenue	**5,207**	5,323
Other payables	**14,916**	12,345
Total current trade and other payables	**37,569**	34,516

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.

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

Note 16. Deferred liabilities

	2016 $'000	2015 $'000
Current liability		
Deferred lease incentive liability	**195**	226
Non-current liability		
Deferred lease incentive liability	**–**	155
Total deferred liabilities	**195**	381

Note 17. Borrowings

	2016			2015		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans*	**–**	**63,781**	**63,781**	–	56,079	56,079
Finance lease liabilities	**11**	**56**	**67**	–	–	–
Total borrowings	**11**	**63,837**	**63,848**	–	56,079	56,079

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

a) Amended facilities agreement

In December 2015, the Group renegotiated its existing loan facilities held with Westpac Banking Corporation. The amended facilities agreement is valid for a term of three years. The revolving term cash advance facility remained unchanged at $64.400 million but the multi-option working capital facility increased from $12.500 million to $32.500 million. The agreement also includes a $100.000 million accordion to facilitate an increase in borrowings in the event of a substantial transaction.

Facility fees of $0.290 million were payable to the lender upon signing the amended facilities agreement. These fees have been capitalised and are amortised over the term of the agreement. The capitalised costs associated with the previous agreement with a carrying amount of $0.192 million have been written-off and is included as part of finance costs in the income statement.

b) Secured liabilities and assets or equity pledged as security

Information about the security relating to each of the secured liabilities is provided in Note 29.

c) Compliance with loan covenants

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

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

ii) 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 2016, the ratio of net finance debt to EBITDA was 1.3 (30 June 2015: 0.9) and the ratio of EBITDA to net interest expense for 2016 was 13.6 (2015: 17.8). The Group was also in full compliance with the loan covenants in 2015.

c) Fair value measurement

	2016			2015		
	Carrying amount $'000	Fair value $'000	Discount rate %	Carrying amount $'000	Fair value $'000	Discount rate %
Bank loans	**63,781**	**65,472**	**2.5**	56,079	57,383	2.9

18. Provisions

	2016			2015		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee entitlements						
Annual leave	**3,312**	**–**	**3,312**	3,277	–	3,277
Long service leave	**1,062**	**565**	**1,627**	921	459	1,380
Total employee benefits	**4,374**	**565**	**4,939**	4,198	459	4,657
Other provisions	**748**	**712**	**1,460**	–	317	317
Total provisions	**5,122**	**1,277**	**6,399**	4,198	776	4,974

Note 19. Derivative financial instruments

	2016 $'000	2015 $'000
Non-current liability		
Interest rate swap contracts: cash flow hedges (a)	**231**	389

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 Group receives interest at the variable rate and pays interest at a fixed rate 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 2016, a loss of $0.203 million (2015: a loss of $0.213 million) was reclassified to the income statement. The hedge is deemed effective for both 2016 and 2015.

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 20. Contributed equity

	2016 Number	2016 $'000	2015 Number	2015 $'000
a) Share capital				
Ordinary shares – fully paid	**317,550,762**	**220,067**	317,500,000	220,067
Total contributed equity	**317,550,762**	**220,067**	317,500,000	220,067
b) Movements in ordinary share capital				
Balance at the beginning of the financial year	**317,500,000**	**220,067**	317,500,000	220,067
Shares issued in respect of employee sign-on incentive	**50,762**	**–**	–	–
Balance at the end of the financial year	**317,550,762**	**220,067**	317,500,000	220,067

Note 21. 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 2014	(23)	622	(998)	(399)
Revaluation	52	–	–	52
Deferred tax	(16)	–	–	(16)
Currency translation differences	–	–	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
Revaluation	**157**	**–**	**–**	**157**
Deferred tax	**(47)**	**–**	**–**	**(47)**
Currency translation differences	**–**	**–**	**(1,378)**	**(1,378)**
Other comprehensive income	**110**	**–**	**(1,378)**	**(1,268)**
Transactions with owners in their capacity as owners:				
Share-based payment expense	**–**	**(377)**	**–**	**(377)**
Other movements	**–**	**(12)**	**–**	**(12)**
	–	**(389)**	**–**	**(389)**
At 30 June 2016	**123**	**1,015**	**4,092**	**5,230**

Nature and purpose of other reserves

a) 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.

b) 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.

c) 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 7(a) for further details of these plans.

Note 22. Dividends

a) Dividends provided for or paid

	2016 $'000	2015 $'000
Final dividend for the year ended 30 June 2015 of 4.1 cents (2014: 7.2 cents) per share paid on 20 October 2015 – ordinary: 4.1 cents (2014: 4.0 cents) and special: nil (2014: 3.2 cents)	**13,018**	22,860
Interim dividend for the year ended 30 June 2016 of 2.1 cents (2015: 5.0 cents) per share paid on 11 April 2016 – ordinary: 2.1 cents (2015: 3.2 cents) and special: nil (2015: 1.8 cents)	**6,668**	15,875
	19,686	38,735

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

On 18 August 2016, the Directors declared a final ordinary dividend (fully franked) for the year ended 30 June 2016 of $8.256 million (2.6 cents per share) to be paid on 14 October 2016.

c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2016 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 2017.

	Parent entity 2016 $'000	Parent entity 2015 $'000
The amount of the franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	**9,371**	5,922
Franking credits that will arise from the payment of the amount of provision for income tax	**373**	4,038
Franking debits that will arise from the payment of dividends unrecognised as a liability at the end of the reporting period	**(3,541)**	(5,583)
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015: 30%)	**6,203**	4,377

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 23. 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

	2016 $	2015 $
Audit and other assurance services		
Audit and review of financial statements	**695,060**	692,000
Other assurance services		
Other advisory costs	**117,520**	16,000
Due diligence services	**358,215**	100,000
Total remuneration for audit and other assurance services	**1,170,795**	808,000
Taxation services		
Tax advisory services	**26,028**	–
Total remuneration for taxation services	**26,028**	–

b) Non-PricewaterhouseCoopers firms

	2016 $	2015 $
Audit and review of financial statements	**78,256**	120,911
Tax compliance services	**5,927**	53,028
Other	**566**	–
Total remuneration for non-PricewaterhouseCoopers audit firms	**84,749**	173,939

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 24. Contingencies

The Westpac Banking Corporation holds financial guarantees amounting to $4.447 million (2015: $4.374 million).

No other contingent liabilities exist at 30 June 2016.

Note 25. Commitments

a) Capital commitments

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

b) Lease commitments

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:

	2016 $'000	2015 $'000
Payable lease payments		
Within one year	**6,607**	5,980
Later than one year but not later than five years	**15,424**	7,516
Later than five years	**2,039**	–
	24,070	13,496
Rental income		
Within one year	**(648)**	(815)
Later than one year but not later than five years	**–**	(634)
	(648)	(1,449)

c) Other commitments

The Group has contractual commitments to pay $10.719 million (2015: nil) to distribution partners after 30 June, but not recognised as liabilities as at reporting date.

Note 26. Related party transactions

a) Parent entities

The parent entity, and ultimate Australian parent entity within the Group is Cover-More Group Limited.

b) Subsidiaries

Interests in subsidiaries are set out in Note 27(b).

c) Key management personnel compensation

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

	2016 $	2015 $
Short-term employee benefits	**2,827,834**	2,413,891
Post-employment benefits	**166,905**	125,704
Share-based payments	**(169,656)**	510,778
	2,825,083	3,050,373

Detailed remuneration disclosures are provided in the remuneration report on pages 57 to 75.

d) Transactions with other related parties

The following transactions occurred with related parties:

	2016 $	2015 $
Other transactions		
– Remuneration paid to other related parties for Director services	**–**	147,397

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.

Note 27. Subsidiaries

Entity	Country of incorporation/formation	2016 %	2015 %	Principal activities
a) Parent entity				
Cover-More Group Limited	Australia	**–**	–	Holding
b) Controlled entities				
Applyhere Pty Limited[1]	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. (Branch)	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 Holdings USA Inc.[2]	United States of America	**100**	–	Holding
Cover-More Inc.[2]	United States of America	**100**	–	Insurance
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[1]	Australia	**100**	100	Assistance
Davidson Trahaire Holding Pty Limited[1]	Australia	**100**	100	Holding
DTC Australia Pty Limited[1]	Australia	**100**	100	Holding
DTC Bidco Pty Limited[1]	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[1]	Australia	**100**	100	Assistance
Springboard Health & Performance Pty Limited[1]	Australia	**100**	100	Assistance
Travel Assist Pty Limited	Australia	**100**	100	Holding
Travel Insurance Partners Pty Limited	Australia	**100**	100	Insurance

1. 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 32.
2. Registered on 18 February 2016.

Note 27. Subsidiaries continued

c) Reporting dates

The reporting date of the Group is 30 June. All subsidiaries in Australia, New Zealand, United Kingdom, United States of America and Malaysia 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 28. Reconciliation of profit after income tax to net cash flow from operating activities

	Notes	2016 $'000	2015 $'000
Profit for the year		**18,679**	25,753
Finance costs	6(d)	**2,971**	2,851
Depreciation and amortisation	6(b)	**14,070**	12,466
Share-based payments	7(b)	**(377)**	816
Interest income	5	**(156)**	(170)
Net loss on sale of non-current assets		**31**	24
Reversal of make-good provision		**(562)**	–
Changes in operating assets and liabilities:			
– (Increase) in trade and other receivables		**(8,656)**	(1,219)
– (Increase) in receivables – non-current		**(1,930)**	–
– (Increase) in deferred tax asset		**(194)**	(448)
– Increase in trade and other payables		**3,069**	2,314
– (Decrease) in deferred liability – current		**(31)**	(11)
– (Decrease) in current tax provisions		**(3,210)**	(2,359)
– Increase in provisions – current		**776**	815
– (Decrease) in deferred liability – non-current		**(155)**	(206)
– Increase in provisions – non-current		**108**	349
– (Decrease) in deferred tax liability – non-current		**(1,266)**	(1,308)
Net cash inflow from operating activities		**23,167**	39,667

Note 29. Secured liabilities and assets pledged as security

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

	Notes	2016 $'000	2015 $'000
Bank loans (a)*	17	**63,781**	56,079
Finance lease liabilities (b)	17	**67**	–
Total secured liabilities		**63,848**	56,079

*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.

Note 30. Parent entity financial information

a) Summary financial statements

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

	2016 $'000	2015 $'000
Balance sheet		
Current assets	**13,034**	19,066
Non-current assets	**623,616**	617,148
Total assets	**636,650**	636,214
Current liabilities	**8,822**	16,019
Non-current liabilities	**6,050**	211
Total liabilities	**14,872**	16,230
Net assets	**621,778**	619,984
Shareholders' equity		
Issued capital	**628,964**	628,964
Share-based payment reserve	**423**	813
Profit reserve*	**2,607**	423
Accumulated losses	**(10,216)**	(10,216)
Total equity	**621,778**	619,984
Profit after income tax	**21,870**	39,158
Total comprehensive income	**21,870**	39,158

* Subsequent to the reporting date, certain subsidiaries of the Group declared dividends totalling $7.000 million, payable to Cover-More Group Limited on 18 August 2016.

b) Allocation of current year profits

	2016 $'000	2015 $'000
Dividends paid	**19,686**	38,735
Profit reserve	**2,184**	423
	21,870	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 2016.

e) Contractual commitments of the parent entity

The Parent Entity did not have any contractual commitments as at 30 June 2016.

Note 31. 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 29.

	2016 $'000	2015 $'000
Income statement		
Earnings before interest, taxation, depreciation and amortisation	**39,375**	47,188
Depreciation	**(2,728)**	(2,127)
Amortisation	**(9,578)**	(8,888)
Net finance costs	**(2,834)**	(2,674)
Profit before tax	**24,235**	33,499
Income tax expense	**(7,370)**	(10,174)
Profit after tax	**16,865**	23,325
Balance sheet		
Current assets	**45,204**	41,496
Non-current assets	**238,555**	240,529
Total assets	**283,759**	282,025
Current liabilities	**32,733**	35,797
Non-current liabilities	**66,165**	58,414
Total liabilities	**98,898**	94,211
Net assets	**184,861**	187,814
Shareholders' equity		
Issued capital	**220,067**	220,067
Reserves	**1,331**	1,464
Retained earnings	**(36,537)**	(33,717)
Total equity	**184,861**	187,814

Note 32. 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

	2016 $'000	2015 $'000
Revenue	**38,171**	37,706
Cost of sales	**24,783**	23,560
Gross profit	**13,388**	14,146
Other income	**68**	542
Other expenses from ordinary activities		
Occupancy	**2,476**	2,268
Advertising and promotion	**388**	231
Administration	**4,006**	4,191
Other	**85**	–
	6,501	7,998
Finance costs	**–**	2
Profit before income tax	**6,501**	7,996
Income tax expense	**1,851**	2,265
Profit for the year	**4,650**	5,731

ii) Consolidated Statement of Comprehensive Income

	2016 $'000	2015 $'000
Profit for the year	**4,650**	5,731
Other comprehensive income for the period, net of tax	**–**	–
Total comprehensive income for the period	**4,650**	5,731

iii) Summary of movements in consolidated retained earnings

	2016 $'000	2015 $'000
Retained earnings at the beginning of the financial year	**11,868**	6,137
Profit for the year	**4,650**	5,731
Dividends	**(5,000)**	–
Retained earnings at the end of the financial year	**11,518**	11,868

Note 32. 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".

	2016 $'000	2015 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**2,095**	2,117
Trade and other receivables	**6,871**	5,859
Receivables from related parties	**531**	–
Total current assets	**9,497**	7,976
Non-current assets		
Plant and equipment	**697**	914
Intangible assets	**46,539**	46,544
Receivables from related parties	**620**	518
Deferred tax assets	**661**	508
Total non-current assets	**48,517**	48,484
Total assets	**58,014**	56,460
LIABILITIES		
Current liabilities		
Trade and other payables[1]	**6,722**	7,032
Payable to related parties	**6,440**	4,350
Deferred liabilities	**40**	20
Employee benefits	**748**	782
Total current liabilities	**13,950**	12,184
Non-current liabilities		
Deferred liabilities	**437**	317
Employee benefits	**83**	65
Total non-current liabilities	**520**	382
Total liabilities	**14,470**	12,566
Net assets	**43,544**	43,894
EQUITY		
Contributed equity	**32,026**	32,026
Retained earnings	**11,518**	11,868
Total equity	**43,544**	43,894

1. Trade and other payables include unearned revenue of $4.597 million (2015: $4.612 million) which will be recognised in the income statement in future periods.

Note 33. Earnings per share

	2016 cents	2015 cents
a) Basic earnings per share		
Basic earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company	**5.9**	8.1
b) Diluted earnings per share		
Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company	**5.9**	8.1

	$'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	**18,679**	25,753
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	**18,679**	25,753
Add: Share-based payment expense on historical employee LTI plan	**–**	14
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**18,679**	25,767

	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	**317,521,359**	317,500,000
Adjustments for calculation of diluted earnings per share:		
Shares issued on historical employee LTI plan	**–**	250,000
Weighted average number of shares and potential shares used as the denominator used in calculating diluted earnings per share	**317,521,359**	317,750,000

Note 34. Events occurring after the reporting period

Mike Emmett replaced Peter Edwards as Group Chief Executive Officer on 4 July 2016.

On 18 August 2016, the Directors declared a final ordinary dividend (fully franked) for the year ended 30 June 2016 of $8.256 million (2.6 cents per share) to be paid on 14 October 2016.

Except for the matter disclosed above, no other matter or circumstance has arisen since 30 June 2016 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 139 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 2016 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 32 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 32, 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.

Mike Emmett
Director

18 August 2016
Sydney

Louis Carroll
Director

18 August 2016
Sydney

INDEPENDENT AUDITOR'S REPORT

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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 2016, 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*.

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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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 57 to 75 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

SK Fergusson

SK Fergusson
Partner

Sydney
18 August 2016

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 5 August 2016.

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	382	–
1,001 to 5,000	1,011	–
5,001 to 10,000	752	–
10,001 to 100,000	931	–
100,001 and over	64	–
	3,140	–
Holding less than a marketable parcel	130	–

b) Equity security holders

Twenty largest quoted equity security holders
The names of the 20 largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	% of total shares issued
HSBC Custody Nominees (Australia) Limited	85,319,029	26.85
J P Morgan Nominees Australia Limited	55,382,657	17.43
National Nominees Limited	39,929,973	12.56
Citicorp Nominees Pty Limited	30,118,492	9.48
BNP Paribas Noms Pty Ltd <DRP>	14,004,340	4.41
UBS Nominees Pty Ltd	11,861,555	3.73
Australian Foundation Investment Company Limited	8,220,588	2.59
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	6,874,000	2.16
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	3,684,078	1.16
Djerriwarrh Investments Limited	2,900,000	0.91
Mirrabooka Investments Limited	2,583,333	0.81
Milton Corporation Limited	2,140,944	0.67
Bond Street Custodians Ltd <Macquarie Smaller Co's A/C>	1,650,000	0.52
Amcil Limited	1,508,333	0.47
Peter Edwards	1,353,488	0.43
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,308,911	0.41
AMP Life Limited	1,281,734	0.40
BNP Paribas Noms (NZ) Ltd <DRP>	1,041,171	0.33
Carole Tokody	916,861	0.29
Pershing Australia Nominees Pty Ltd <Accordius A/C>	870,910	0.27
	272,950,397	**85.88**

SHAREHOLDER INFORMATION continued

Unquoted equity securities

	Number on issue	Number of holders
Performance rights relating to employee incentives	1,467,433	20

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
Challenger Limited[1]	42,995,084	13.53
Westpac Banking Corporation[2]	27,822,675	8.75
JCP Investment Partners Ltd	27,414,569	8.63
Greencape Capital Pty Ltd[1]	26,196,141	8.24
BT Investment Management Limited[2]	25,756,686	8.10
Commonwealth Bank of Australia	25,182,105	7.92
Marathon Asset Management LP	16,639,387	5.24

1. Challenger Limited's disclosed substantial holding of 42,995,084 shares is inclusive of Greencape Capital Pty Ltd's disclosed substantial holding of 26,196,141, due to it being an associate of Challenger Limited as defined in section 9 of the *Corporations Act 2001*.
2. Westpac Banking Corporation's disclosed substantial holding of 27,822,675 shares is inclusive of BT Investment Management Limited's disclosed substantial holding of 25,756,686 shares, due to it being an associate of Westpac Banking Corporation as defined in section 9 of the *Corporations Act 2001*.

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)
William Easton
Mike Emmett
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
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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

Securities exchange listing

Cover-More Group Limited shares are listed on the Australian Securities Exchange
(ASX code: CVO)

Website:

www.covermore.com/group

Life's an experience.
Keep travelling with Cover-More.