FREEDOM INSURANCE GROUP LTD

ACN 608 717 728

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2019

10 October 2019

Dear Freedom Shareholder,

The 2019 financial year was an extremely challenging year for Freedom Insurance Group Ltd as the Company felt the full impact of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission**). Amongst other things, the Company ceased distributing insurance policies, appeared at the Royal Commission, terminated the sale and purchase agreement for St Andrews Insurance, requested its securities to be placed in trading halt, closed its Spectrum business and reviewed its strategic options.

Since 2 October 2018, the Company experienced significant challenges to its operations following ASIC's review of the life insurance industry and the release of the ASIC Report 587 "The sale of direct life insurance". Following its strategic review, the Company has been through a process of restructuring by suspending new business sales on all direct products, ceasing to provide administration services and has made all its employees redundant including changes to its board and senior management. The operations of Spectrum Wealth have also been wound down and by 30 June 2019 all remaining authorised representatives of Spectrum Wealth were given notice that they were de-authorised.

The Board is continuing to wind down the Company's operations and assess its possible options moving forward. As you will note from the accounts, we still have contingent liabilities in relation to Spectrum and NobleOak and ASIC's investigations are continuing.

I wish to thank Doug Halley and James Green who joined me on the board to assist with steering the Company during this difficult and challenging period.

Yours sincerely,

Pauline Vamos
Chairman

Freedom Insurance Group Ltd

ABN 14 608 717 728

Directors' Report and Financial Statements - 30 June 2019

Directors	Pauline Vamos James Green Doug Halley
Company secretaries	Malcolm McCool Anand Sundaraj
Registered office	Level 14 Tower 2 101 Grafton Street Bondi Junction, NSW 2022 Tel: 1300 88 44 88
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) but have been suspended since 7 February 2019.
Website	www.freedominsurance.com.au
Business objectives	Freedom Insurance Group operated as an insurance intermediary that specialised in the development, distribution and administration of life risk insurance products.

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 year ended 30 June 2019.

Directors

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

David Hancock – Chairman (resigned 15 November 2018)
Pauline Vamos – Chairman (appointed 12 November 2018)
Keith Cohen – resigned 2 October 2018
Stephen Menzies – resigned 29 April 2019
Andrew Jensen – resigned 29 April 2019
Katrina Glendinning – resigned 12 November 2018
James Green – appointed 29 April 2019
Doug Halley – appointed 29 April 2019

Principal activities

The Group operated as an insurance intermediary that specialised in the development, distribution and administration of life risk insurance products issued by life insurers regulated by the Australian Prudential Regulation Authority ('APRA'). The Group was not an APRA regulated life insurer.

Dividends

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

Review of operations

The loss for the Group after providing for income tax for the year ended 30 June 2019 amounted to ($63.0m). (30 June 2018: profit of $13.2m).

The statutory financial results for the financial year ended 30 June 2019 and 30 June 2018 were:

	2019 $'000	2018 $'000	Change $'000	Change %
Revenue	11,231	61,339	(50,108)	(81.7%)
Other Income	-	3,288	(3,288)	100.0%
Expenses	88,874	45,402	43,472	95.7%
Profit before tax	(77,643)	19,225	(98,868)	(503.9%)
Profit after tax	(62,977)	13,153	(76,130)	(578.8%)

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

Following the release of the ASIC Report 587 ('The sale of direct life insurance'), the Group commenced a strategic business review on 6 September 2018. The strategic review resulted in a significant restructure of the business and changes to the senior management on 2 October 2018, which included

- The immediate suspension of new business sales on all products;
- A continued focus on its administration service; and
- A restructure of operations which saw a reduction of approximately 90 employees, including the replacement of the Chief Executive Officer and Chief Financial Officer.

The Group announced on 6 December 2018 that it had completed the strategic review process, and that it would develop a remediation program for affected customers. The Group also advised that it may face a liquidity shortfall in 2019, caused by the increased commission clawbacks in absence of commission receipts from new business sales. In addition the Group announced that ASIC had commenced an investigation into possible past misconduct highlighted during the Group's appearance at the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

The planned acquisition of St Andrews Australia Pty Ltd was mutually terminated by the parties involved on 10 December 2018. The parties were unable to agree an extension of timeframes for the satisfaction of transaction conditions precedent, including regulatory approval by APRA.

In early 2019, the Group experienced an increase in clawback payments caused by an increase in underlying lapses. As a result, the Group sought a trading halt from the Australian Securities Exchange on 5 February 2019. On 7 February 2019, the Group's shares were suspended from official quotation and the suspension has remained since.

On 15 April 2019, the Group announced that it had agreed in principle to transfer its policy administration business to a third party and was to receive a cash settlement in consideration of terminating its rights to ongoing fees and commissions from the respective insurers. Formal agreements were executed on 26 April 2019 with the following implications on the financial position of the Group as outlined in an ASX release as follows:

- Following an allowance for customer remediation, the Group received a cash payment of $5,000,000 following completion of the transition of the administration services with this amount being used to pay creditors, wind down remaining operations, meet any final regulatory obligations and return any excess to shareholders. The payment amount reflects the value of net trail commissions after offsetting commission clawbacks, expected administration costs and allowance for a customer remediation program;
- The Group's distribution and administration arrangements with AIA Australia Limited, NobleOak Life Limited and Swiss Re Life & Health Australia Limited ('Swiss Re') (together 'the insurers') terminated and the Group transferred its policy administration services to Genus Life Insurance Services Pty Ltd. Consequently, the Group will no longer receive any future trail commission or other revenue from the insurers nor will it be required to make further clawback payments to Swiss Re (with deferred clawback amounts owing being reflected in the settlement);
- Swiss Re agreed to assume responsibility for designing and managing Freedom's customer remediation program;
- Approximately 43 employees were transferred to Genus Life Insurance Services Pty Ltd, with the remaining employees being made redundant; and
- The Board intends to wind down the Company's operations and return any excess funds to shareholders.

The transition of the administrative services was completed on 25 June 2019 with a cash settlement of $5,000,000 subsequently being received by the Group.

These events outlined above resulted in the significant downsizing of the business, including an 81.7% reduction in sales to $11.2m, due to the cessation of new business, policy cancellations and clawbacks. This compared to $61.3m in the prior year.

Freedom's policies insured approximately 208,000 individuals as at transition date (31 May 2019), down from approximately 350,000 individuals at 30 June 2018.

The Group's main operating expenses were employee benefit expenses, expenses associated with upfront customer acquisition and ongoing policy administration.

Total employee benefit costs decreased by 46.1% on the prior year to $12.3m. This decrease reflected cessation of sales, transition of the run off and wind down of the operations. The $12.3m included $1.5m in redundancy costs for 107 staff. As at 30 June 2019, the Company employed 9 employees on a full time equivalent basis, compared to 229 at 30 June 2018. The remainder of the staff have been made redundant post year end.

Total expenses of $88.9m were impacted by extraordinary costs of $39.0m relating to the Group's expenses for the Royal Commission (including legal and operational), St Andrews acquisition, business strategy and ultimate wind down costs. This included a one off expense of $34.8m for future administration associated with the Swiss settlement.

Income tax benefit for the year was $14.7m, resulting from the loss incurred and the write back of the deferred tax liabilities.

Significant changes in the state of affairs

During the year there was a significant change to the state of affairs of the Group as a result of the cessation of its operating businesses, in particular:

- Freedom Insurance Pty Ltd ceased new business sales on all direct products on 2 October 2018.
- The provision of life insurance administration services to insurers by Insurance Network Services Australia Pty Ltd and Freedom Insurance Administration Pty Ltd ceased following the completion of the transition of those services to the respective insurers and their incoming administrators on or before 15 June 2019.
- Spectrum Wealth Advisers Pty Ltd and its Authorised Representatives ceased providing financial services on 31 May 2019. On 30 June 2019 all remaining Authorised Representatives were de-authorised by Spectrum.

These changes and their effect on the performance of the Group have been explained further in the review of operations.

Matters subsequent to the end of the financial year

The following matters or circumstances have arisen since 30 June 2019 that may significantly affect the wind down of the Group's operations and ultimately the timing and amount of any return to shareholders of the Company:

- As of 2 August 2019, the Group has no employees with the 9 employees that were remaining at 30 June 2019 having been made redundant. The total cost of termination was $0.7m.

Likely developments and expected results of operations

The Directors of the Company will continue the process of winding down the Group's various businesses in an orderly manner. The Board will continue to look at any other available options in order to maximise shareholder return. In appropriate circumstances, shareholders of the Company may be requested to provide approval to the proposed course of action.

The Board will also evaluate whether and when any subsidiaries are wound up.

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

Information on directors

Name:	David Hancock
Title:	Chairman – Resigned 15 November 2018
Qualifications:	David holds a Bachelor of Business degree and is a member of the Australian Institute of Company Directors.
Experience and expertise:	David has over 30 years of broad experience in financial services, and has held several senior corporate roles with TOWER Insurance Limited, the Commonwealth Bank of Australia and JPMorgan.
Other current directorships:	Afterpay Touch (ASX: APT); Elmo Learning (ASX: ELM)
Former directorships (last 3 years):	Freedom Insurance Group (ASX: FIG): Tower Limited (NZE: TWR and ASX: TWR)
Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Keith Cohen
Title:	Chief Executive Officer and Managing Director – Resigned 2 October 2018
Qualifications:	Keith holds a Bachelor of Science degree and is a fellow of the Institute of Actuaries of Australia and the United Kingdom.
Experience and expertise:	Keith was a co-founder of Freedom Insurance and was responsible for leading the development and execution of the Company's long term strategy. Keith has had extensive experience in the life insurance industry and was also the founder and Managing Director of Australian Life Insurance Group from 2002 to 2009. Prior to this, Keith was also a director of various Westpac companies. Keith was also the Deputy General Manager – Development ActuarVoy at Sage Life Limited in South Africa.
Other current directorships:	None
Former directorships (last 3 years):	Freedom Insurance Group (ASX: FIG); NobleOak Life Limited
Interests in shares:	32,283,885 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Stephen Menzies
Title:	Non-Executive Director – Resigned 29 April 2019
Qualifications:	Stephen holds a Masters of Laws, Bachelor of Laws and Bachelor of Economics.
Experience and expertise:	Stephen has extensive knowledge in corporate law and corporate restructures. Stephen is an experienced lawyer and business consultant who specialises in securities issues, funds management and corporate finance. Stephen was a partner at Ashurst from 2006 to 2014, and has also acted as a senior enforcement officer at the Australian Securities and Investments Commission. He holds directorships in public companies and chairs Silicon Quantum Computing Pty Ltd, the commercialisation vehicle of the Centre for Quantum Computation and Communication Technology.
Other current directorships:	Platinum Asset Management Limited (ASX: PTM)
Former directorships (last 3 years):	Freedom Insurance Group (ASX: FIG); Century Australia Investments Limited (ASX: CYA)
:Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Andrew Jensen
Title:	Non-Executive Director – Resigned 29 April 2019
Qualifications:	Andrew is a graduate member of the Institute of Company Directors and a fellow of the Institute of Public Accountants.
Experience and expertise:	Andrew has significant experience in corporate finance with extensive knowledge in the management of all aspects of the finance function with strong commercial, strategic, mergers & acquisitions, and change management experience. Andrew is an accomplished Chief Financial Officer ('CFO') with over 18 years' experience in senior finance and management roles.
Other current directorships:	The Agency Group (ASX: AU1)
Former directorships (last 3 years):	Freedom Insurance Group (ASX: FIG): iBuyNew Group Limited (ASX: IBN) (Previously known as Disruptive Investment Group Ltd (ASX: DVI)
Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Katrina Glendinning
Title:	Non-Executive Director – Resigned 12 November 2018
Qualifications:	Katrina holds a Bachelor of Economics degree, is a member of the Institute of Chartered Accountants in Australia, a Fellow of FINSIA, and is a graduate of the Australian Institute of Company Directors.
Experience and expertise:	Katrina is an experienced financial services executive, with over 25 years of experience across a diverse range of products, investors and regulatory regimes. She has extensive experience across operations, finance, risk and compliance in both start up and established entities.
Other current directorships:	None
Former directorships (last 3 years):	Freedom Insurance group (ASX: FIG)
Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Information on directors

Name:	Pauline Vamos
Title:	Chairman
Qualifications:	Pauline holds a degree in arts and law.
Experience and expertise:	Pauline has over 30 years' experience in the insurance and financial services industry, and is a qualified lawyer.
Other current directorships:	None
Former directorships (last 3 years):	Decimal Software Limited (ASX code: DSX)
Special responsibilities:	Member of the Audit and Risk Committee and the Remuneration and Nomination Committee, and Chair of the Operations Committee.
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	James Green
Title:	Non-Executive Director
Qualifications:	James holds a combined Batchelor degree in Arts (economics major) and Law and a Masters in Law.
Experience and expertise:	James is an experienced company director who brings a wealth of relevant experience gained over more than 30 years in commerce and law, both in investment banking and private legal practice. James has a deep understanding of all aspects of corporate finance and governance and is a past President of the NSW Division of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	Chairman FE Investments Group Ltd (ASX code: FEI).
Special responsibilities:	Member of the Audit and Risk Committee and the Operations Committee, and Chair of the Remuneration and Nomination Committee.
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Doug Halley
Title:	Non-Executive Director
Qualifications:	Doug holds a Bachelor Commerce degree and a MBA.
Experience and expertise:	Doug has had a successful career spanning 35 years as a senior executive in Australian and global business with considerable experience in treasury, finance, business development, restructuring and corporate development and as a CEO. He has held chair and director appointments (as both an executive and non-executive) in Hill Samuel Australia, Rothschild Australia, Fairfax Media, Kollakorn Corporation, Print and Digital Publishing, Foy Group (now IGE), Vocation and MMJ Group.
Other current directorships:	MMJ Group Holdings Ltd
Former directorships (last 3 years):	Chair DUET Group
Special responsibilities:	Member of the Operations Committee and the Remuneration and Nomination Committee, and Chair of the Audit and Risk Committee.
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Malcolm McCool has a Bachelor degree in both Law and Commerce. He has been with the Group since 2011. He is a senior lawyer with 30 years' experience in a range of corporate legal and management positions in the financial services industry. For much of that period he has been involved in the life insurance industry and has developed a unique mix of legal, product, process development and business and management skills.

Anand Sundaraj (appointed joint company secretary on 29 July 2016) has a Bachelor degree in Laws and a Bachelor of Science degree and is admitted as a solicitor of the Supreme Courts of New South Wales and Victoria. Anand Sundaraj is a corporate lawyer with over 18 years' experience. He is a principal of Sydney-based law firm, Sundaraj & Ker. Anand specialises in advising on mergers and acquisitions and capital raisings for both publicly listed and privately held entities. He also advises on funds management and general securities law matters including listing rule compliance an corporate governance. Anand has worked for a number of pre-eminent law firms including Herbert Smith Freehills, King & Wood Mallesons, and Allen & Overy, as well as global investment bank, Credit Suisse AG.

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 2019, and the number of meetings attended by each director were:

	Full Board		Remuneration & Operations Committee		Audit and Risk Committee		Operations Committee	
Name	Attended	Held	Attended	Held	Attended	Held	Attended	Held
David Hancock	15	15	0	0	1	1	-	-
Keith Cohen	10	10	-	-	-	-	-	-
Stephen Menzies	34	34	0	0	3	3	-	-
Andrew Jensen	33	34	0	0	2	3	-	-
Katrina Glendinning	14	14	0	0	1	1	-	-
Pauline Vamos	25	25	1	1	1	1	2	2
James Green	5	5	1	1	1	1	2	2
Doug Halley	5	5	1	1	1	1	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having financial profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key drivers of value to customers; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The non-executive directors may be paid additional or special remuneration if at the request of the Board they perform any extra services or make special exertions. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of their own remuneration. Non-executive directors do not receive share options or other incentives. There are no retirement benefit schemes for non-executive directors, other than statutory superannuation contributions.

ASX listing rules require the total aggregate non-executive directors' remuneration be determined periodically by a general meeting. At the Annual General Meeting held on 15 November 2018, the shareholders approved the annual base fee for the chairman at $110,000 and $65,000 to other non-executive directors. Fees are inclusive of superannuation payments, where applicable. On the 26 April 2019, the Board approved the additional annual payment of $10,000 per Director per committee for attendance at the Remuneration Committee, the Audit and Risk Committee, and the Operations Committee. An annual Chair fee of $5,000 per Committee is also paid to each Committee Chair.

Each of the non-executive directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company’s expectations of them as directors.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable 'at risk' components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments (Employee share scheme).

Employee Option Plan
No options were granted during the financial year and all outstanding options have lapsed. No further options will be issued.

LTI to KMP were delivered in the form of share options. The number of options granted was based on the Prospectus dated 28 October 2016 and was issued to the KMP at no cost.

Options granted to KMP usually vest over three to five years (the 'Performance Period'), subject to the satisfaction of performance conditions. For options granted on 19 September 2016 ('Grant Date'), the Performance Period was from the Group's listing and concludes on the following dates for each of the three tranches:

- Tranche 1: 23 September 2019
- Tranche 2: 31 March 2020
- Tranche 3: 31 March 2021

The performance conditions for the LTI options were based on the compound annual growth rate ('CAGR') of the Group's IPO share issue price per security. IPO share issue price was selected as the performance condition for the LTI since it serves as a good measure of economic value of the Group since listing and is a key component in delivering sustained growth in shareholder wealth.

The percentage of options that vest and become exercisable, if any, is determined by reference to the vesting schedule, summarised as follows:

CAGR of IPO share issue price over the Performance Period	% of options that become exercisable
Less than 15% per annum	None
At least 15% per annum	25%
Between 15% and 25% per annum	Interpolated vesting on a straight line basis between 25% (15% CAGR) and 100% (25% CAGR)
At least 25% per annum	100%

If KMP ceases employment for cause, the unvested options will lapse unless the Board determines otherwise. In other circumstances, the options will remain on issue with a broad discretion for the Board to vest or lapse some or all of the options. The Board will ordinarily lapse options in the case of resignation.

Group performance and link to remuneration
During the financial year, no KMP's received remuneration linked to the Groups performance

Use of remuneration consultants
During the financial year, no remuneration consultants were engaged to review Executive remuneration.

Voting and comments made at the Company's 2018 Annual General Meeting ('AGM')
At the 2018 AGM, 66.32% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Freedom Insurance Group Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

- David Hancock
- Keith Cohen
- Stephen Menzies
- Andrew Jensen
- Katrina Glendinning
- Pauline Vamos
- James Green
- Doug Halley

And the following persons

- Jenny Andrews (Chief Financial Officer) ceased 31 December 2018
- Craig Orton (Chief Operating Officer) until 2 October 2018
- Craig Orton (Chief Executive Officer) ceased his role on 1 December and left the Group on 31 December 2018
- Sean Williamson (Chief Executive Officer) appointed 1 December 2018
- Adam Scobie (acting Chief Financial Officer) appointed 1 December 2018

	Short-term benefits			Post-employment benefits	Long-term benefits		
2019	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Termination $	Total $
Non-Executive Directors:							
David Hancock (Chairman)+	38,637	-	-	3,671	-	-	42,308
Pauline Vamos (Chairman)*	91,073	-	-	8,652	-	-	99,725
Stephen Menzies+	58,718	-	-	-	-	-	58,718
Andrew Jensen+	49,087	-	-	4,663	-	-	53,750
Katrina Glendinning+	21,689	-	-	2,060	-	-	23,749
James Green*	19,158	-	-	-	-	-	19,158
Doug Halley*	18,165	-	-	-	-	-	18,165
Executive Directors:							
Keith Cohen+	253,869	-	2,947	8,612	-	513,744	779,172
Craig Orton+	197,741	100,000	-	15,984	-	59,135	372,860
Sean Williamson*	219,168	-	-	15,263	-	-	234,431
Other Key Management Personnel:							
Jenny Andrews+	166,618	-	-	13,462	-	73,466	253,546
Adam Scobie*	105,769	33,790	-	13,012	-	-	152,571
	1,239,692	133,790	2,947	85,379	-	646,345	2,108,153

\+ Represents remuneration from 1 July to termination date

* Represents remuneration from date of appointment to 30 June 2019. After the year end, the Board granted Sean Williamson a discretionary bonus of $200,000 which is excluded from the 30 June 2019 remuneration.

2018	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Termination $	Total $
Non-Executive Directors:							
David Hancock (Chairman)	100,457	-	-	9,543	-	-	110,000
Stephen Menzies	65,000	-	-	-	-	-	65,000
Andrew Jensen	59,361	-	-	5,639	-	-	65,000
Katrina Glendinning	59,361	-	-	5,639	-	-	65,000
Executive Directors:							
Keith Cohen	664,308	-	11,486	22,917	12,893	-	711,604
Other Key Management Personnel:							
Jenny Andrews	301,370	-	-	25,000	9,746	-	336,116
Craig Orton*	139,094	-	-	13,214	196	-	152,504
	1,388,951	-	11,496	81,952	22,835	-	1,505,224

* Represents remuneration from date of appointment to 30 June 2018

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Keith Cohen
Title:	Chief Executive Officer and Managing Director
Agreement commenced:	1 July 2015
Agreement terminated:	2 October 2018
Details:	Keith was entitled to receive a total remuneration of $787,185 per annum, a 5% increase from prior year of $749,700 (comprising base salary and superannuation). Keith was also entitled to five weeks' paid annual leave each year during the term of his employment. Keith's employment contract included a 6 month notice period which was honoured, together with accrued annual leave of $132,651.

Name:	Jenny Andrews
Title:	Chief Financial Officer
Agreement commenced:	1 April 2014
Agreement terminated:	31 December 2018
Details:	Jenny was entitled to receive a total remuneration of $330,000 per annum (comprising base salary and superannuation). In addition, Jenny was also entitled to four weeks' paid annual leave each year during the term of her employment.

Name:	Craig Orton
Title:	Chief Operating Officer
COO Agreement commenced:	6 February 2018
COO Agreement terminated:	1 October 2018 (transition to CEO)
Title:	Chief Executive Officer
CEO Agreement commenced:	2 October 2018
CEO Agreement terminated:	31 December 2018
	Craig was entitled to receive a total remuneration of $400,000 per annum (comprising base salary and superannuation). In addition, Craig was also entitled to four weeks' paid annual leave each year during the term of his employment.

Name:	Sean Williamson
Title:	Chief Executive Officer
Agreement commenced:	1 December 2018
Agreement terminated:	Ongoing at 30 June 2019 (terminated 2 August 2019)
Details:	Sean was entitled to receive a total remuneration of $400,000 per annum (comprising base salary and superannuation). In addition, Sean was also entitled to four weeks' paid annual leave each year during the term of his employment. Sean's employment could be terminated by giving at least three months' notice in writing, or where terminated by the Group, by making payment in lieu of notice and requiring him to not work during the notice period or to work for only part of the notice period. The Group may terminate his employment immediately and without pay in certain circumstances, including for wilful misconduct, failure to obey lawful and reasonable directions, a breach of the confidentiality obligations or failing to comply with any Group policy or procedure.

Name:	Adam Scobie
Title:	Acting Chief Financial Officer
Agreement commenced:	1 December 2018
Agreement terminated:	Ongoing at 30 June 2019 (terminated 1 July 2019)
Details:	Adam was entitled to receive a total remuneration of $202,081 per annum (comprising base salary and superannuation). In addition, Adam is also entitled to four weeks' paid annual leave each year during the term of his employment. Adam's employment could be terminated by giving at least four weeks' notice in writing, or where terminated by the Group, by making payment in lieu of notice and requiring him to not work during the notice period or to work for only part of the notice period. The Group may terminate his employment immediately and without pay in certain circumstances, including for wilful misconduct, failure to obey lawful and reasonable directions, a breach of the confidentiality obligations or failing to comply with any Group policy or procedure.

Other senior members of management were either engaged as a consultant under a consultancy agreement or a party to a contract of employment with Group. These agreements documented annual based services fees or base salary and any incentive arrangements, as determined by the Board from time to time; confidentiality provisions; ownership of intellectual property provisions.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the years ended 30 June 2019 and 30 June 2018.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
19 September 2016	23 September 2019	23 September 2020	$0.10	$0.03
19 September 2016	31 March 2020	31 March 2021	$0.10	$0.02
19 September 2016	31 March 2021	30 June 2021	$0.10	$0.02

The options above relate to former employees of the Group and the options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the years ended 30 June 2019 and 30 June 2018.

Additional information
The earnings of the Group for the two years to 30 June 2019 are summarised below:

	2019 $'000	2018 $'000
Sales revenue	11,231	61,339
EBITDA	(77,643)	19,229
Profit after income tax	(62,977)	13,153

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018
Share price at financial year end ($)	0.02	0.43
Basic earnings per share (cents per share)	(26.27)	5.49
Diluted earnings per share (cents per share)	(26.27)	5.42

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Hancock	142,858	-	-	-	142,858
Keith Cohen*	32,283,885	-	-	-	32,283,885
Stephen Menzies**	142,858	-	-	-	142,858
Andrew Jensen***	142,858	-	-	-	142,858
Katrina Glendinning	142,858	-	-	-	142,858
Jenny Andrews	4,639,050	-	-	-	4,639,050
	37,494,367	-	-	-	37,494,367

Craig Orton and Sean Williamson did not hold any shares during the financial year ended 30 June 2019.

*	Held indirectly through Keith Charles Cohen and Jeanette Patricia Cohen ATF Cohen Family Trust
**	Held indirectly through Gyton Pty Ltd ATF Gyton Pty Ltd Superannuation Fund
***	Held indirectly through Andrew Jensen and Kate Jensen ATF A & K Jensen Super Fund

Option holding
The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Jenny Andrews	550,000	-	-	205,479	344,521
	550,000	-	-	205,479	344,521

At 30 June 2019, there were no options vested and exercisable.

Loans to key management personnel and their related parties
There were no loans to key management personnel and their related parties at the current reporting date.

Other transactions with key management personnel and their related parties
There were no other transactions with key management personnel and their related parties at the current reporting date.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Freedom Insurance Group Ltd under option at the date of this report as detailed in Note 31 are as follows:

Grant date	Expiry date	Exercise price	Number under option
19 September 2016	23 September 2020	$0.10	1,318,355
19 September 2016	31 March 2021	$0.10	293,636
19 September 2016	30 June 2021	$0.10	172,691
			1,784,682

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Freedom Insurance Group Ltd issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the directors on a full indemnity basis, for costs incurred, in their capacity as a director, for which they may be held personally liable. This includes indemnity against all losses or liabilities (including all reasonable legal costs) incurred by the director as an officer of the Company or a related body corporate.

During the financial year, the Company, paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of 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

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

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 as disclosed in note 20 to the financial statements 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 to ensure that they do not impact the integrity 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.

Officers of the Company who are former partners of KPMG

There are no officers of the Company who are former partners of KPMG.

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.

Auditor

KPMG 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

Pauline Bernadette Vamos
Chairman

3 October 2019
Sydney

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

To the Directors of Freedom Insurance Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Freedom Insurance Group Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Andrew Reeves

Partner

Sydney

3 October 2019

Freedom Insurance Group Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue	5	11,231	61,339
Net gain on disposal of investment in NobleOak Life Limited		-	3,288
Expenses			
Net present value of expected future administration costs	3	(34,777)	-
Commission expense	6	(13,635)	-
Employee benefit expense	6	(12,308)	(22,835)
Remediation expense	3	(5,000)	-
Management and professional fees		(1,922)	(1,806)
Marketing and promotion		(3,579)	(12,416)
Occupancy costs		(2,575)	(1,965)
Telecommunications		(420)	(2,705)
Impairment of assets	6	(5,818)	-
Non-operating expenses	6	(4,198)	(1,666)
Other expenses		(4,641)	(2,008)
Finance costs		(1)	(1)
Total expenses		(88,874)	(45,402)
(Loss)/ profit before income tax expense		(77,643)	19,225
Income tax benefit/(expense)	7	14,666	(6,072)
(Loss)/profit after income tax benefit/(expense) for the year attributable to the owners of Freedom Insurance Group Ltd		(62,977)	13,153
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the year attributable to the owners of Freedom Insurance Group Ltd		(62,977)	13,153
		Cents	Cents
Basic earnings per share		(26.27)	5.49
Diluted earnings per share		(26.27)	5.42

We draw the readers' attention to Note 3 that sets out significant events that impact these financial statements as at 30 June 2019.

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 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	8	6,885	18,359
Trade and other receivables	9	93	4,325
NPV of trail commission	12	-	8,570
Other assets	10	926	316
Total current assets		7,904	31,570
Non-current assets			
Goodwill	13	-	5,818
NPV of trail commission	12	-	65,401
Total non-current assets		-	71,219
Total assets		7,904	102,789
Liabilities			
Current liabilities			
Trade and other payables	14	2,544	3,478
Employee benefits		191	589
Provisions	15	500	16,338
Total current liabilities		3,235	20,405
Non-current liabilities			
Deferred tax	7	-	14,533
Employee benefits		-	205
Total non-current liabilities		-	14,738
Total liabilities		3,235	35,143
Net assets		4,669	67,646
Equity			
Contributed capital		32,589	32,589
Reserves		49	49
Retained profits		(27,969)	35,008
Total equity		4,669	67,646

We draw the readers' attention to Note 3 that sets out significant events that impact these financial statements as at 30 June 2019.

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 year ended 30 June 2019

Consolidated (2018)	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 year	-	-	13,153	13,153
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	35,008	67,646
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 15)	-	-	-	-
Share-based payments (note 16)	-	49	-	49
Transfer on conversion of loans payable (note 16)	-	-	-	-
Balance at 30 June 2018	32,589	49	35,008	67,646

Consolidated (2019)	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	32,589	49	35,008	67,646
Loss after income tax expense for the year	-	-	(62,977)	(62,977)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(62,977)	(62,977)
Balance at 30 June 2019	32,589	49	(27,969)	4,669

We draw the readers' attention to Note 3 that sets out significant events that impact these financial statements as at 30 June 2019.

Freedom Insurance Group Ltd
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before income tax expense for the year		(77,643)	19,225
Adjustments for:			
Depreciation and amortisation		4	3
Share-based payments		-	-
Net gain on disposal of non-current assets		(13)	(3,288)
Finance costs - non-cash		5,818	-
Interest received		(98)	(555)
Interest and other finance costs		1	1
		(71,931)	15,386
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables	9	4,230	167
Decrease/(increase) in other assets	10	(608)	(41)
Increase in NPV of trail commissions		73,971	(30,185)
Decrease in trade and other payables	14	(935)	(735)
(Decrease)/Increase in employee benefits		(602)	320
(Decrease)/Increase in other provisions		(15,838)	923
		(11,713)	(14,165)
Interest received		98	555
Interest and other finance costs paid		(1)	(1)
Income taxes refund/(paid)		142	(1,873)
Net cash from/(used in) operating activities		(11,474)	(15,484)
Cash flows from investing activities			
Payments for investments		-	-
Payments for property, plant and equipment		-	(3)
Proceeds from disposal of investments	11	-	6,990
Proceeds/(payments) from/(to) security deposits		-	-
Net cash from/(used in) investing activities		-	6,987
Cash flows from financing activities			
Proceeds from issue of shares	16	-	-
Share issue transaction costs		-	-
(Repayments)/proceeds of borrowings		-	-
Net cash from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(11,474)	(8,497)
Cash and cash equivalents at the beginning of the financial year		18,359	26,856
Cash and cash equivalents at the end of the financial year	8	6,885	18,359

We draw the readers' attention to Note 3 that sets out significant events that impact these financial statements as at 30 June 2019.

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

Note 1. General information

The financial statements cover both Freedom Insurance Group Ltd ('Company' or 'parent entity') as an individual entity and the consolidated entity consisting of Freedom Insurance Group Ltd and the entities it controlled at the end of, or during, the 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 for profit listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 14 Tower 2
101 Grafton Street
Bondi Junction
NSW 2022

The Group conducted an insurance business that specialised 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 was not an APRA regulated life insurer.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 3 October 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Basis of preparation

These general purpose financial statements have been prepared on a basis other than going concern due to the events discussed in Note 3 of the financial statements. The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'), except for disclosure requirements of AASB 8 Operating Segments.

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Impact of preparing the financial statements other than going concern
In accordance with AASB 101 'Presentation of Financial Statements', all assets for the 30 June 2019 year have been classified as current based on the order of liquidity as the Group expects to realise these assets in the next 12 months. Liabilities are also classified as current as the Group intends to settle these liabilities in the next 12 months. Comparatives have not been restated as the Group was a going concern at 30 June 2018.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Freedom Insurance Group Ltd at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those 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 de-consolidated from the date that control ceases.

Note 2. Significant accounting policies(continued)

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

The acquisition of common control subsidiaries is accounted for at book value. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities as at 30 June 2018 are presented in the statement of financial position based on current and non-current classification. Assets and Liabilities as at 30 June 2019 are presented as current in line with the financial statements other than going concern as per above.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment of non-financial assets

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits
The liability for annual leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies(continued)

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

AASB 9 Financial Instruments
AASB 9 addresses classification, measurement and recognition of financial assets and financial liabilities. The standard replaces the guidance in AASB 139 that relates to the classification and measurement of financial instruments.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new standard requires the recognition of expected credit losses from the moment when receivables are first recognised, rather than when a trigger event occurs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group has reviewed its financial assets and liabilities and identified that commission receivable is affected by the new accounting standard. The Group assumes that the credit risk on commission receivable has increased significantly if it is more than 90 days past due.

The new standard requires provision to be made for the expected non-recoverable portion of trade and other receivable and net present value of trail commission at the time it is recognised.

The Group initially applied AASB 9 at 1 July 2018 on a prospective basis in accordance with the transition provisions of AASB 9, under which the comparative information is not required to be restated. The cumulative effect of applying the new standard was recognised in opening retained earnings as at 1 July 2018. There is no material impact arising from the adoption of AASB 9 due to the events discussed under Note 3.

AASB 15 Revenue from Contracts with Customers
The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Note 2. Significant accounting policies(continued)

The Group initially applied AASB 15 at 1 July 2018. It chose to apply the transition option in paragraph C3(b) of AASB 15 under which the comparative information is not required to be restated. The cumulative effect of applying the new standard was recognised in opening retained earnings as at 1 July 2018. There is no material impact arising from the adoption of AASB 15 as the Group currently has a revenue recognition policy which recognises revenue when performance obligations are satisfied with probability of revenue recognition continuing to meet the highly probable requirements.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

The Group’s primary lease was the rental premises which was terminated on 31 July 2019. No other leases are held due to the cessation of business as discussed under Note 3. Therefore there will be no impact on the financial statements.

Note 3. Significant events

Events affecting the distribution and administration of direct life insurance policies

Recent events affecting the distribution and administration of direct life insurance policies have had a significant impact on the Group’s operations and on its financial performance which resulted in a net asset position of $4.7m as at 30 June 2019.

On 30 August 2018, the Australian Securities and Investment Commission ('ASIC'), as the primary regulator of the sale of insurance products in Australia, released its review of the life insurance industry ('ASIC Report 587 The sale of direct life insurance'). Whilst Freedom was not part of the review, ASIC's report included a number of recommendations that significantly affected the Group’s sales model.

Following the release of the ASIC Report 587, the Group commenced a process of consultation with ASIC to understand the ramifications for the business. As a result, the Group launched a strategic review on 6 September 2018.

In light of the ASIC Report 587 and through preliminary findings of the strategic review, the Group announced a restructure of its business and changes to its senior management on 2 October 2018.

The restructure resulted in the following:

- the immediate suspension of new business sales on all products;
- a continued focus on its administration service; and
- a restructure of operations which saw a reduction of approximately 90 employees including the replacement of the Chief Executive Officer and Chief Financial Officer.

The Group announced on 6 December 2018 that it had completed a strategic review, and that it would develop a remediation program for affected customers. The Group also advised that it may face a liquidity shortfall in 2019, caused by the increased commission clawbacks in absence of commission receipts from new business sales. In addition the Group announced that ASIC had commenced an investigation into possible past misconduct highlighted during the Group’s appearance at the Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry.

Note 3. Significant events (continued)

The planned acquisition of St Andrews Australia Pty Ltd was mutually terminated by the parties involved on 10 December 2018. The parties were unable to agree an extension of timeframes for the satisfaction of transaction conditions precedent including regulatory approval by APRA.

Post 31 December 2018, the Group experienced an increase in clawback payments caused by an increase in underlying lapses. As a result, the Group sought a trading halt from the Australian Securities Exchange on 5 February 2019. On 7 February 2019, the Group's shares were suspended from official quotation which continues at the date hereof.

On 15 April 2019, the Group announced that it had agreed in principle to transfer its policy administration business to a third party and was to receive a cash settlement in consideration of terminating its rights to ongoing fees and commissions from the respective insurers. Formal agreements were executed on 26 April 2019 with the following implications on the financial position of the Group as outlined in an ASX release as follows:

- Following an allowance for customer remediation, the Group will receive a cash payment of $5m immediately following completion of the transition of the administration services with this amount being used to pay creditors, wind down remaining operations, meet any final regulatory obligations and return any excess to shareholders. The payment amount reflects the value of net trail commissions after offsetting commission clawbacks, expected administration costs and allowance for a customer remediation program;
- The Group's distribution and administration arrangements with AIA Australia Limited, NobleOak Life Limited and Swiss Re Life & Health Australia Limited ('Swiss Re') (together 'the insurers') will terminate and the Group will transfer its policy administration services to Genus Life Insurance Services Pty Ltd. Consequently, the Group will no longer receive any future trail commission or other revenue from the insurers nor will it be required to make further clawback payments to Swiss Re (with deferred clawback amounts owing being reflected in the settlement);
- Swiss Re agreed to assume responsibility for designing and managing Freedom's customer remediation program;
- Approximately 43 employees were transferred to Genus Life Insurance Services Pty Ltd, with remaining employees being made redundant; and
- It intends to wind down the Group's operations and return any excess funds to shareholders.

The transition of the administrative services was completed on 25 June 2019 with a cash settlement of $5m. The following illustrates the elements of the transition agreement (excluding Spectrum):

	$'000
Net present value of trail commission as at 31 December 2018 (Note 10)	64,392
Provision for commission clawbacks as at 31 December 2018 (Note 11)	(17,579)
Reduction in value of trail asset to 31 May 2019	(1,248)
Reduction in value of clawback provision to 31 May 2019	7,212
Transfer of customer remediation program	(5,000)
Deferred clawback expense from 2019	(8,000)
Net present value of expected future administration fee receipt (i)	35,574
Net present value of expected future administration costs (ii)	(70,351)
Cash settlement received	5,000

(i) Represents the expected revenue that the group would be entitled to if the contract was not commuted.
(ii) Represents the expected cost to transfer the administration to Genus Life Insurance Services Ltd. The net of these two amounts is an expense of $34.8m.

Events affecting the Spectrum Wealth Advisers Pty Ltd ('Spectrum')

On 15 November 2018 the Group announced the intention to sell its non-core Spectrum business. This decision was re-affirmed on 15 April 2019.

The outcomes of the Royal Commission into Misconduct in Banking, Superannuation and Financial Services Industry and other regulatory reviews into financial advice, resulted in significant devaluation of the Group's financial planning businesses, including Spectrum.

Note 3. Significant events (continued)

On 31 May 2019, the Group announced that Spectrum was unable to continue to meet all conditions of its Australian Financial Services Licence. Consequently, the Group commenced winding down the Spectrum business. By 30 June 2019 all remaining Authorised Representatives were given notice that they were de-authorised by Spectrum.

Note 4. Operating segments

Identification of reportable operating segments
The Group operated in one segment being the provision of insurance policies, principally in Australia. This operating segment was 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.

Major customers
As outlined in Note 3 above, the Group ceased operations in the year, and as at June 2019 had no major customers.

Note 5. Revenue

	Consolidated	
	2019 $'000	2018 $'000
Sales revenue		
Commissions	-	26,577
Movement NPV Trail Commission	-	30,185
Movement commission clawbacks	5,972	(923)
Revenue from Advisor - Spectrum	1,390	1,672
Administration revenue	3,759	3,256
	11,121	60,767
Other revenue		
Interest	98	555
Other revenue	12	17
	110	572
Total revenue	11,231	61,339

Accounting policy for revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Commissions
Upfront commissions are fees that are earned upon the sale of a new insurance policy. Early termination by customers may trigger a clawback of revenue as specified in agreements with insurance providers. These clawbacks are accounted for as a provision offset against commissions.

Trail commission movement are the ongoing fees for customers introduced to insurance providers. Trail commissions represent commissions earned calculated as a percentage of the value of the underlying policies. The Group is entitled to receive trail commissions without having to perform further services. On initial recognition, trail revenue and receivables are recognised at fair value, being the net present value of expected future cash flows of trail commission, discounted using discounted cash flow valuation techniques. Following the cessation of business and the subsequent settlement with Swiss Re, these were reversed generating a commission expense.

Note 5. Revenue (continued)

Subsequent to initial recognition and measurement, the trail commission asset is measured at amortised cost. The carrying amount of the asset is adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised in profit or loss.

Administration fees and other revenue
Revenue is recognised when it is received or when the right to receive payment is established.

Note 6. Expenses

	Consolidated	
	2019 $'000	2018 $'000
Profit before income tax includes the following specific expenses:		
Commission expense		
Commission expense	2,808	-
Movement NPV trail commission expense	10,827	-
Total commission expense	13,635	-
Employee benefits expense		
Wages, salaries and other benefits	9,973	21,201
Defined contribution superannuation expense	822	1,634
Redundancy cost and associated defined contribution expense	1,513	-
Total employee benefit expense (i)	12,308	22,835
Impairment of assets		
Goodwill	5,818	-
Non-operating expenses		
Consulting fees	3,835	-
Business due diligence expenses	363	1,663
Total non-operating expense (ii)	4,198	1,663

(i) Refer to Note 3 which explains the business wind down and subsequent decrease in employee benefit expense.
(ii) The current year non-operating expenses comprises of consulting fees incurred to support the business through the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and subsequently the strategic review. The prior year non-operating expenses related to expenditures associated with capital raising costs for listing in FY17 and the targeted acquisition of St Andrews Life Insurance in FY18.

Accounting policy for finance costs
All finance costs are expensed in the period in which they are incurred.

Note 7. Income tax

	Consolidated 2019 $'000	2018 $'000
Income tax expense		
Current tax (income)/expense	-	(1,884)
Deferred tax - origination and reversal of temporary differences	(22,191)	8,168
Deferred tax - origination of deductible temporary differences	4,239	-
Deferred tax - reversal of deductible temporary differences	3,420	-
Adjustment recognised for prior periods	(133)	(212)
Aggregate income tax expense	(14,666)	6,072
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax	(14,666)	8,168
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	(77,643)	19,225
Tax at the statutory tax rate of 30%	(23,292)	5,768
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	5	1,503
Current year losses for where no deferred tax asset was recognised	5,315	(987)
Reversal of tax benefits where deferred tax was recognised	3,420	-
Current year deductions where no deferred tax asset was recognised	(63)	-
Others	82	-
	(14,533)	6,284
Adjustment recognised for prior periods	(133)	(212)
Income tax expense	(14,666)	6,072
Amounts credited directly to equity		
Deferred tax	-	(211)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	24,000	-
Potential tax benefit @ 30%	7,200	-

The above potential tax benefit for tax losses has not been recognised in the statement of financial position because of the uncertainty of their realisation. These tax losses available may be utilised in the future if the continuity of ownership test is passed.

Note 7. Income tax (continued)

	Consolidated	
	2019	2018
	$'000	$'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	1,884
Accrued expenses	-	769
S40-880 blackhole deduction	-	362
Provision for clawback	-	4,239
Net present value trail commission	-	(22,191)
Other	-	193
	-	(14,474)
Amounts recognised in equity:		
Capital raising costs	-	211
Deferred tax liability	-	(14,533)
Movements:		
Opening balance	(14,533)	(8,410)
Charged to profit or loss	14,533	(8,168)
Credited to equity	-	211
Deferred tax asset on losses	-	1,884
Prior period adjustment	-	(50)
Closing balance	-	(14,533)

	Consolidated	
	2019	2018
	$'000	$'000
Provision for income tax		
Provision for income tax	-	-

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Note 7. Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidated group
Freedom Insurance Group Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2019 $'000	2018 $'000
Cash at bank	5,911	17,401
Cash on deposit	974	958
	6,885	18,359

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2019 $'000	2018 $'000
Trade receivables	93	4,475
Less: Provision for impairment of receivables	-	(150)
	93	4,325

Note 9. Current assets - trade and other receivables (continued)

Impairment of receivables
Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2019 $'000	2018 $'000
Opening balance	150	154
Unused amounts reversed through profit or loss	(150)	(4)
Closing balance	-	150

All trade receivables recognised as at 30 June 2019 have been collected subsequent to 30 June 2019.

Upon the adoption of AASB 9, Financial Instruments the provision for impairment of receivables which was estimated on incurred loss basis was reversed.

Note 10. Current assets - other

	Consolidated	
	2019 $'000	2018 $'000
Prepaid expenses (i)	567	316
Other current assets (ii)	360	-
	926	316

(i) Prepaid expenses comprises the 2019 insurances policies and IT services fees paid in advance
(ii) Other current assets comprises predominately GST receivable

Note 11. Non-current assets - other financial assets

	Consolidated	
	2019 $'000	2018 $'000
Investment in NobleOak Life Limited - unlisted held at cost	-	-

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

	2019 $'000	2018 $'000
Opening carrying amount	-	3,702
Disposals	-	(3,702)
Closing carrying amount	-	-

The investment in NobleOak Life Limited was disposed of on 8 September 2017 for $7m. The investment was originally 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 has disposed of this non-core investment.

Note 12. Current assets - net present value of trail commission

	Consolidated	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Net present value of trail commission (i)	-	8,570

(i) The $8.6m represents the current portion of the net present value of trail commission as at 30 June 2018. An amount of $65.4m was disclosed as a non-current asset as at 30 June 2018.

Trail commissions are ongoing fees for customers introduced to insurance providers. Trail commissions represent commissions earned calculated as a percentage of the value of the underlying policies. The Group is entitled to receive trail commissions without having to perform further services. On initial recognition, trail revenue and receivables are recognised at fair value, being the net present value of expected future cash flows of trail commission, discounted using discounted cash flow valuation techniques.

Subsequent to initial recognition and measurement, the trail commission asset is measured at amortised cost. The carrying amount of the asset is adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised in profit or loss.

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 are based on internally observable data, and the impact of changes in those key assumptions are quantified below. The trail commission has been significantly impacted by events subsequent to year end and this note should be read in conjunction with Note 3.

Movements in net present value of trail commission

	Freedom Insurance Group Ltd $'000	Spectrum Wealth Advisers Pty Ltd $'000	Consolidated $'000
Balance as at 30 June 2018	72,159	1,813	73,972
New business written up to 2 October 2018 (i)	4,181	-	4,181
Reduction in NPV of trail commissions up to 31 May 2019 (ii)	(13,196)	(372)	(13,196)
Transfer of rights due to transition agreement (iii)	(63,144)	-	(63,144)
Write down due to the cessation of adviser business (iv)	-	(1,441)	(1,813)
Balance as at 30 June 2019 (v)	-	-	-

(i) This is the net present value of future trail commission for the new business written over the 12 months to 30 June 2019 expected to be remaining in force as at 30 June 2019. This amount is smaller than previous periods as Freedom ceased sales in October 2018.
(ii) This represents the amount expected to receive based on the run-off assumptions determined by the Group at 30 June 2018 and 31 December 2018 respectively.
(iii) This represents the net present value of future trail commissions transferred as described in Note 3.
(iv) As described in Note 3, this represents the extinguishment of the right to receive the net present value of future trail commissions as the Group commenced winding down the Spectrum business.
(v) Due to the events described in Note 3, the Group is not exposed to future assumption changes, and as a result, no sensitivity analysis has been illustrated.

Note 13. Non-current assets - goodwill

	Consolidated	
	30 June 2019 $'000	30 Jun 2018 $'000
Goodwill - at cost	5,818	5,818
Less: Impairment (i)	(5,818)	-
	-	5,818

(i) Goodwill arose on the acquisition of Finwealth Holdings Pty Ltd during the year ended on 30 June 2016. The goodwill was allocated to the Spectrum Wealth Advisers Pty Ltd ('Spectrum') cash-generating unit.
The recoverable amount of the goodwill has been determined based on fair value less cost of disposal. The carrying amount exceeded the recoverable amount and an impairment was required.
The Board believes based on the circumstances described in Note 3 in regards to the Spectrum cash-generating unit, the recoverable amount as at 30 June 2019 is $nil.

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2019 $'000	2018 $'000
Trade payables	76	858
Commissions payable	169	983
Other creditors	916	902
Accruals (i)	1,383	735
	2,544	3,478

(i) In the current year, the landlord agreed to terminate the lease on 31 July 2019, for a payment of $1.3m including a make good expense of $0.4m and a lease payout of $0.9m.

Note 15. Current liabilities - provisions

	Consolidated	
	2019 $'000	2018 $'000
Clawback provision (i)	-	16,338
Other provisions (ii)	500	-
	500	16,338

(i) The clawback provision is determined using the same valuation techniques and assumptions as applied in calculating the net present value of trail commission (Refer Note 12).
(ii) Other provision is the provision for known claims against Spectrum Wealth Advisers currently being assessed by the Australian Financial Complaints Authority (AFCA). The potential impact of these claims have been estimated based on advice received by the Group based on information known at the date of these report.

Note 15. Current liabilities - provisions (continued)

Movements in clawback provision

	Freedom Insurance Group Ltd $'000	Spectrum Wealth Advisers Pty Ltd $'000	Consolidated $'000
Balance as at 30 June 2018	16,213	125	16,338
New business written up to 2 October 2018 (i)	1,214	-	1,214
Reduction in clawback provisions up to 31 May 2019 (ii)	(7,061)	-	(7,061)
Transfer of rights due to transition agreement (iii)	(10,366)	-	(10,366)
Write down due to the cessation of adviser business (iv)	-	(125)	(125)
Balance as at 30 June 2019 (v)	-	-	-

(i) The provision at 30 June 2019 is increased due to new business sold over the period as that generates new initial commissions that are subject to clawback. This amount is smaller than previous periods as Freedom ceased sales in October 2018.
(ii) This represents the amount expected to receive based on the run-off assumptions determined by the Group at 30 June 2018 and 31 December 2018 respectively.
(iii) This represents the clawback provisions transferred as described in Note 3.
(iv) As described in Note 3, this represents the extinguishment of the obligation to pay the provision for commission clawbacks as the Group commenced winding down the Spectrum business.
(v) Due to the events described in Note 3, the Group is not exposed to future assumption changes, and as a result, no sensitivity analysis has been disclosed.

Note 16. Equity - contributed capital

	Consolidated			
	2019 Shares	**2018 Shares**	**2019 $'000**	**2018 $'000**
Ordinary shares - fully paid	-	239,723,495	-	32,589

Movements in ordinary share capital

Details	**Date**	**Shares**	**$'000**
Balance	1 July 2016	163,633,670	8,416
Share issue	24 November 2016	42,857,142	15,000
Conversion of convertible notes payable and accrued interest into shares	28 November 2016	33,232,683	9,305
Transfer of reserve on conversion of convertible notes payable into shares	28 November 2016	-	688
Share issue costs		-	(1,171)
Tax on share issue costs		-	351
Balance	30 June 2017	239,723,495	32,589
Balance	30 June 2018	239,723,495	32,589
Balance	30 June 2019	239,723,495	32,589

Note 16. Equity - contributed capital (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

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

The capital risk management policy remains unchanged from the 2018 Annual Report.

Note 17. Equity - reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Share-based payments reserve	49	49

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

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

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments $'000	Convertible note $'000	Total $'000
Balance at 1 July 2016	-	688	688
Revaluation - gross	-	(688)	(688)
Share-based payments	49	-	49
Balance at 30 June 2017	49	-	49
Balance at 30 June 2018	49	-	49
Balance at 30 June 2019	49	-	49

Note 18. Equity - dividends

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

Note 18. Equity - dividends (continued)

Franking credits

	Consolidated	
	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	1,772	1,772

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date
- franking credits may be restricted due to ability to distribute to shareholders

Note 19. Financial instruments

Financial risk management objectives
The Group's activities exposed it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis and ageing analysis.

Risk management is carried out by senior management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk and price risk
The Group is not exposed to any significant foreign exchange risk or price risk.

Interest rate risk
The Group has some exposure to interest rate risk via earnings on cash at bank.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group trades only with recognised creditworthy third parties (life insurance funds), and as such no collateral is required. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Following the transition of the business on 31 May 2019, the only trade receivables remaining was $56,000 from AIA Insurance. This balance was paid within the following month.

Liquidity risk
Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 19. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	76	-	-	-	76
Commissions payable	-	169	-	-	-	169
Other creditors	-	916	-	-	-	916
Accruals	-	1,383	-	-	-	1,383
Total non-derivatives		2,544	-	-	-	2,544

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	858	-	-	-	858
Commissions payable	-	983	-	-	-	983
Other payables	-	902	-	-	-	902
Total non-derivatives		2,743	-	-	-	2,743

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Group:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - KPMG		
Audit or review of the financial statements	190,000	113,000
Other services – Crowe Horwarth		
Preparation of the tax return	22,000	-
Other services	-	30,000
	22,000	30,000
	212,000	143,000

Note 21. Contingent liabilities

Given the circumstances of the Group, the following are considered to be contingent liabilities as at 30 June 2019:

- ASIC is continuing to review the conduct of an ex-Spectrum employee and past dealings of Spectrum. It is possible that this review may give rise to potential future liabilities of the Group. At this point in time, the review is on-going and potential future liabilities, if any, are not able to be estimated.
- A claim for dismissal by an ex-Spectrum employee was submitted to the Group on the 23 July 2019. In the opinion of the Group's legal advisers, the Group is not obligated to pay any further amounts.
- The Company has received three letters post 30 June 2019 from NobleOak Life Limited, claiming a range of alleged contractual Breaches and requesting unstated damages. The allegations are denied and the claims will be defended.
- The Group advised in December 2018 that it is under investigation by ASIC into past misconduct given the revelations at the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. That investigation is continuing and it is possible that ASIC may impose fines and penalties on the Company, however the quantum of these, if any, are not able to be estimated.

Note 22. Commitments

	Consolidated	
	2019 $'000	2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	1,606
One to five years	-	2,834
	-	4,440

Accounting policy for leases
Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

The minimum lease payments as at 30 June 2018 refers to the premises lease which was due to expire in February 2021. In the current year, the landlord agreed to terminate the lease on 31 July 2019, for a payment of $1.3m including a make good expense of $0.4m which has been recognised as part of Note 14. The lease was terminated on 31 July 2019, and the office relocated to alternate premises, where no lease is held

Note 23. Related party transactions

Parent entity
Freedom Insurance Group Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel ('KMP') are set out in note 24 and the remuneration report included in the directors' report.

Note 23. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	$	$
Payment for other expenses:		
Fees paid for recruitment services to KMP	-	-

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 24. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2019	2018
	$	$
Short-term employee benefits	1,461,808	1,400,437
Post-employment benefits	-	81,952
Long-term benefits	-	22,835
Termination payments	646,345	-
	2,108,153	1,505,224

Note 25. Parent entity information.

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	$'000	$'000
(Loss)/Profit after income tax	(62,977)	3,076
Total comprehensive income	(62,977)	3,076

Note 25. Parent entity information (continued)

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	11,947	3,186
Total assets	11,947	65,541
Total current liabilities	7,279	951
Total liabilities	7,279	951
Equity		
Contributed capital	63,444	63,444
Share-based payments reserve	49	49
(Accumulated losses)/Retained profits	(58,825)	1,097
Total equity	4,668	64,590

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity is a party to a deed of cross guarantee (refer note 27), under which it guarantees the debts of certain of its subsidiaries as at 30 June 2019 and 30 June 2018. Consequent on the events described in Note 3, the net assets of the parent entity have been reduced to the extent of the net assets of the Group.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Customer Contact Pty Ltd	Australia	100%	100%
Freedom Insurance Pty Ltd	Australia	100%	100%
Freedom Insurance Administration Pty Ltd	Australia	100%	100%
Freedom Insurance Investments Pty Ltd	Australia	100%	100%
Insurance Network Services Australia Pty Ltd	Australia	100%	100%
Finwealth Holdings Pty Ltd	Australia	100%	100%
Spectrum Wealth Advisers Pty Ltd	Australia	100%	100%

Note 27. 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:

Freedom Insurance Group Ltd (head entity)
Customer Contact Pty Ltd
Freedom Insurance Pty Ltd
Freedom Insurance Administration Pty Ltd
Freedom Insurance Investments Pty Ltd
Insurance Network Services Australia Pty Ltd
Finwealth Holdings Pty Ltd
Spectrum Wealth Advisers Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Freedom Insurance Group Ltd, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are the same as the Group and therefore have not been separately disclosed.

Note 28. Non-cash investing and financing activities

	Consolidated	
	2019 $'000	2018 $'000
Shares issued on conversion of notes	-	-

Note 29. Changes in liabilities arising from financing activities

Consolidated	Loans payable $'000	Convertible notes payable $'000	Total $'000
Balance at 1 July 2016	3,000	8,613	11,613
Repayment of loans	(3,000)	-	(3,000)
Converted to ordinary shares on listing of the Company	-	(8,613)	(8,613)
Balance at 30 June 2017	-	-	-
Balance at 30 June 2018	-	-	-
Balance at 30 June 2019	-	-	-

Note 30. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax attributable to the owners of Freedom Insurance Group Ltd	(62,977)	13,153
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	239,723,495	239,723,495
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	2,830,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	239,723,495	242,553,495
	Cents	**Cents**
Basic earnings per share	(26.27)	5.49
Diluted earnings per share	(26.27)	5.42

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Freedom Insurance Group Ltd, 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 bonus elements in ordinary shares issued during the financial year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. The 1,784,682 options over ordinary shares during the current period have been excluded from the current period calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share as they are non-dilutive.

Note 31. Share-based payments

The Freedom Employee Option Plan was established in compliance with the employee share scheme legislation in Australia enactive from 1 July 2015 to encourage the Group to offer options to employees and directors to encourage their long term performance and service on a tax concessional basis.

Set out below are summaries of options granted under the plan:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/09/2016	23/09/2020	$0.10	1,935,000	-	-	616,645	1,318,355
19/09/2016	31/03/2021	$0.10	510,000	-	-	216,364	293,636
19/09/2016	30/06/2021	$0.10	385,000	-	-	212,309	172,691
			2,830,000	-	-	1,045,318	1,784,682
Weighted average exercise price			$0.10	$0.00	$0.00	$0.00	$0.10

Note 31. Share-based payments (continued)

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/09/2016	23/09/2020	$0.10	1,935,000	-	-	-	1,935,000
19/09/2016	31/03/2021	$0.10	510,000	-	-	-	510,000
19/09/2016	30/06/2021	$0.10	385,000	-	-	-	385,000
			2,830,000	-	-	-	2,830,000
Weighted average exercise price			$0.00	$0.10	$0.00	$0.00	$0.10

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.4 years (2018: 2.4).

Accounting policy for share-based payments
Equity-settled compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees and directors in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 32. Matters subsequent to the end of the financial year

The following matters or circumstances have arisen since 30 June 2019 that may significantly affect the wind down of the Group’s operations and ultimately the timing and amount of any return to shareholders of the Company:

- As of 2 August 2019, the Group has no further employees with the 9 employee that were remaining at 30 June 2019 having been made redundant. The total cost of termination was $0.7m.

Freedom Insurance Group Ltd
Directors' declaration
30 June 2019

The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; It is noted that the financial accountant of Spectrum Wealth Advisers Pty Ltd ("Spectrum") is located overseas and due to an ongoing dispute with the Group certain financial records were not made available for the preparation of the financial statements. As a result the directors have not been able to verify $1.3 million of revenue disclosed in the financial statements. This may impact certain amounts and balances recorded in the Financial Report for Spectrum transactions and balances, in particular the line items Revenue *from Advisor - Spectrum* and *Commission Payable* associated with Spectrum. The directors were not able to conclude on the accuracy of the disclosures in relation to these items within the financial statements. Consequently, the directors are unable to determine whether any adjustments might have been found necessary in respect of the Group's Sales Revenue, Commission Expenses and Commissions Payable, and the resultant adjustments in the Statement of profit and loss or the Financial Position. Except for these matters, in the opinion of the directors :

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- 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
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group 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 27 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Pauline Bernadette Vamos
Chairman

3 October 2019
Sydney

Independent Auditor's Report

To the shareholders of Freedom Insurance Group Limited

Report on the audit of the Financial Report

Qualified Opinion

We have audited the ***Financial Report*** of Freedom Insurance Group Limited (the Company).

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group*'s** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for qualified opinion

We understand that the financial accountant of Spectrum Wealth Advisers Pty Ltd ("Spectrum") is located overseas and due to an ongoing dispute with the Group certain financial records were not made available for our audit. As a result we have not been able to obtain access to these books and records and were unable to perform audit testing to our satisfaction or through alternate testing methods. This impacts certain amounts and balances recorded in the Financial Report for Spectrum transactions and balances, in particular the line items Revenue *from Advisor - Spectrum* and *Commission Payable* associated with Spectrum. We therefore were unable to obtain sufficient appropriate audit evidence for the accuracy, completeness or classification of these items. Consequently, we are unable to determine whether any adjustments might have been found necessary in respect of the Group's Sales Revenue, Commission Expenses and Commissions Payable, and the resultant adjustments in the Statement of profit and loss or the Financial Position.

Additionally, this limitation on accessing Spectrum's records has resulted in management not disclosing the operating segment information in note 4. This is required by accounting standard AASB 8 *Operating Segments* and this omission is not compliant with accounting standards.

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter – basis of preparation other than going concern

We draw attention to Note 1 and 2 of the Financial Report, which describes that the financial report has been prepared on a basis other than going concern, and Note 3 which describes the Significant Events during the year which have had a material impact on the Company and Group's financial position and the Directors consideration of going concern matters. Our opinion is not modified in respect of this matter.

Key Audit Matters

In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the ***Key Audit Matters***:

- Disclosures and accounting of significant events during the year
- Completeness of provisions and contingent liabilities

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Disclosures and accounting of significant events

Refer to Notes 1 and 3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
As described in Note 3 to the Financial Report, the events affecting the Group had a significant impact on the Group's operations and its financial performance during the year.	Our procedures included : • Inspecting ASX Announcements, Board of Directors Minutes of Meeting, and Correspondences with Regulators for consistency with the completeness and

The disclosures and accounting of significant events during the year was a significant focus for our audit, and a Key Audit Matter. This is due to the gravity of the events themselves to the Group and the corresponding financial impacts to the financial position and performance reported in the Financial Report. We used our judgment in assessing the reasonableness of the disclosures and the corresponding financial impacts on the Financial Report.	accuracy of the disclosures in the Financial Report. • Evaluating the impact of the transition agreement with Swiss Re Life & Health Australia Limited and related disclosures by : - Reading the transition agreement between the Group and Swiss Re Life & Health Australia Limited; - Assessing the reduction of net present value of trail commissions and provision for commission clawbacks. We assessed the terms of the transition agreement against the criteria in the relevant accounting standards for derecognition, in particular the timing and quantification of the reduction in the net present value of trail commissions and provision for commission clawbacks; - Assessing the accounting of the future administration costs transferred to Genus Life Insurance Services Ltd using the negotiation papers, the transition agreement and final cash settlement; and - Assessing the derecognition of provisions for remediation for its reasonableness in accordance with the relevant accounting standards through review of the terms of the transition agreement and relevant undertakings contained therein for the obligation for remediation. • Assess the completeness of liabilities including their recording in the correct period by analysing payments made since year end as to when the service was incurred, reading Board minutes and other correspondences for activities that may indicate a service was incurred during the year; • Involving technical accounting experts to evaluate the sufficiency of the disclosures against the requirements of the relevant accounting standards.

Completeness of provisions ($0.5 million) and contingent liabilities	
Refer to Note 15 and Note 21 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 21 to the Financial Report, the Group has identified a number of potential claims, litigations, and actions. The completeness of provisions and contingent liabilities is a significant focus for our audit, and a Key Audit Matter. This is due to the nature of the entity and relevant legal and regulatory obligations, the circumstances surrounding its cessation of business, and the related uncertainty surrounding these potential claims, litigations, and actions.	Our procedures included : • Inspecting ASX Announcements, Board of Directors Minutes of Meeting, and Correspondences with Regulators to identify claims, litigations and actions against the Group for consistency to those recognised as either a provision or disclosed in the financial report; • Assess the completeness of liabilities, including their recording in the correct period by analysing payments made since year end as to when the service was incurred, reading Board minutes and other correspondences for activities that may indicate a service was incurred during the year; • Requesting and obtaining legal confirmations from panel of solicitors used by the Group regarding all known claims, litigations and actions against the Group. We compared these to those provided for or disclosed in the Financial Report; • Assessing the work of the Group's expert used for claims brought to the attention of Australian Financial Complaints Authority ("AFCA") and the Group's best estimate of each exposure. We assessed the expert's objectivity, scope and competence. We assessed amounts provided for in the Financial Report or disclosed against the requirements in Australian Accounting Standards and our knowledge gained from our testing procedures; and • Assessing the Group's disclosures in the financial report in relation to provisions and contingent liabilities against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Freedom Insurance Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration *Report* and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report. Other than the matter described in the Basis for Qualified Opinion section above, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on other legal and regulatory requirements

As required by the *Corporations Act 2001*, we report that, in our opinion, as a result of the matters described in the Basis for Qualified Opinion paragraph:

a) The Company and Group has not kept adequate books and records relating to the subsidiary Spectrum Wealth Advisers Pty Ltd's throughout the year sufficient to enable a financial report of the Group to be prepared.

As a result, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an unmodified audit opinion and we have described these issues in the Basis for Qualified Opinion paragraph.

Report on the Remuneration Report

Qualified opinion

In our opinion, except for the possible effect of the matter described in our Basis for qualified opinion paragraph, the Remuneration Report of Freedom Insurance Group Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Basis for qualified opinion

We have not been able to obtain sufficient appropriate audit evidence regarding the Sales Revenue of $11,231,000 on page 15, resulting from the issue highlighted in our Report on the audit of the Financial Report, Basis of qualified opinion paragraph.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 9 to 16 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

A R

Andrew Reeves
Partner

Sydney
3 October 2019

Shareholder Information

The shareholder information set out below was applicable as at 3 October 2019.

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	158	
1,001 to 5,000	550	
5,001 to 10,000	271	
10,001 to 100,000	614	
100,001 and over	205	7
	1,798	7
Holding less than a marketable parcel	1,242	

Equity security holders

Twenty largest quoted security holders

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

	Ordinary shares	
	Number held	% of total shares held
MR KEITH CHARLES COHEN AND MRS JEANETTE PATRICIA COHEN	32,283,885	13.47
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	28,999,997	12.10
MR AARON HARVEY LIGHT	6,905,650	2.88
CARPE DIEM ASSET MANAGEMENT PTY LTD	6,904,925	2.88
DARING INVESTMENTS PTY LTD	4,746,880	1.98
TAMPAUL PTY LIMITED	4,080,000	1.70
SIXTH AVENUE INVESTMENTS PTY LTD	3,905,942	1.63
KOLENDA HOLDINGS PTY LTD	3,660,917	1.53
BNP PARIBAS NOMINEES PTY LTD	3,422,519	1.43
MR BRIAN KENNETH PILLEMER	3,410,090	1.42
MR AARON HARVEY LIGHT	3,405,650	1.42
MR MALCOLM JOHN MCCOOL AND MRS RONDA FRANCES MCCOOL	3,303,675	1.38
JETM INVESTMENTS PTY LTD	3,285,942	1.37
CITICORP NOMINEES PTY LIMITED	3,207,281	1.34
MISS YOLANDE MARY NAPIER DE TORRES	3,079,274	1.28
EQUITAS NOMINEES PTY LIMITED	2,894,700	1.21
AOTEAROA INVESTMENT COMPANY PTY LTD	2,835,670	1.18
MR MALCOLM JOHN MCCOOL AND MRS RONDA FRANCES MCCOOL	2,803,675	1.17
LUBO NOMINNES PTY LIMITED	2,604,167	1.09
MS JENNIFER DALE ANDREWS	2,569,525	1.07
	128,310,364	53.52

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	895,000	7

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
MR KEITH CHARLES COHEN + MRS JEANETTE PATRICIA COHEN	32,283,885	13.47

Voting Rights

The voting rights attached to each class of equity security are set out below.

Ordinary shares

On a show of hands each member holding an ordinary share present at a meeting in person or by proxy shall have one vote and upon each poll each share will have on vote.

Options

Optionholders do not have any voting rights.

Corporate Governance Statement

The directors and management of Freedom Insurance Group Ltd are committed to conducting the business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the company's operations.

The company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (https://www.freedominsurance.com.au/investors/corporate-governance.html).

The Company's corporate governance policies and charters are all available on Freedom Insurance's website (https://www.freedominsurance.com.au/investors/corporate-governance.html).

FREEDOM INSURANCE GROUP LTD

Level 12 28-34 O'Connell Street, Sydney, NSW, 2000

https://www.freedominsurance.com.au/