

1. Company details

Name of entity:	Freedom Insurance Group Ltd
ABN:	14 608 717 728
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	10.2% to	28,343
Profit from ordinary activities after tax attributable to the owners of Freedom Insurance Group Ltd	up	25.9% to	7,771
Profit for the half-year attributable to the owners of Freedom Insurance Group Ltd	up	25.9% to	7,771

Dividends

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

Comments

The profit for the Group after providing for income tax amounted to \$7,771,000 (31 December 2016: \$6,170,000).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	23.55	20.30

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Audit qualification or review

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

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

10. Attachments

Details of attachments (if any):

The Interim Report of Freedom Insurance Group Ltd for the half-year ended 31 December 2017 is attached.

11. Signed



Signed _____

Keith Cohen
Managing Director
Sydney

Date: 20 February 2018

Freedom Insurance Group Ltd

ABN 14 608 717 728

Interim Report - 31 December 2017

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Directors

David Hancock
Keith Cohen
Stephen Menzies
Andrew Jensen
Katrina Glendinning

Company secretaries

Malcolm McCool
Anand Sundaraj

Registered office

Levels 12 and 13
20 Bond Street
Sydney, NSW 2000
Tel: 1300 884 488

Share register

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067
Tel: 1300 787 272

Auditor

KPMG
International Tower 3
300 Barangaroo Avenue
Sydney, NSW 2000

Stock exchange listing

Freedom Insurance Group Ltd shares are listed on the Australian Securities Exchange (ASX code: FIG)

Website

www.freedominsurance.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Freedom Insurance Group Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

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

David Hancock - Chairman
 Keith Cohen
 Stephen Menzies
 Andrew Jensen
 Katrina Glendinning

Principal activities

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

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

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

Review of operations

The profit for the Group after providing for income tax amounted to \$7,771,000 (31 December 2016: \$6,170,000).

The Group's revenue includes a mix of commission revenue comprising upfront commission and fees generated by policy sale and ongoing commission and fees; net present value trail commission movement and administration fees related to the 'in force' book of policies.

For the financial half-year new business annual premium income was \$28,291,000. This is an 11% decrease over the corresponding period to 31 December 2016.

The decrease in revenue is predominantly due to lead performance issues that have impacted call centre efficiency and conversion rates which have been resolved at the time of issuing this report.

During the year, the Group disposed of its shares in NobleOak Life Limited which contributed to other income of \$3,288,000.

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

	31 Dec 2017 \$'000	31 Dec 2016 \$'000	Change \$'000	Change %
Revenue	28,343	25,715	2,628	10%
Other income	3,288	-	3,288	-
Expenses	20,819	16,733	4,086	24%
Profit before tax	10,812	8,982	1,830	20%
Profit after tax	7,771	6,170	1,601	26%

Significant changes in the state of affairs

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

Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Corporations Instrument 2016/191 dated 24 March 2016 and, in accordance with that legislative instrument, amounts in the directors' report and financial report have been rounded to the nearest thousand dollars unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



David Hancock
Chairman

20 February 2018
Sydney



Keith Cohen
Managing Director



Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the Directors of Freedom Insurance Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Freedom Insurance Group Ltd for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'A.R.', followed by a horizontal line.

Andrew Reeves
Partner

Sydney
20 February 2018

Freedom Insurance Group Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



		Consolidated	
	Note	31 Dec 2017	31 Dec 2016
		\$'000	\$'000
Revenue	4	28,343	25,715
Net gain on disposal of investment in NobleOak Life Ltd		3,288	-
Expenses			
Employee benefits expense		(10,947)	(8,433)
Depreciation expense		-	(2)
Management and professional fees		(888)	(498)
Marketing and promotion		(5,746)	(3,111)
Occupancy costs		(835)	(635)
Telecommunication and information technology expense		(1,432)	(1,185)
Non-operating expenses		-	(1,291)
Other expenses		(971)	(659)
Finance costs		-	(919)
Profit before income tax expense		10,812	8,982
Income tax expense		(3,041)	(2,812)
Profit after income tax expense for the half-year attributable to the owners of Freedom Insurance Group Ltd		7,771	6,170
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Freedom Insurance Group Ltd		7,771	6,170
		Cents	Cents
Basic earnings per share	12	3.24	3.45
Diluted earnings per share	12	3.20	3.42

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

Freedom Insurance Group Ltd
Statement of financial position
As at 31 December 2017



		Consolidated	
	Note	31 Dec 2017	30 Jun 2017
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5	27,862	26,856
Trade and other receivables	6	5,526	4,492
Net present value of trail commission		7,543	5,936
Other		380	275
Total current assets		41,311	37,559
Non-current assets			
Other financial assets	7	-	3,702
Property, plant and equipment		3	-
Goodwill		5,818	5,818
Net present value of trail commission		48,239	37,850
Total non-current assets		54,060	47,370
Total assets		95,371	84,929
Liabilities			
Current liabilities			
Trade and other payables	8	3,386	4,213
Income tax payable		1,746	1,924
Employee benefits		408	355
Clawback provision		15,692	15,415
Total current liabilities		21,232	21,907
Non-current liabilities			
Deferred tax		11,629	8,410
Employee benefits		246	119
Total non-current liabilities		11,875	8,529
Total liabilities		33,107	30,436
Net assets		62,264	54,493
Equity			
Contributed capital		32,589	32,589
Reserves		49	49
Retained profits		29,626	21,855
Total equity		62,264	54,493

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

Freedom Insurance Group Ltd
Statement of changes in equity
For the half-year ended 31 December 2017



Consolidated	Contributed capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2016	8,416	688	7,791	16,895
Profit after income tax expense for the half-year	-	-	6,170	6,170
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	6,170	6,170
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	23,485	-	-	23,485
Share-based payments	-	49	-	49
Transfer on conversion of loans payable	688	(688)	-	-
Balance at 31 December 2016	<u>32,589</u>	<u>49</u>	<u>13,961</u>	<u>46,599</u>
Consolidated	Contributed capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2017	32,589	49	21,855	54,493
Profit after income tax expense for the half-year	-	-	7,771	7,771
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	7,771	7,771
Balance at 31 December 2017	<u>32,589</u>	<u>49</u>	<u>29,626</u>	<u>62,264</u>

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

Freedom Insurance Group Ltd
Statement of cash flows
For the half-year ended 31 December 2017



	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax expense for the half-year	10,812	8,982
Adjustments for:		
Depreciation and amortisation	-	2
Share-based payments	-	49
Net gain on disposal of non-current assets	(3,288)	-
Finance costs - non-cash	-	739
Interest received	(316)	(28)
Interest and other finance costs	-	180
	7,208	9,924
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,034)	22
Decrease/(increase) in prepayments	(105)	217
Increase in other operating assets	(11,996)	(9,099)
Decrease in trade and other payables	(827)	(24)
Increase in employee benefits	180	184
Increase in other provisions	277	4,720
	(6,297)	5,944
Interest received	316	28
Interest and other finance costs paid	-	(180)
Income taxes paid	-	(1)
Net cash from/(used in) operating activities	(5,981)	5,791
Cash flows from investing activities		
Payments for investments	-	(225)
Payments for property, plant and equipment	(3)	(2)
Proceeds from disposal of investments	6,990	-
Proceeds from release of security deposits	-	126
Net cash from/(used in) investing activities	6,987	(101)
Cash flows from financing activities		
Proceeds from issue of shares	-	15,000
Share issue transaction costs	-	(1,171)
Repayment of borrowings	-	(3,000)
Net cash from financing activities	-	10,829
Net increase in cash and cash equivalents	1,006	16,519
Cash and cash equivalents at the beginning of the financial half-year	26,856	7,119
Cash and cash equivalents at the end of the financial half-year	27,862	23,638

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

Note 1. General information

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

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

Levels 12 and 13
20 Bond Street
Sydney, NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 February 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018.

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

Note 3. Operating segments

Identification of reportable operating segments

The Group operates in one segment being the provision of insurance policies, principally in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and is therefore not duplicated.

Note 4. Revenue

	Consolidated	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<i>Sales revenue</i>		
Commissions	14,650	15,846
Net present value trail commission movement	11,996	9,098
Administration fees	1,369	703
	<u>28,015</u>	<u>25,647</u>
<i>Other revenue</i>		
Interest	316	28
Other revenue	12	40
	<u>328</u>	<u>68</u>
Revenue	<u><u>28,343</u></u>	<u><u>25,715</u></u>

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Cash at bank	23,985	18,021
Cash on deposit	3,877	8,835
	<u>27,862</u>	<u>26,856</u>

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Trade receivables	5,680	4,646
Less: Provision for impairment of receivables	(154)	(154)
	<u>5,526</u>	<u>4,492</u>

Note 7. Non-current assets - other financial assets

	Consolidated	
	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Investment in NobleOak Life Limited - unlisted held at cost	-	3,702

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

Opening carrying amount	3,702	3,702
Disposals	(3,702)	-
Closing carrying amount	<u><u>-</u></u>	<u><u>3,702</u></u>

Note 7. Non-current assets - other financial assets (continued)

The investment in NobleOak Life Limited was disposed of on 8 September 2017 for \$6,990,000. The investment was made as part of the strategic initiative to establish a strong partnership between NobleOak Life Limited and the Group. In February 2017, the Group commenced the transition to Swiss Re and as a result, the Group had disposed of the non-core investment.

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Trade payables	982	875
Commissions payable	919	1,168
Other creditors	976	1,135
Accruals	509	1,035
	3,386	4,213

Note 9. Equity - dividends

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

Note 10. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated - 31 Dec 2017				
Assets				
Net present value of trail commission	-	-	55,782	55,782
Total assets	-	-	55,782	55,782
Consolidated - 30 Jun 2017				
Assets				
Net present value of trail commission	-	-	43,786	43,786
Total assets	-	-	43,786	43,786

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

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 10. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3

A fair value is placed on trail commission using the present value of expected future commissions based on a discounted cash flow approach. The key assumptions used, based on internally observable data, and the impact of changes in those key assumptions are quantified below.

The key assumptions underlying the fair value calculations of trail commission receivable at the reporting date include, but are not limited to; discount rate, premium age re-rate and policy lapses. Policy lapses are assumed to be 16% per annum over most years with durational adjustments applied where appropriate, based on specific product experience.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Trail commission asset \$'000
Balance at 1 July 2017	43,786
Change in fair value of future trail cash flow expectations	344
Benefit increase take-up	1,375
Trail commission asset from current period sales	10,277
Balance at 31 December 2017	55,782

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Key assumptions/ unobservable inputs	Sensitivity
Net present value of trail commission asset	Discount rate	An increase in discount rate by 1% would decrease the asset by \$2,479,568. An reduction in discount rate by 1% would increase the asset by \$2,700,218.
	Premium age re-rate (where applicable)	An increase in premium age re-rate by 1% would increase the asset by \$2,492,161. An reduction in premium age re-rate by 1% would decrease the asset by \$2,324,788.
	Policy lapses	An increase in policy lapses by 1% would decrease the asset by \$2,552,354. An reduction in policy lapses re-rate by 1% would increase the asset by \$2,763,420.

Note 11. Contingent liabilities

There are no contingent liabilities as at 31 December 2017 or 30 June 2017.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Profit after income tax attributable to the owners of Freedom Insurance Group Ltd	<u>7,771</u>	<u>6,170</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	239,723,495	178,625,424
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>2,830,000</u>	<u>1,584,185</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>242,553,495</u>	<u>180,209,609</u>
	Cents	Cents
Basic earnings per share	3.24	3.45
Diluted earnings per share	3.20	3.42

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

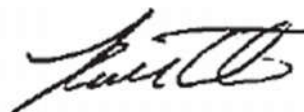
Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Hancock
Chairman

20 February 2018
Sydney



Keith Cohen
Managing Director



Independent Auditor's Review Report

To the shareholders of Freedom Insurance Group Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Freedom Insurance Group Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Freedom Insurance Group Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Freedom Insurance Group Ltd (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Freedom Insurance Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

The KPMG logo, consisting of the letters 'KPMG' in a bold, blue, sans-serif font, with a stylized graphic of four blue squares above the 'M'.

KPMG

A handwritten signature in black ink, appearing to read 'A.R.', followed by a horizontal line.

Andrew Reeves
Partner

Sydney
20 February 2018