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FREEDOM
INSURANCE
GROUP

PROSPECTUS

Freedom Insurance Group Ltd
ACN 608 717 728

For the fully underwritten initial public offering of 42.86 million Shares in Freedom Insurance Group Ltd at an Offer Price of \$0.35 per Share to raise \$15 million.

UNDERWRITERS
AND LEAD MANAGERS



CORPORATE ADVISER

LEGAL ADVISER



Important information
This is an important document that you should read in full.
If you do not understand it, consult your professional advisers.

Important Notices

The Offer

This Prospectus is issued by Freedom Insurance Group Ltd (ACN 608 717 728) (**Freedom or Company**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company (**Offer**).

Lodgement and listing

This Prospectus is dated 28 October 2016 (**Prospectus Date**) and a copy was lodged with the Australian Securities and Investments Commission on that date. The Company will apply to ASX Limited within seven days after the Prospectus Date for admission of the Company to the official list and quotation of its Shares on the ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on the date that is 13 months after the Prospectus Date (**Expiry Date**) and no Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Lead Managers or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial Information Presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information is set out in Section 4.2

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4.

Forward-looking Statements

This Prospectus contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information included in Section 4 of this Prospectus is an example of forward-looking statements.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The Forecast Financial Information and the forward-looking statements should be read in conjunction with, and qualified by reference to,

the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.6.2 and 4.6.1, the sensitivity analysis set out in Section 4.7 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus uses market data and third party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Foreign Jurisdictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law, and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended (**US Securities Act**) or any state securities laws in the United States and may not be offered, sold, pledged or transferred in the United States, or to United States persons, unless the shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available.

See Section 7.8.4 for more details on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Exposure Period

The Corporations Act prohibits the Company from processing applications for Shares in the seven-day period after the Prospectus Date. ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days) (**Exposure Period**). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Prospectus Availability

During the Offer Period, a paper copy of this Prospectus is available free of charge to any Broker Firm Offer Applicant in Australia by calling the Freedom IPO Information Line on 1300 648 169 (within Australia) and 03 9415 4232 (outside Australia) from 8.30am to 5pm (AEST), Monday to Friday (excluding public holidays). This Prospectus is also available to Broker Firm Offer Applicants in Australia in electronic form at the Company's website www.freedominsurance.com.au.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction (including the United States). Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Applications

Applications may be made only during the Offer Period on the Broker Firm Offer Application Form (referred to as an **Application Form**) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from www.freedominsurance.com.au. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

No cooling-off Rights

Cooling-off rights do not apply to an investment in Shares issued or transferred under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Definitions and Abbreviations

Defined terms and expressions used in this Prospectus are explained in the Glossary at the end of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Standard Time.

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in an Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, that it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company's register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website www.freedominsurance.com.au. The privacy policy contains further details regarding access, correction and complaint rights and procedures.

The Share Registry's complete privacy policy can be accessed by calling 1300 648 169 (within Australia), 03 9415 4232 (outside Australia) from 8.30am to 5pm (AEST), Monday to Friday (excluding public holidays) and requesting a copy.

Photographs and Diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Questions

If you have any questions about how to apply for Shares, please call the Freedom IPO Information Line on 1300 648 169 (within Australia) or 03 9415 4232 (outside Australia) from 8.30am to 5pm (AEST), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

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Key Offer Information

Key dates

Prospectus Date	28 October 2016
Offer opens	14 November 2016
Offer closes	21 November 2016
Settlement of the Offer	24 November 2016
Allotment of Shares (Completion of the Offer)	25 November 2016
Expected completion of despatch of holding statements	28 November 2016
Expected commencement of trading of Shares on ASX on a normal settlement basis	1 December 2016

This timetable is indicative only. The Company, in consultation with the Lead Managers, reserves the right to vary dates of the Offer (subject to the Listing Rules and the Corporations Act) without prior notice, including to close the Offer early, extend the date the Offer closes, accept late Applications or withdraw the Offer and the issue and transfer of Shares (in each case without notifying any recipient of the Prospectus or any Applicant).

The Offer

Offer Price ¹	\$0.35 per Share
Number of Shares offered under the Offer	42.86 million
Gross proceeds from the Offer	\$15 million
Number of Shares issued to Convertible Note holders	33.23 million
Total number of Shares on issue at Completion of the Offer	239.72 million
Number of Shares to be held by Existing Shareholders on Completion of the Offer	163.63 million
Market capitalisation at the Offer Price ²	\$83.90 million
Pro forma net cash (as at 30 November 2016) ³	\$16.02 million
Enterprise value at the Offer Price ⁴	\$67.88 million
Enterprise value/pro forma consolidated FY17 forecast EBITDA (times) ⁴	5.3x
Market capitalisation at the Offer Price/pro forma consolidated FY17 forecast NPAT (times) ⁵	10.0x

- 1 The Convertible Note holders will be issued Shares at an issue price of \$0.28 per Share (being a 20% discount to the Offer Price). See Section 8.3.
- 2 Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue on Completion of the Offer.
- 3 Pro forma net cash of \$16.02 million as at 30 November 2016 is calculated based on Pro Forma cash of \$19.12m as at 30 June 2016 from Pro Forma Historical Balance Sheet (Section 4.3.2) less payment of \$3.1m in IPO transaction costs (see Section 4.4.1), immediately after Completion of the Offer.
- 4 The enterprise value at the Offer Price is calculated by subtracting pro forma net cash (as at 30 November 2016) from market capitalisation at the Offer Price.
- 5 This ratio is commonly referred to as the price to earnings, or PE ratio.

Chairman's Letter

Dear Investor,

On behalf of the Board, I am delighted to offer you the opportunity to participate in the ownership of Freedom Insurance Group Ltd, which is applying to become a listed company on the ASX (Australian Securities Exchange).

Freedom specialises in the design, distribution, and administration of life insurance products in Australia. Investing in Freedom will enable investors to gain exposure to the growing Australian life insurance market which provides a range of life insurance products to Australians. Freedom's mission is to assist consumers to obtain life insurance protection with the utmost convenience by providing them with access to simple and affordable products either directly or through an intermediary such as a financial adviser or a mortgage broker.

Freedom has experienced strong growth since its establishment in 2009. In FY16 Freedom distributed life insurance products with \$30.2m in annual premium income via its Direct Channel and achieved a top 10 new business sales position in the Direct Channel. As at 30 June 2016 Freedom has provided insurance protection to approximately 153,000 Australians (based on number of lives insured) through its Direct Channel. These notable results are attributable to the executive management team's focus and dedication on its people, products, growth, efficiency and performance.

The Board believes an investment in Freedom provides investors with the opportunity to participate in:

- an executive management team with a successful track record in the Australian life insurance market;
- a flexible business model with presence across the life insurance value chain; and
- investment in a sector that has a long history of generating returns throughout changing economic cycles.

Through this Prospectus, Freedom is inviting investors to subscribe for approximately 42.86m Shares, at an Offer Price of \$0.35 per Share. On Completion of the Offer, the value of all Shares under the Offer at the Offer Price will represent approximately 18% of Shares on issue on Completion of the Offer.

The funds raised by the Offer will be used to:

- fund growth in Freedom's sales and marketing;
- fund growth in the Direct and Indirect Channel including growth in the distribution of new Freedom Products and the enhancement of existing Freedom Products;
- fund investments in new technology infrastructure and customer service and policy administration systems;
- repay the Senior Loan Facility;
- pay costs associated with the Offer;
- pay Freedom's rental bond increases for its premises; and
- provide working capital for Freedom's ongoing business.

This Prospectus contains detailed information about Freedom's operations, financial performance, experienced management team and future plans. It also outlines the potential risks associated with the Offer.

Investors should regard an investment in Freedom as a long term proposition.

I encourage you to read this Prospectus carefully before making your investment decision.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours sincerely



David Hancock

Chairman, Freedom Insurance Group Ltd

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01.

Investment
Overview

01. Investment Overview

1.1. Introduction

Topic	Summary	Where to find more information
What is Freedom's business?	Freedom designs, distributes and administers life insurance products that are issued by Australian Prudential Regulation Authority (APRA) regulated life insurers. Freedom is not an APRA regulated life insurer.	Section 3
What industry does Freedom operate in?	Freedom operates in the life insurance industry with a focus on developing straightforward products that are simple to understand and suited for a quick and convenient solution for customers using predominately No Advice and General Advice processes.	Section 2
What is the Offer?	The Offer is an initial public offering of approximately 42.86 million Shares to be issued at the Offer Price of \$0.35 per Share to raise a total of \$15 million. The Shares being offered will represent approximately 18% of Shares on issue on Completion of the Offer.	Section 7
What is the purpose of the Offer?	The Offer is being conducted to: <ul style="list-style-type: none">• fund Freedom's plans to grow its sales and marketing;• fund the development of new Freedom Products and the enhancement of existing Freedom Products; and• otherwise provide working capital for Freedom's business.	Section 7.1.3

1.2. Key features of Freedom

Topic	Summary	Where to find more information
How does Freedom generate revenue?	<p>Freedom generates revenue from:</p> <ul style="list-style-type: none"> • the distribution of life insurance products; and • ongoing administration and management of the life insurance products that it distributes. 	Section 3.4
What products does Freedom distribute?	<p>Freedom presently distributes through the Direct Channel, a range of life insurance products that it has developed including:</p> <ul style="list-style-type: none"> • final expenses; • accidental death; • accidental injury; and • term life. <p>The most successful Freedom Product to date has been its final expenses product, which is distributed through its core Direct Channel.</p> <p>In addition, Freedom distributes a range of other third party life insurance products through Spectrum, via the Indirect Channel.</p> <p>The Company intends to launch a new mortgage protection product during 2017 and will assess opportunities to launch other new products as they arise.</p>	Section 3.5
Who are Freedom's key competitors?	<p>In the Direct Channel Freedom has a wide range of competitors including TAL, Comminsure and GE Life.</p> <p>In CY15, Freedom estimates that it was the second largest distributor of final expenses insurance in Australia. Its largest competitors for this product are Insurance Line (part of TAL), St Andrews and Suncorp.</p> <p>Freedom has a significant number of competitors in the Indirect Channel where products are distributed by a wide range of financial advisers including financial planners, accountants and mortgage brokers.</p>	Section 3.9

01. Investment Overview *continued*

Topic	Summary	Where to find more information
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What has been the growth of Freedom's key operating metrics?

Life insurance revenues are either derived from the amount of premiums attributed to new products sold in any period, or the total amount of premiums attributed to products in force at that time. Accordingly, the key performance indicators of business volumes in the life insurance industry are:

- New Business: the amount of annualised premium income attributable to products sold in a period (**NB API**); and
- Historical Book: the amount of annualised in force premium income at a point in time (**IF API**).

Freedom's historic NB API and IF API, together with other key operating metrics are set out in the table below.

	Historical			Forecast
	Pro forma FY14	Pro forma FY15	Pro forma FY16	Pro forma FY17
NB API (\$m)				
Freedom	11.7	19.0	30.2	44.3
Spectrum*	4.9	4.3	5.3	6.6
IF API (\$m)				
Freedom	171	27.3	44.5	69.3
Spectrum*	10.8	14.1	21.3	32.0
Freedom Product Retention Rate	87.3%	88.7%	90.8%	92.0%
Freedom Product Cost of Acquisition (%NB API)	66%	66%	60%	54%
Freedom Product Cost of Servicing (%IF API for paying policies)	25%	19%	18%	16%
EBITDA (\$m)**	2.71	4.75	7.55	12.70

* Spectrum NB API and IF API are management estimations derived from insurer commissions paid and include business before the acquisition of Spectrum by Freedom.

** excludes IPO costs in FY16.

Topic	Summary	Where to find more information
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What are Freedom’s key growth strategies?

Freedom’s key growth strategies include:

- ongoing organic growth in the uptake of existing Freedom Products;
- launch of the mortgage protection product and the training of mortgage brokers to offer Freedom Products;
- development of new products;
- ongoing recruitment of new financial advisers under Spectrum to distribute insurance products;
- identifying and securing new lead sources and new referral alliances; and
- selective acquisition of businesses and assets that have the potential to grow revenue through adding to Freedom’s customer base or synergies.

Section 3.10

What is Freedom’s key pro forma financial information?

\$m	Historical			Forecast
	Pro forma FY14	Pro forma FY15	Pro forma FY16	Pro forma FY17
Revenue	12.02	20.39	29.51	42.01
Expenses	9.36	15.67	21.98	29.31
EBITDA	2.71	4.75	7.55	12.70

Section 4.3.1

The Financial Information presented above contains non-International Financial Reporting Standards (**IFRS**) financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.

Please read Section 4 for full details of the Company’s pro forma and statutory results and the assumptions underlying this information. A reconciliation between the pro forma and statutory results is set out in Section 4.3.

How does Freedom expect to fund its operations?

Freedom expects to fund its existing operations from the cash flow generated from its business. Proceeds of the Offer will be used to:

- repay the Senior Loan Facility;
- pay the costs of the Offer;
- fund growth in Freedom’s sales and marketing;
- fund investments in new technology infrastructure and customer service and policy administration systems;
- fund increases in growth in the Direct and Indirect Channel including growth in the distribution of new Freedom Products;
- pay Freedom’s increased rental bond for its premises; and
- provide working capital for Freedom’s ongoing business.

Section 7.1.3

The Directors believe that Freedom will have sufficient working capital to carry out its stated business objectives, however, Freedom may need to raise additional capital, whether through debt or equity, to fund future acquisitions or significant expansions of its business.

01. Investment Overview *continued*

Topic	Summary	Where to find more information
What is Freedom's dividend policy?	No dividend will be paid for the time being as Freedom will retain future profits to expand its business operations. The Board will periodically review the suitability of this dividend policy against future business plans, growth opportunities and working capital requirements.	Section 4.8
What is Freedom's capital structure at the date of this Prospectus?	As at the date of this Prospectus, Freedom has on issue: <ul style="list-style-type: none"> • 163,633,670 Shares; • 89,100 Convertible Notes; and • 2,830,000 Options issued pursuant to the Employee Share Scheme. 	Section 7.3
What will Freedom's capital structure be on Completion of the Offer?	On Completion of the Offer, Freedom will have on issue: <ul style="list-style-type: none"> • 239,723,495 Shares; and • 2,830,000 Options, issued pursuant to the Employee Share Scheme. <p>A number of Shareholders have agreed to place their Shares in voluntary escrow following Completion. Details of the voluntary escrow arrangements are set out in Section 8.5.</p>	Section 7.3

1.3. Key strengths

Topic	Summary	Where to find more information
Flexible business model covering all aspects of the value chain	Freedom has developed a business model that provides it with the ability to determine or influence all aspects of the life insurance value chain (with the exception of Risk Underwriting). This provides the business with the ability to capitalise on opportunities available across the value chain, including: <ul style="list-style-type: none"> • development of products with unique features; • distribution via multiple distribution channels; and • ability to design and price new products through different insurers. <p>Additionally, the implementation of its new insurer arrangements with Swiss Re will give Freedom a greater ability to grow its business.</p>	Section 3
Gaining market share in a growing industry	According to industry research, between December 2012 to December 2015, the total market for in force premium for the life insurance industry grew by a CAGR of 10.6% from approximately \$11.23 billion (December 2012) to \$15.20 billion (December 2015). In the seven years since its inception, Freedom has been able to develop a strong position in the Direct Channel for life products. Freedom believes it can continue to build on this position.	Section 2.3 & Section 3.2

Topic	Summary	Where to find more information
Freedom is not subject to minimum prudential regulatory capital requirements	Freedom is not required to meet minimum prudential regulatory capital requirements set by APRA as Freedom is not an APRA regulated life insurer and does not bear any claims risk.	Section 2.5
Strong alignment of senior executives and employees	<p>There is a strong alignment between the senior executives and the Company in helping to achieve their long-term goals. Most of the key executive team are either existing Shareholders since inception and have or will receive Options under the Employee Share Scheme.</p> <p>As an indicator of confidence in the Company's long term growth potential and delivering strong performance into the future, key founding members, business partners and senior executives of Freedom have entered into a voluntary escrow arrangement as part of the Company's listing on the ASX. (See Section 8.5). The escrow period will be applied until the release to the market of Freedom's financial results for the six months ended 31 December 2017.</p> <p>Freedom will also provide a general offer for all employees (subject to residency and tax eligibility) in recognition for their achievements and as an opportunity to become part of the ownership group of the Company.</p> <p>The incentive provided by the Employee Share Scheme will help the Company to retain its core workforce into the future.</p>	Section 8.6
Experienced management team	Freedom's management team boasts highly experienced personnel with decades of experience in the financial services industry.	Section 6
Significant Investment in Systems and Infrastructure	<p>As Freedom has expanded, it has continued to invest in its core customer service and policy administration systems.</p> <p>As a result of this investment, Freedom can manage significantly higher volumes than it currently distributes without significant increases in infrastructure spending.</p>	Section 3.2 & Section 3.8

01. Investment Overview *continued*

1.4. Key risks

Set out below is a summary of specific key risks to which Freedom is exposed. Further detail is provided in section 5.1. Other general risks associated with the investment are outlined in section 5.2.

Topic	Summary	Where to find more information
The ability to source a commercially competitive insurer arrangement	<p>Freedom's core business model involves the design, distribution and administration of life insurance products that are issued by APRA regulated life insurers. Therefore, Freedom revenues are dependent on Freedom having in place ongoing arrangements with one or more life insurers to enable Freedom to continue to be able to distribute Freedom Products on the commercial terms required by Freedom.</p> <p>To achieve this, Freedom will typically enter into a distribution agreement with a selected life insurer. Any unforeseen termination or suspension of the distribution agreement with that life insurer may result in Freedom being unable to continue to introduce new business under that arrangement resulting in Freedom ceasing to be able to earn the Upfront Commissions and Trail Commissions that it receives for the introduction and ongoing servicing of this insurance business.</p> <p>Should this occur, Freedom will need to seek to establish a distribution arrangement with an alternate insurer, together with agreement to provide the administration services on business introduced under the arrangement. To put in place an arrangement with another insurer can be time consuming and there is no guarantee that suitable long term arrangements can be completed on short notice (if at all) or on comparable terms to the existing arrangements.</p> <p>Currently, Freedom is in the process of transitioning the issuer of its products to Swiss Re. Should Freedom be unable to, or otherwise be delayed in, the transitioning to Swiss Re, then Freedom may need to seek alternative arrangements in a relatively short period, with the risk of business interruptions and/or reduced revenue margins.</p> <p>However, the Directors believe that on short notice Freedom will be able to meet its immediate cash flow requirements by entering into a distribution arrangement with one or more insurers although there is no guarantee that the terms will be as favourable to Freedom as the arrangement that has terminated.</p> <p>Freedom has negotiated distribution and administration arrangements with insurers on a number of occasions and has experience in managing this risk.</p>	Section 5.1.1

Topic	Summary	Where to find more information
<p>Lower than expected retention rates</p>	<p>Insurance products are designed and priced based on a number of assumptions, including the retention rate. This rate represents the proportion of insurance policies retained by policyholders compared to the number of policies that were in force at the beginning of that same period. This rate is set based on industry data and historical experience for the product type taking into account all relevant factors.</p> <p>It is in Freedom's interest to ensure that ongoing retention rates on all the products that it distributes and administers is as high as possible with a minimum objective of equaling or exceeding those assumed for the product in question. To help maximise retention, Freedom continuously monitors the retention rates and implements various initiatives in order to encourage customers to retain their insurance cover. An important element of this program is a team dedicated specifically to customer retention for customers of Freedom Products sold through its Direct Channel.</p> <p>Retention rates may fall as a result of a variety of reasons including competition from other insurers and distributors, poor customer service, bad publicity, deteriorating economic conditions, regulatory changes and shifts in demographics.</p> <p>Lower than assumed customer retention rates will have a negative revenue impact for Freedom due to the loss of the entitlement to the Trail Commission on those policies that have been cancelled as well as the need to repay Upfront Commissions to the insurer under the Clawback arrangement for those policies that have been cancelled within the Responsibility Period.</p> <p>Where the lower retention rate is material and expected to continue, a write down in the trail asset may be required with a negative impact on revenue, profitability and the balance sheet. There may also be a need to potentially reprice the product and that may include reducing Freedom's fees and commissions on both new and existing business. In addition, efforts to address adverse retention rates may result in increased expenditure.</p> <p>The amount of the trail asset is significant at \$23.7 million and the financial impact of changes in the retention rate for Freedom Products is set out in Section 4.6.2.2.</p>	<p>Section 5.1.2 & Section 4.6.2.2</p>
<p>Changes in regulation of the life insurance industry</p>	<p>Freedom's business and its operations are affected by a range of laws, regulations, and policies which govern the life insurance industry specifically, and the financial services industry generally.</p> <p>Changes to the statutory and regulatory environment in which Freedom operates may adversely impact Freedom's business in a number of ways including its revenue and profitability.</p> <p>If the proposed life insurance remuneration reforms announced by the Commonwealth Government are passed in their proposed form, this will require changes to the current commission and Clawback terms for new business written by Freedom Insurance and Spectrum after the commencement of the reforms, which has tentatively been announced for 1 January 2018.</p> <p>Based on the current legislative proposal, the Directors believe that complying arrangements will be in place prior to the commencement of the proposed changes and their introduction is unlikely to have a material negative effect on the amount of revenue generated by Freedom.</p>	<p>Section 5.1.3</p>

01. Investment Overview *continued*

Topic	Summary	Where to find more information
Failure to comply with applicable laws, regulatory requirements and government policies	<p>Freedom operates in a highly regulated industry and its operational and financial performance may be adversely affected if it does not comply with applicable laws, regulatory requirements and government policies. Failure to comply with these requirements may result in adverse consequences.</p> <p>Freedom and Spectrum each hold an AFSL, and any failure by their employees or authorised representatives to comply with the terms of those AFSLs may negatively impact Freedom's AFSLs, its reputation and its business generally.</p>	Section 5.1.4
Disruption to IT systems	To provide distribution and administration services, Freedom relies upon the uninterrupted operation and integrity of its IT systems. Any interruption or failure of the IT systems used by the Company could disrupt the day to day running of Freedom's business and result in a loss of revenue, reduction in service levels available to policy holders or breaches of contract or data security.	Section 5.1.5
Increase in cost of lead generation	Freedom's business model involves significant upfront costs associated with generating leads and securing new customers. A material increase to the cost of lead generation will adversely impact Freedom's financial projections and ongoing profitability.	Section 5.1.6
Disruptive Innovations	The widespread adoption of new technologies and innovation to the market will challenge traditional business models and existing distribution channels that are in place within the industry today. If the core business model and existing technology infrastructure used by Freedom today becomes outdated because of disruptive innovations, this may adversely affect Freedom's future revenue and profitability.	Section 5.1.7
Aggressive Commissions and Incentives Schemes	Increased competitive pressures within the life insurance industry can also stem from participants who employ aggressive commissions and incentive schemes to intermediaries and agents as a tactic to increase market share. The threat from these sales strategies employed by Freedom's competitors, may adversely affect its future revenue and profitability.	Section 5.1.8
Data Security	Freedom collects financial and personal information from consumers including credit card details and personal contact details. Whilst the Company employs various sophisticated measures to protect this data, there is a risk that breaches by third parties may occur. This could potentially adversely affect Freedom's reputation, revenue and profitability.	Section 5.1.9

Topic	Summary	Where to find more information
General Risks	<p>General industry risks associated with the investment into Freedom include risks relating to:</p> <ul style="list-style-type: none"> • loss of key executives; • changes in global economic conditions; • decline in demand for insurance products; • force majeure events; • illiquid Shares; • regulatory changes; • shareholder dilution; • potential litigation; and • potential fluctuations in the price of Shares. <p>Please refer to Section 5.2 for further information.</p>	Section 5.2

1.5. Directors and key management

Topic	Summary	Where to find more information
Who are the Directors?	<ul style="list-style-type: none"> • Keith Cohen • David Hancock • Stephen Menzies • Andrew Jensen • Katrina Glendinning 	Section 6.1
Who are Freedom's key managers?	<ul style="list-style-type: none"> • Keith Cohen – Chief Executive Officer • Jenny Andrews – Chief Financial Officer • Jennifer Davitt – Chief Operating Officer • Malcolm McCool – Group General Counsel • Mark Schroeder – Managing Director, Spectrum • Aaron Harvey Light – Head of Shared Services • Yolande De Torres – Head of Marketing • Diane Osborne – Head of Risk and Compliance 	Section 6.2

01. Investment Overview *continued*

1.6. Significant interests of key people and related party transactions

Topic	Summary	Where to find more information																																				
<p>Who are the Company's key Shareholders and what will their interests be on Completion of the Offer?</p>	<p>Substantial Shareholders of the Company include the following parties:</p> <table border="1"> <thead> <tr> <th data-bbox="430 604 614 750">Shareholder</th> <th data-bbox="614 604 742 750">Person whose relevant interest is held</th> <th data-bbox="742 604 869 750">Shares on Prospectus Date</th> <th data-bbox="869 604 997 750">Shareholding on Prospectus Date (%)</th> <th data-bbox="997 604 1125 750">Shares on Completion of the Offer</th> <th data-bbox="1125 604 1252 750">Shareholding on Completion of the Offer (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="430 750 614 862">K & J Cohen ATF Cohen Family Trust</td> <td data-bbox="614 750 742 862">Keith Cohen</td> <td data-bbox="742 750 869 862">41,283,885</td> <td data-bbox="869 750 997 862">25.2</td> <td data-bbox="997 750 1125 862">41,283,885</td> <td data-bbox="1125 750 1252 862">17.2</td> </tr> <tr> <td data-bbox="430 862 614 952">Brian Pillemer</td> <td data-bbox="614 862 742 952">Brian Pillemer</td> <td data-bbox="742 862 869 952">18,060,090</td> <td data-bbox="869 862 997 952">11.0</td> <td data-bbox="997 862 1125 952">18,060,090</td> <td data-bbox="1125 862 1252 952">7.5</td> </tr> <tr> <td data-bbox="430 952 614 1198">Kolenda Holdings Pty Ltd ATF K Inc Trust and Daring Investments Pty Ltd</td> <td data-bbox="614 952 742 1198">John Kolenda</td> <td data-bbox="742 952 869 1198">16,388,472</td> <td data-bbox="869 952 997 1198">10.0</td> <td data-bbox="997 952 1125 1198">16,388,472</td> <td data-bbox="1125 952 1252 1198">6.8</td> </tr> <tr> <td data-bbox="430 1198 614 1310">Aaron Harvey Light</td> <td data-bbox="614 1198 742 1310">Aaron Harvey Light</td> <td data-bbox="742 1198 869 1310">13,811,300</td> <td data-bbox="869 1198 997 1310">8.4</td> <td data-bbox="997 1198 1125 1310">13,811,300</td> <td data-bbox="1125 1198 1252 1310">5.8</td> </tr> <tr> <td data-bbox="430 1310 614 1388">Tampaul Pty Ltd</td> <td data-bbox="614 1310 742 1388">Paul Zwi</td> <td data-bbox="742 1310 869 1388">13,063,166</td> <td data-bbox="869 1310 997 1388">8.0</td> <td data-bbox="997 1310 1125 1388">13,063,166</td> <td data-bbox="1125 1310 1252 1388">5.4</td> </tr> </tbody> </table>	Shareholder	Person whose relevant interest is held	Shares on Prospectus Date	Shareholding on Prospectus Date (%)	Shares on Completion of the Offer	Shareholding on Completion of the Offer (%)	K & J Cohen ATF Cohen Family Trust	Keith Cohen	41,283,885	25.2	41,283,885	17.2	Brian Pillemer	Brian Pillemer	18,060,090	11.0	18,060,090	7.5	Kolenda Holdings Pty Ltd ATF K Inc Trust and Daring Investments Pty Ltd	John Kolenda	16,388,472	10.0	16,388,472	6.8	Aaron Harvey Light	Aaron Harvey Light	13,811,300	8.4	13,811,300	5.8	Tampaul Pty Ltd	Paul Zwi	13,063,166	8.0	13,063,166	5.4	<p>Section 7.3</p>
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Topic	Summary	Where to find more information																																				
<p>What are the Directors' holding of Shares and Options?</p>	<p>The Shareholding and Option holdings of Directors are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #808080; color: white;">Director</th> <th style="background-color: #808080; color: white;">Shares on Prospectus Date</th> <th style="background-color: #808080; color: white;">Share-holding on Prospectus Date (%)</th> <th style="background-color: #808080; color: white;">Shares on Completion of the Offer</th> <th style="background-color: #808080; color: white;">Share-holding on Completion of the Offer (%)</th> <th style="background-color: #808080; color: white;">Options held on Completion of the Offer</th> </tr> </thead> <tbody> <tr> <td>Keith Cohen</td> <td style="text-align: right;">41,283,885</td> <td style="text-align: right;">25.2</td> <td style="text-align: right;">41,283,885</td> <td style="text-align: right;">17.2</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Andrew Jensen</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: right;">74,618</td> <td style="text-align: right;">0.03</td> <td style="text-align: center;">-</td> </tr> <tr> <td>David Hancock</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Stephen Menzies</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Katrina Glendinning</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>	Director	Shares on Prospectus Date	Share-holding on Prospectus Date (%)	Shares on Completion of the Offer	Share-holding on Completion of the Offer (%)	Options held on Completion of the Offer	Keith Cohen	41,283,885	25.2	41,283,885	17.2	-	Andrew Jensen	-	-	74,618	0.03	-	David Hancock	-	-	-	-	-	Stephen Menzies	-	-	-	-	-	Katrina Glendinning	-	-	-	-	-	<p>Section 6.3.2.4</p>
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Stephen Menzies	-	-	-	-	-																																	
Katrina Glendinning	-	-	-	-	-																																	
<p>What escrow restrictions apply to the key Shareholders' Shares?</p>	<p>Certain Shareholders of the Company have entered into voluntary escrow arrangements at the request of the Lead Managers. The identity of the Shareholders, and the number of Shares held by each of them to be subject to escrow, is set out in section 8.5 of this Prospectus.</p> <p>The voluntary escrow arrangements will terminate:</p> <ul style="list-style-type: none"> • as to 50% of the Shares escrowed, on release to the market of Freedom's financial results for the financial year ended 30 June 2017; and • as to the remaining 50% of the shares escrowed, on release to the market of Freedom's financial results for the six months ended 31 December 2017. 	<p>Section 8.5</p>																																				

01. Investment Overview *continued*

Topic	Summary	Where to find more information		
What significant benefits and interests are payable to Directors and other persons connected with Freedom or the Offer?	The benefits and interests payable to key persons are as follows:	Section 6.3		
	<table border="1"> <thead> <tr> <th data-bbox="424 548 624 609">Key People</th> <th data-bbox="624 548 1275 609">Interest or Benefit</th> </tr> </thead> </table>	Key People	Interest or Benefit	
	Key People	Interest or Benefit		
	David Hancock – Chairman	<ul style="list-style-type: none"> Total remuneration of \$110,000 per annum 	Section 6.3.2.2	
	Keith Cohen – Chief Executive Officer	<ul style="list-style-type: none"> Total remuneration (including superannuation): \$714,000 per annum Cash bonus of \$50,000 upon Listing 	Section 6.3.2.1	
	Andrew Jensen	<ul style="list-style-type: none"> Total remuneration of \$65,000 per annum 	Section 6.3.2.2	
	Stephen Menzies	<ul style="list-style-type: none"> Total remuneration of \$65,000 per annum 	Section 6.3.2.2	
	Katrina Glendinning	<ul style="list-style-type: none"> Total remuneration of \$65,000 per annum 	Section 6.3.2.2	
	Jenny Andrews – Chief Financial Officer	<ul style="list-style-type: none"> Total remuneration (including superannuation): \$300,000 per annum Cash bonus of up to \$150,000 for IPO related performance KPI's. 550,000 Options 	Section 6.3.3.2	
	Jennifer Davitt – Chief Operating Officer	<ul style="list-style-type: none"> Total remuneration (including superannuation): \$330,000 per annum Cash bonus of up to \$170,000 for IPO related performance KPI's. 	Section 6.3.3.1	
Malcolm McCool – Group General Counsel	<ul style="list-style-type: none"> Total remuneration (including superannuation): \$272,000 per annum Cash bonus of up to \$150,000 for IPO related performance KPI's. 550,000 Options 	Section 6.3.3.3		
Non-Executive Directors	Directors' fees	Section 6.3.2.2		
Advisors and other service providers	Fees for services	Section 6.3.3.4		

1.7. Overview of the Offer

Topic	Summary	Where to find more information																																																						
What is the Offer?	<p>The Offer is an initial public offering of approximately 42.86 million Shares to be issued at the Offer Price of \$0.35 per Share to raise a total of \$15 million.</p> <p>The Shares being offered will represent approximately 18% of Shares on issue on Completion of the Offer.</p>	Section 7																																																						
Who is the issuer of the Prospectus?	Freedom Insurance Group Ltd (ACN 608 717 728), a company registered in Victoria.	Section 8																																																						
What are the uses of the funds?	<p>The table below sets out the proposed use of funds for FY17 and FY18.</p> <table border="1"> <thead> <tr> <th>Source of funds</th> <th>\$m</th> <th>%*</th> <th>Use of funds</th> <th>\$m</th> <th>%*</th> </tr> </thead> <tbody> <tr> <td>Opening cash 1 July 2016</td> <td>7.1</td> <td>32.1</td> <td>Payment of IPO transaction costs</td> <td>3.1</td> <td>14.0</td> </tr> <tr> <td>Funds as a result of the Offer</td> <td>15.0</td> <td>67.8</td> <td>Repayment of Senior Loan Facility</td> <td>3.0</td> <td>13.6</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Rental bond</td> <td>1.2</td> <td>5.4</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Infrastructure/systems^</td> <td>2.0</td> <td>9.0</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Accelerated growth in Direct and Indirect Channel markets^</td> <td>2.0</td> <td>9.0</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Product/marketing/acquisition opportunities^</td> <td>2.0</td> <td>9.0</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Working capital</td> <td>8.8</td> <td>39.9</td> </tr> <tr> <td>Total</td> <td>22.1</td> <td>100.0</td> <td></td> <td>22.1</td> <td>100.0</td> </tr> </tbody> </table> <p>* errors due to rounding ^ planned for FY18</p>	Source of funds	\$m	%*	Use of funds	\$m	%*	Opening cash 1 July 2016	7.1	32.1	Payment of IPO transaction costs	3.1	14.0	Funds as a result of the Offer	15.0	67.8	Repayment of Senior Loan Facility	3.0	13.6				Rental bond	1.2	5.4				Infrastructure/systems^	2.0	9.0				Accelerated growth in Direct and Indirect Channel markets^	2.0	9.0				Product/marketing/acquisition opportunities^	2.0	9.0				Working capital	8.8	39.9	Total	22.1	100.0		22.1	100.0	Section 7.1.4
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Will the Shares be quoted?	<p>The Company will apply for admission to the official list of the ASX and quotation of the Shares on the ASX under the code 'FIG' within 7 days of the date of this Prospectus. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.2																																																						

01. Investment Overview *continued*

Topic	Summary	Where to find more information
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> the Broker Firm Offer which is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia; the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia; and the Staff Offer made to eligible staff of Freedom. 	Section 7.1.2
Is the Offer underwritten?	The Offer is fully underwritten by the Lead Managers.	Section 7.7
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Managers and the Company. The Lead Managers, in consultation with the Company, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors. The number of Shares allocated under the Broker Firm Offer will be reduced by the number of Shares that are applied for and issued under the Staff Offer.</p> <p>For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares that they are allocated to their retail clients.</p> <p>Participants in the Staff Offer will each be able to subscribe for 1,428 Shares for \$499.80, which the Company will match with a further 1,428 Shares for no charge.</p>	Section 7
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in the Company.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 7.9.</p>	Section 7.9
How can I apply?	<p>Eligible investors may apply for Shares in the Broker Firm Offer or Institutional Offer by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>Freedom employees that are eligible to participate in the Staff Offer will each receive a personalised application invitation.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Sections 7.4 and 7.5

Topic	Summary	Where to find more information
<p>When will I receive confirmation that my Application has been successful?</p>	<p>It is expected that initial holding statements will be despatched by standard post on or about 28 November 2016.</p>	<p>Section 7.2</p>
<p>Can the Offer be withdrawn?</p>	<p>The Company reserves the right not to proceed with the Offer at any time before the issue or transfer of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	<p>Section 7.2</p>
<p>Where can I find more information about this Prospectus or the Offer?</p>	<p>If you have any questions about this Prospectus or how to apply for Shares, please call the Freedom IPO Information Line on 1300 648 169 (within Australia) or 03 9415 4232 (outside Australia) from 8.30am to 5pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether Freedom is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>	<p>Section 7.2</p>

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02.

Industry Overview

02. Industry Overview

2.1. Introduction to the Life Insurance Industry

Freedom operates in the Australian life insurance industry which is highly regulated by APRA and ASIC (see section 2.5).

The life insurance industry creates, distributes, administers and underwrites life insurance products that provide financial protection or coverage against the occurrence of three key events in the insured person's life:

- **death;**
- major illness or **trauma;** and
- **disability.**

The industry is generally segmented by a combination of the following factors:

- whether products are on a group or individual basis;
- the product type and complexity of its features; and
- the channel of distribution.

The key performance indicators of business volumes in the industry are derived from life insurance premiums, comprised of:

- New sales measured by the amount of annualised premium income attributable to products sold in a period (**NB API**);
- Current policies that have not lapsed or matured measured by the amount of annualised in force premium income at a point in time (**IF API**); and
- The estimated total size of the market as at 31 December 2015 was:

	API (\$ million)	
	NB API – previous 12 months	IF API
Individual Lump Sum Business	1,531.0	6,751.9
Individual Disability Income Business	529.3	2,531.2
Total Individual Business	2,060.2	9,283.1
Group Risk Business	1,001.8	6,123.1
Total	3,062.0	15,406.2

Source: Plan for Life for individual business, adjusted for Freedom business not included in Plan for Life data.

The value chain of the life insurance industry can be broken down as follows:



Product Design – The design and development of a product and the specification of associated processes for its ongoing administration and maintenance. This involves pricing, risk assessment, setting underwriting and eligibility requirements and other criteria and requires target market research as well as industry and regulatory knowledge.

02. Industry Overview *continued*

Marketing and Lead Generation – Execution of marketing campaigns to reach consumers and generate leads using various marketing methods including proprietary branding and market research. Engagement with consumers in the target markets may involve direct marketing, alliance with strategic partners and referral networks.

Distribution – Distribution of products through the web, phone or financial advisers. Individual life insurance products are typically offered to consumers directly by telephone and web services (i.e. Direct Channel) or via intermediaries such as financial advisers (i.e. Indirect Channel).

Policy Administration – The ongoing management of the insurance policy throughout the entire period of insurance coverage including managing its retention, claims management and any other general customer service enquiries.

Risk Underwriting – The issuance of insurance policies and the payment of claims which is the responsibility of an APRA regulated life insurer.

Freedom determines, influences or shares in all aspects of the value chain for the Freedom Products. However, Freedom does not bear the insurance risk from claims on Freedom Products as it is not the licensed insurer (see further in section 2.5).

2.2. Life Insurance Products

The underlying premise of a life insurance product is that in exchange for a premium, an insurer contracts to pay a beneficiary a financial benefit on the occurrence of one or more insured events to the insured person, including disability, trauma or death.

Products vary significantly in the types of coverage they provide and their complexity in relation to underwriting conditions, payment terms, payment options and additional benefits.

Premiums may also vary in accordance with an individual's specific medical condition, age, gender, occupation, lifestyle habits (such as smoking, pastimes etc.).

There are varied combinations of cover which can include one or more of the main types shown in Table 1. Key variations within the product set include the amount of cover, requirements for medicals, trigger events and level of underwriting.

Table 1 below provides a summary of the more prevalent types of life insurance policies within Australia.

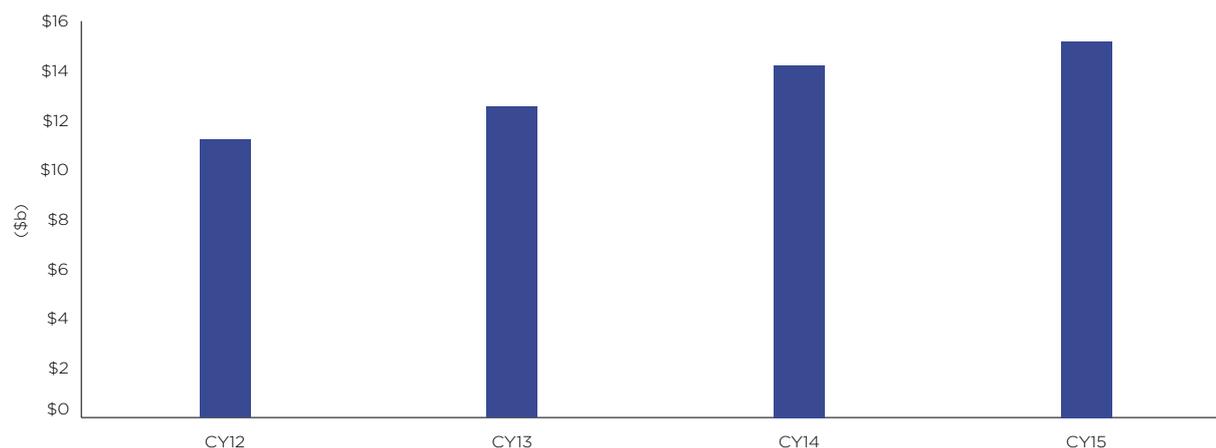
Table 1: Types of policies

Cover Type	Sub-category	Comments
Death	All causes	Broad range of products with various health eligibility requirements
	Accidental Death	Cost effective cover for accidental death with no health eligibility requirements
	Final Expenses	Easy access to broad cover for smaller sums insured for an individual's final expenses such as a funeral
Trauma	Specified major illnesses and injuries	Specified lump sum payable for events such as stroke, heart attack, cancer, etc
	Accidental Injury	Accident cover for specified injuries with no health eligibility requirements
Disability	Income Protection	Income/Regular payment while disabled and unable to work
	Total & Permanent Disability	Lump sum payment for permanent disability

2.3. Industry Growth

According to industry research, between December 2012 to December 2015, the total market for in force premium grew by a CAGR of 10.6% from approximately \$11.23b (December 2012) to \$15.20b (December 2015) (See Figure 1).

Figure 1 – Australian Life Insurance Industry Total IF API



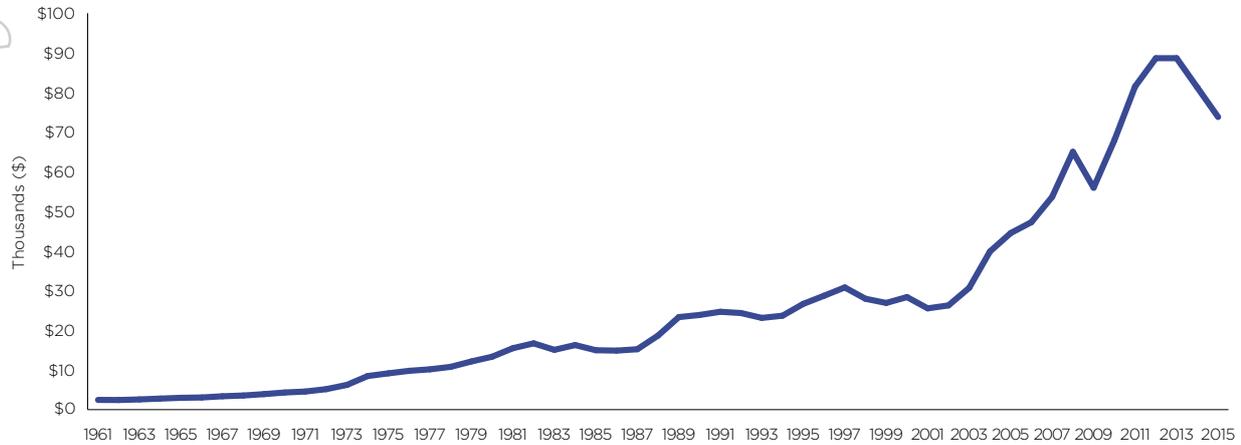
Source: Plan for Life

The Directors believe that the growth in in force premium of life insurance in Australia is largely attributed to several key factors including:

1. Underinsurance – Australians, in comparison to many other developed countries, are considered by many to be relatively underinsured. The low levels of insurance coverage can be attributed to poor awareness of life insurance benefits, inadequate cover within superannuation funds, and difficulty in obtaining access to advice and products for life insurance to date.
2. GDP – The propensity for consumers to purchase insurance products rises as their disposable income increases. Figure 2 shows the increase in GDP per capita for Australia since 1961.
3. Indexation – The premiums of policies have historically been positively correlated to the inflation index, thus in force premiums earning fees will rise in line with inflationary pressures.
4. Population – Australia's population grew by 17.9% between 2005 to 2015. By 2025, the ABS expects that the population will grow by a further 20.4% from 23,940,300 in 2015 to 28,822,088 in 2025 (See Figure 3). Thus, an increasing population is expected to result in an increased demand for life insurance products.
5. Age – The premiums charged for life insurance products generally increase with age. Due to sustained low fertility and increased life expectancy, Australia's population is ageing. According to the ABS, the proportion of the population aged 65 years and over has increased from 11.9% in 1995 to 15.0% in 2015. By 2031, it is projected that this age group will rise to 5.7-5.8 million Australians – an increase of more than 58%.
6. Prolonged Workforce Participation – Increases in workforce participation, particularly by older workers increases the uptake of life insurance products to provide protection against loss of income. Australia's labour force participation rate of individuals aged 65 years and over has grown significantly from 2000 to 2016.

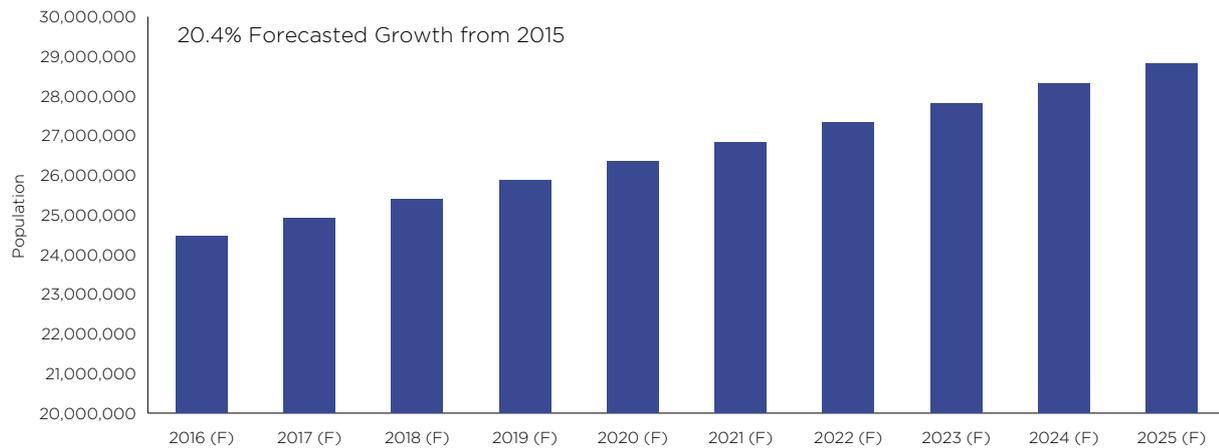
02. Industry Overview *continued*

Figure 2 – GDP Per Capita in Australia



Source: World Bank (Converted into Australian Dollars as at 25 August 2016 RBA Exchange Rate USD/AUD 1.310444).

Figure 3 – Projected Australian Population



Source: Data extrapolated from ABS.Stat Datasets ABS 3222.0 – "Projected population, Australia, 2012–2101"

2.4. Life Insurance Distribution Channels

The way in which an individual life insurance product is distributed is a significant point of distinction in the industry and it has a material impact on product complexity, the applicable compliance regime, and the other aspects of the industry value chain.

The two main methods of distribution of life insurance products in Australia is the Direct Channel and the Indirect Channel. The factors that determine the differences between the Direct Channel and the Indirect Channel are the:

- level of face-to-face consumer engagement;
- type of advice provided;
- complexity of the product; and
- fee or commission structure.

As a result, there are also significant differences in the product design, product marketing and policy administration between the Direct Channel and the Indirect Channel.

Alongside the Direct Channel and Indirect Channel, banks (through bank branch staff) distribute a significant volume of life insurance products alongside mortgages and credit cards to consumers who visit their branches generally.

Life insurance cover in Australia, can also be held within a superannuation fund or via an individual policy that is taken outside of it. Most superannuation funds are required to provide a basic level of life insurance coverage to their members. Typically, the basic coverage found in superannuation funds are offered on a default or opt-out basis.

2.4.1. Levels of advice provided to retail customers in Australia

There are three primary levels of advice provided to retail customers when they are purchasing individual life insurance products in Australia:

Personal Advice: the customer is provided with a recommendation or statement of opinion (usually from an adviser) that is intended to influence them regarding selecting the appropriate product. Importantly it will be "personal advice" where the advice takes into account the customer's individual or particular circumstances, being one or more of their objectives, financial situation or needs. The Personal Advice process can be lengthy and complex and includes the requirement for the adviser to undertake a detailed investigation of the customer to understand their personal circumstances and to provide the customer with a written Statement of Advice. Advisers are required to meet ASIC's stringent educational qualifications.

General Advice: the customer is provided with a recommendation or a statement of opinion that is intended to influence them regarding the purchase of the product. However, this advice does not take into account any of the customer's objectives or financial situation. General Advice may be provided by an individual or a licensee and often consists of generally accepted product suitability statements and may be contained in marketing or product materials.

No Advice: the customer is provided with no financial product advice. The representative or licensee is limited to providing the customer with a range of factual information about the product, including providing product information and disclosure material and answering questions about the product and its terms.

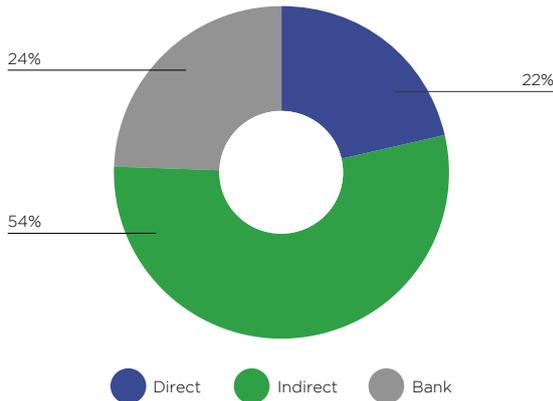
02. Industry Overview *continued*

2.4.2. Volume of business by distribution channel in Australia

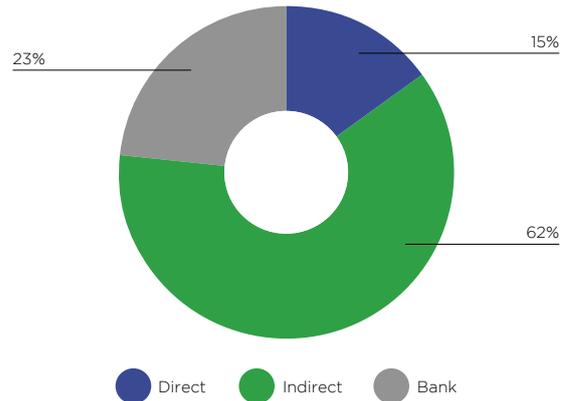
Business volumes for individual life insurance products based on the channel of distribution as at 31 December 2015 are set out below:

Figure 4 – New Business and In Force Sales

Individual NB API by Channel



Individual IF API by Channel



Source: Plan for Life, adjusted for Freedom business not included in Plan for Life data. Estimates as determined by Freedom.

'Bank' refers to dealer groups that are aligned to a bank as well as any business where the sale that occurs through the bank branch staff/head office staff who respond to direct enquiries.

Freedom is focussed on the Direct Channel and the General Advice component of the Indirect Channel. This is discussed in more detail at Section 3.7.

2.4.3. Direct Channel

The Direct Channel typically involves distributing life insurance products on a General Advice (or No Advice) basis directly to retail consumers without the use of intermediaries. The customer interaction is generally less complicated than the Indirect Channel, with the purchase often made directly via the phone or web. Life insurance products offered via the Direct Channel are typically simpler, have less complex features and have less onerous underwriting processes.

The Direct Channel for life insurance has gained momentum and recently grown at a higher rate than the total life insurance market. In 2015 the Direct Channel represented 22% of New Business API compared to 15% of In Force API business¹ (see Figure 4).

Freedom believes that the growth in the Direct Channel has been largely driven by:

- increased consumer awareness;
- increased consumer sophistication;
- increased access to more affordable products;
- increased access to direct insurers; and
- advanced product development providing simpler products.

¹ In Force and New Business is measured as Inflows – a measure which allows comparison between companies that have different levels of annual and single premium business and is calculated by adding total In Force Annual Premiums to Year Ending New Single Premiums.

Freedom expects that growth in the Direct Channel will continue and that, to be successful in the Direct Channel, participants need to focus on:

- simplified, easy to understand products;
- speed of claims processing;
- developing brands to drive market penetration;
- simpler and lower cost underwriting solutions than those in the Indirect Channel;
- cost effective lead generation;
- providing value for money; and
- customer engagement and retention.

Typically, market participants who operate in the Direct Channel target a broader market of potential customers. Methods to source customers for insurance products in the Direct Channel include:

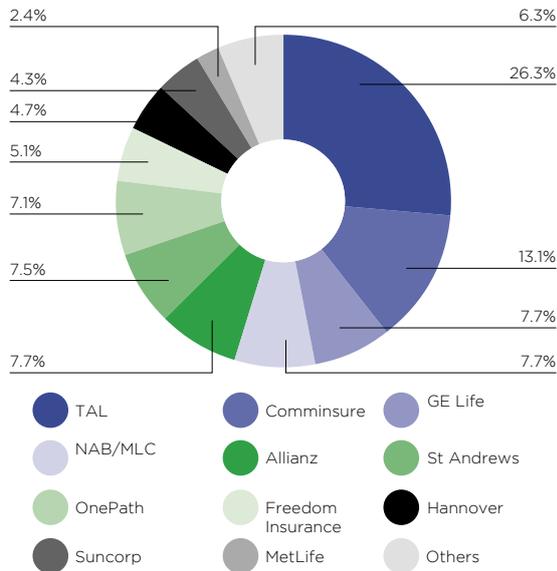
- **Inbound leads:** generating leads by television and radio advertisements, infomercials or, increasingly, other digital or online mediums including online comparison websites, search engines, online surveys and social media. Resulting leads will generally come through to a customer service team and require a customer representative to complete the purchase of the insurance product over the telephone, which can sometimes require repeated customer interaction before completion of the purchase. Online interest has grown in recent years. Consumers often interact with websites to investigate insurance coverage options, quotes and in some cases complete an application and obtain immediate cover via the online channel.
- **Outbound:** sourcing customer lists from third parties or via outbound direct mail campaigns. Under such an approach, potential applicants are identified and selected as a result of demographics, data mining and customer analytics that indicate a potential interest in the relevant insurance product. Direct mail also generates leads for inbound telephone or direct online purchases.
- **Alliance Partners (inbound and outbound):** forming partnerships and alliances with other corporate entities in order to gain access to a lead source, most commonly, the loyalty program base or customer database of the alliance partner. In turn, the customers or loyalty members of the alliance partner are typically afforded discounted rates or other attractive concessions.

02. Industry Overview *continued*

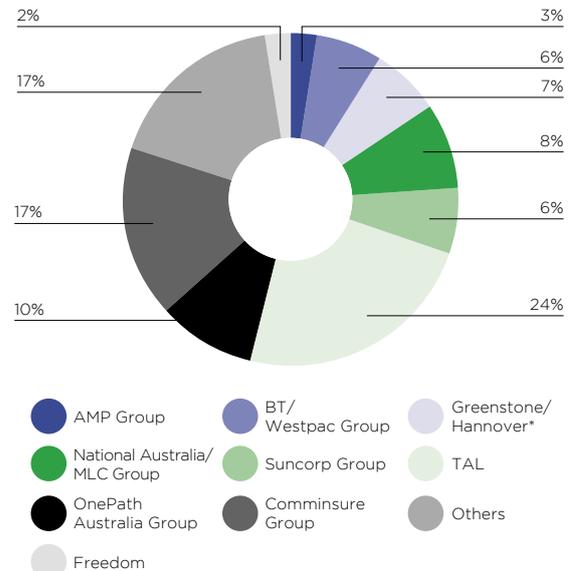
The main participants and their share in the Direct Channel segment of the life insurance market are shown in Figure 5 below:

Figure 5 – Direct NB API and IF API Market Share

Direct NB API Market Share CY15



Direct IF API Market Share CY15



Source: Plan for Life – adjusted for Freedom business not included in *Plan for Life* data.

2.4.4. Indirect Channel

The Indirect Channel has historically been the primary form of distribution for life insurance products and it involves intermediaries recommending life insurance products to clients.

The intermediaries typically encompass a variety of financial advisers including, but not limited to financial planners, accountants and mortgage brokers. The financial advisers may have access to a variety of insurance products through a panel of life insurance carriers and the process of recommending a product(s) to the clients will vary based on:

- **General Advice** – that does not take into account the client's individual circumstance and objectives, and
- **Personal Advice** – that takes into consideration the client's individual circumstance and objectives.

Subject to the client's circumstance, the advisory services of an intermediary may extend past the point of recommendation, as there may be ongoing assistance required or regular review to ensure the recommendation continues to meet the client's ongoing objectives. It is typically the responsibility of the insurance product carriers to manage future claims and other administration activities.

In comparison to General Advice and the Direct Channel, the process in reaching a recommendation for a product through Personal Advice, is generally more time consuming for both the client and intermediary. The products offered through Personal Advice are generally more complex and the offer process is subject to more compliance and regulatory processes in disclosure and recommendation.

Freedom is primarily focused on the General Advice segment of the Indirect Channel through its dedicated distribution network through Spectrum and its mortgage broking network affiliation with Finsure. The point of distinction for Freedom under this strategy would be to focus on creating a simpler product suite that is convenient and straightforward to both the client and adviser.

Mortgage Broking Market

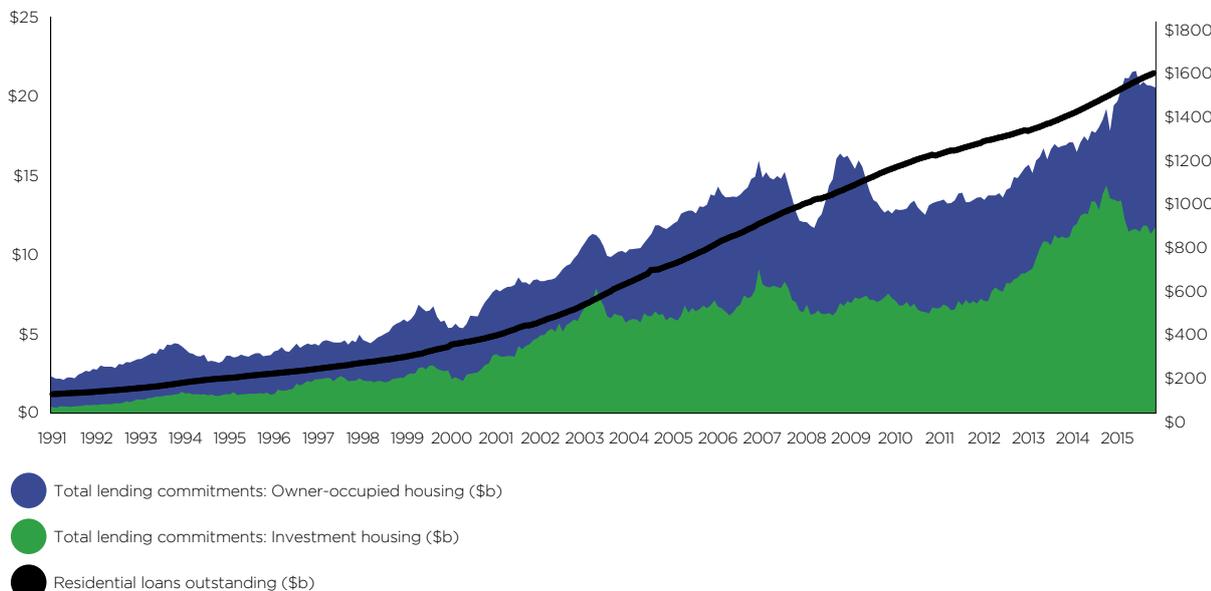
Industry estimates indicate that mortgage brokers currently account for over 50% of mortgage originations which has increased from 23% in 2002. These increases along with the growth in lending commitments (Figure 6) have resulted in mortgage brokers accounting for a significant volume of lending commitments within Australia.

ASIC requires mortgage brokers to either hold an Australian Credit Licence or be authorised under a Licensee and to comply with the responsible lending conduct obligations in Chapter 3 of the *National Consumer Credit Protection Act 2009*.

In complying with these requirements and the guidelines contained in ASIC Regulatory Guide 209, many mortgage brokers have included consideration of a customers' life insurance position and needs as part of their initial assessment. Consequently, the offer of mortgage protection or other life insurance products or referral to a life insurance provider has become a natural part of the service and discussion between a mortgage broker and their client.

Freedom believes that the growth in mortgage broking will increase the prevalence of mortgage protection life insurance products being distributed by mortgage brokers.

Figure 6 – Residential Lending Commitments



Source: RBA D6 Lending Commitments – All Lenders, RBA D2 Lending and Credit Aggregates

2.5. Regulatory Environment for Life Insurance

As a developer, distributor and administrator of life insurance products, Freedom operates in two separate regulatory areas.

The primary area of regulation for Freedom relates to the distribution of life insurance products and the financial advice provided to consumers in conjunction with the distribution of life insurance products. The Corporations Act imposes a comprehensive licensing, disclosure and conduct framework on the distributors of financial products (such as life insurance products) and those that advise on them. For this purpose, the Freedom group of companies that provide these services are required to hold an Australian Financial Services Licence (AFSL) and meet all legal and regulatory requirements relating to the operation of those licences. The Corporations Act also provides a regime for financial product disclosure with a complying product disclosure statement being required in order to issue life insurance products.

ASIC, Australia's corporate, markets and financial services regulator, is the statutory body responsible for ensuring compliance with these laws and providing regulatory oversight and guidance to industry participants.

The other area of regulation relates to the prudential regulation of life insurers. In this respect APRA is the prudential regulator for over 4,000 financial institutions, which includes banks, building societies, friendly societies, life and general insurers and most superannuation funds. Their role includes setting standards such as minimum prudential regulatory capital levels for these institutions to ensure they remain financially sound and able to meet their obligations to depositors and policyholders.

02. Industry Overview *continued*

APRA does not regulate industry participants like Freedom, as Freedom does not directly bear claims risk. However, given Freedom's role in respect to the development and administration of life insurance products and its unique arrangements with life insurers and reinsurers, this prudential area of regulation still underpins Freedom's products and its activities generally. *The Life Insurance Act 1995* and the *Financial Sector (Shareholdings) Act 1998* are also specifically relevant to Freedom's business.

2.5.1. Recent Regulatory Developments

Future of Financial Advice

In response to the recommendations contained in the 2009 Ripoll Report, the federal government passed the Future of Financial Advice reforms in 2012 as an amendment to the Corporations Act (**FOFA reforms**). The objectives of the FOFA reforms were to improve the quality of personal financial advice provided to consumers and to enhance retail investor protections so as to ensure the availability, accessibility and affordability of high quality financial advice.

The reforms included a new requirement for advisers to act in the best interests of their client when providing advice, a ban on Conflicted Remuneration for most financial products, an opt-in obligation that requires advice providers to renew their clients' agreement to ongoing fees every two years and enhanced powers for ASIC. A number of refinements have been made by the Coalition Government since and in October 2016 further proposed reforms were announced that would extend the Conflicted Remuneration ban to sales of risk life insurance business in prescribed circumstances. Included in the proposal was a restriction to cap the level of Upfront and Trail Commissions and to require a Clawback of Upfront Commissions where the policy lapses within 2 years.

The Directors do not expect that these reforms as currently proposed will have a significant impact on Freedom's Direct Channel distribution business or Spectrum's current intermediary based model. Any changes required as a result of the expected FOFA reforms should be able to be incorporated into the current models without any material long term financial impact.

It is expected that these changes will take effect from 1 January 2018.

Code of Practice

Following the recommendation of the Trowbridge Inquiry into life insurance in 2015, the Financial Services Council (**FSC**) has developed a Life Insurance Code of Practice (**Code**). The Code has been developed in consultation with a broad range of industry stakeholders, including life insurers and consumer groups together with a period of public consultation.

The objectives of the Code are to:

- commit life insurers to high standards of customer service;
- seek continuous improvement within the life insurance industry;
- communicate with customers in plain language where possible; and
- increase trust and confidence in the life insurance industry.

The Code focuses on a wide range of consumer issues including product design, sales practises and advertising and also provides a procedural framework for the consideration of claims and complaints. The Code also requires final expense insurance consumers to be provided with prescribed disclosures, including a key fact sheet.

The Code applies to the members of the FSC and such other parties that adopt the Code. Whilst at this time the Code does not apply directly to Freedom, Freedom will incorporate its requirements into its practises given the range of life insurance activities that it undertakes for or with the authority of the registered life insurers of its products.

The new Code commences on 1 October 2016 with a transition period running until 30 June 2017.

ASIC Review of Final Expense Insurance

In 2012, ASIC published the findings of research into consumer awareness of different ways to pay for final expenses. ASIC found that some consumers did not have a good understanding of final expense products and rarely take into account the long term costs of the products or otherwise shop around for the final expense product that is best suited for them. ASIC's concerns ultimately centred on the affordability and value of the final expense insurance products.

Freedom Products incorporate features, that Freedom believes address the concerns held by ASIC. In doing so, Freedom Products offer a number of innovative options designed to provide customers with greater value for money than previous offerings.

ASIC subsequently released a report in 2015 commenting further on the progress made by the providers of final expense insurance products in addressing their previous concerns. The report also provided a number of recommendations for improving the features of final expense insurance products and to enable consumers to better understand these products. ASIC did indicate that a number of insurers had begun to introduce improved product features, including level premium options and the capping of premium payments. On a detailed review of ASIC's report, Freedom was satisfied that the innovations introduced into Freedom Products covering final expenses, and its revised distribution disclosures, fully addressed ASIC's concerns. Freedom also supports the disclosure requirements contained in the proposed Life Insurance Code of Practice which are designed to further address ASIC and consumer concerns.

Other Industry Inquiries

There have been a large number of major inquiries in connection with the life insurance industry over the past decade and despite this and the current level of structural reform, it is expected that will continue for some time yet.

Following media commentary in early 2016, the Federal government has instigated a full investigation into aspects of the life insurance industry through both the existing senate financial services inquiry and a proposed ASIC review. It has also announced in 2016 a further inquiry to form part of the Joint Parliamentary Inquiry Committee on Corporations and Financial Services (see below).

It is also expected that the government and ASIC will continue to scrutinise the effect of the reforms both from the perspective of it improving the quality of advice that consumers receive and the impositions placed upon industry participants in complying with the requirements. The current Labor federal opposition also continues to push for a royal commission into banking and financial services.

On 12 October 2016, ASIC released a report in relation to its review of the life insurance industry's handling of claims with recommendations to strengthen the legal framework and provide transparency in relation to claims handling. ASIC has also reported that it will conduct a new major review of life insurance sold directly to consumers without personal advice.

Parliamentary Inquiry into the Life Insurance Industry

On 14 September 2016, the federal government announced an inquiry into the life insurance industry as part of the Joint Parliamentary Committee on Corporations and Financial Services (**Parliamentary Committee**). The purpose of the Parliamentary Committee is to determine whether the life insurance industry requires further reform and oversight by ASIC and APRA.

The following matters were referred to the Parliamentary Committee for inquiry and report on:

- the need for further reform and improved oversight of the life insurance industry;
- assessment of relative benefits and risks to consumers of the different elements of the life insurance market;
- whether entities are engaging in unethical practices to avoid meeting claims;
- the sales practices of life insurers and brokers, including the use of Approved Product Lists;
- the effectiveness of internal dispute resolution in life insurance; and
- any related matters.

The Parliamentary Committee's report is due by 30 June 2017.

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03.

Company
Overview

03. Company Overview

3.1. Introduction

Based in Sydney, Freedom designs, distributes and administers life insurance products that are issued by APRA regulated life insurers. Since its establishment in 2009 and its initial product launch in October 2010, Freedom has experienced rapid growth in the Direct Channel of the life insurance market.

As an illustration of Freedom's growth, a snapshot of Freedom as at 30 June 2012 and 30 June 2016 is set out below:

	As at 30 June 2012		As at 30 June 2016	
	Indirect	Direct	Indirect	Direct
People (FTE)	-	16 call centre sales 0 lead generation 7 customer service 2 admin & quality assurance 4 other staff	202 financial advisers 71 accredited mortgage brokers	90 call centre sales 11 lead generation 27 customer service and retention 17 admin & quality assurance 26 other staff
Customers	-	16,500	7,000	153,000
Sales (NB API) in previous 12 months*	-	\$6.8 million	\$2.7 million	\$30.2 million
In force book (IF API)*	-	\$7.0 million	\$21.3 million	\$44.5 million

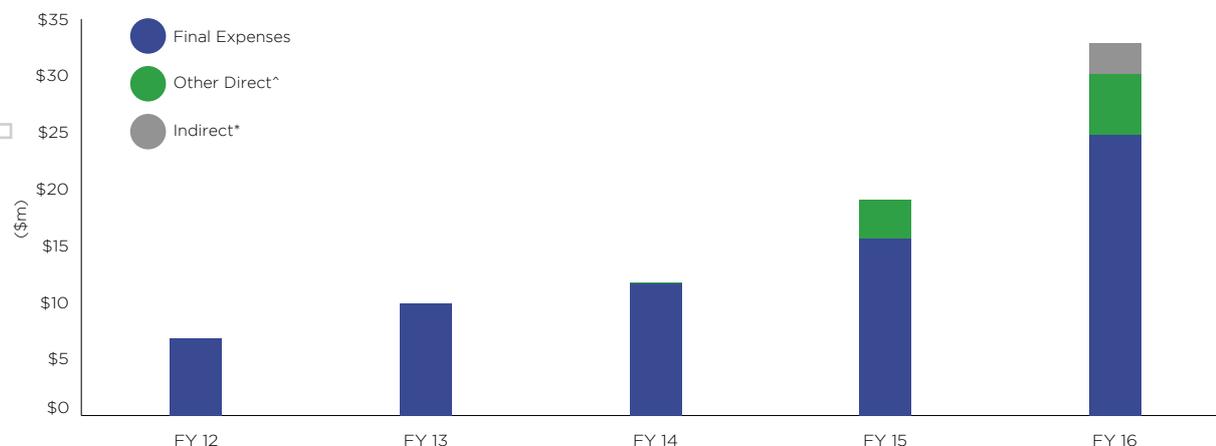
(FTE): Full time equivalents.

Customers: The number of individuals lives who are insured through insurance policies that were sold through Freedom.

* Indirect NB API and IF API are management estimations derived from insurer commissions paid and for the 6 months to 30 June only.

As set out in Figure 7 sales (NB API) for Freedom Products distributed via its Direct Channel has grown at a CAGR of 45% from FY12 to FY16. Total NB API for FY16 (which includes sales via the Indirect Channel by Spectrum during the 6 months to 30 June 2016) was approximately \$33m.

Figure 7 – Historic Sales of Freedom Products



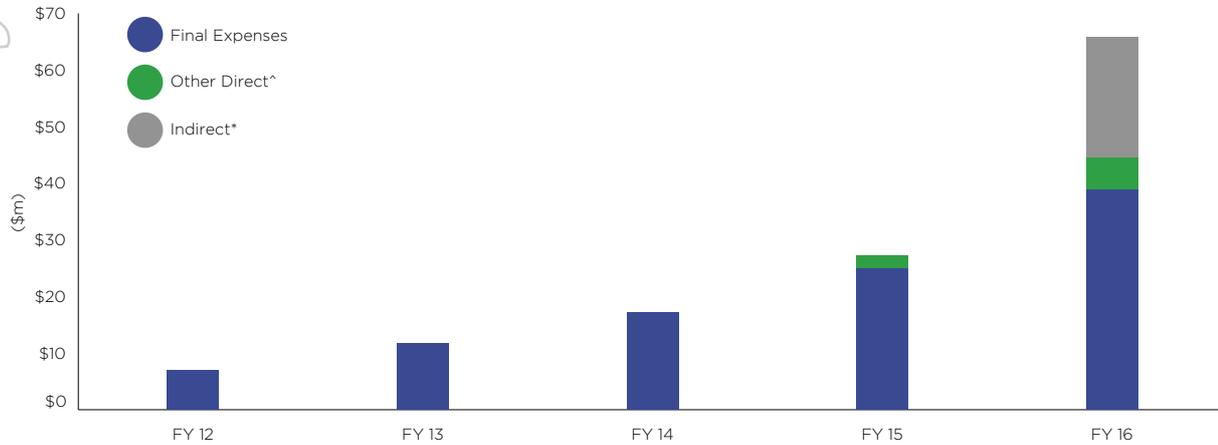
^ Other Direct consists of life insurance products other than final expenses/funeral insurance distributed via the Direct Channel.

* Indirect (Spectrum) sales are management estimates based on insurer commissions received and are excluded prior to the acquisition in December 2015.

As shown in Figure 8, the in force book (IF API) for Freedom Products has grown at a CAGR of 59% from FY12 to FY16. The total IF API at June 2016, stands at approximately \$66m including the Indirect Channel.

03. Company Overview *continued*

Figure 8 – IF API of Freedom Products



^ Other Direct consists of life insurance products other than final expenses/funeral insurance distributed via the Direct Channel.
 * Indirect (Spectrum) IF API is a management estimate based on insurer commissions received.

3.2. Corporate History

Freedom was founded in 2009 on the basis that an opportunity existed to provide consumers with simpler life insurance products that could be conveniently obtained and that met their needs.

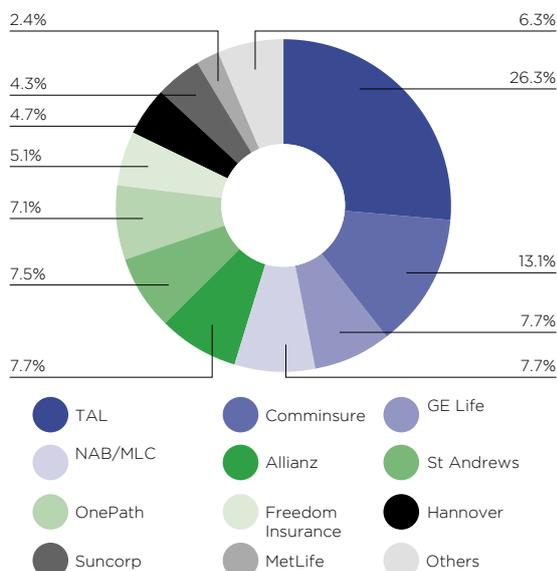
In October 2010, Freedom commenced distribution operations with a final expenses product issued by AIA Australia. Since then Freedom has progressively evolved its capabilities to its current position.

Throughout its development, Freedom has focussed on strengthening its capabilities and management expertise in relation to operations, project management, corporate governance, distribution support, marketing as well as training and development. The business is well positioned to support substantially increased activity and business volumes.

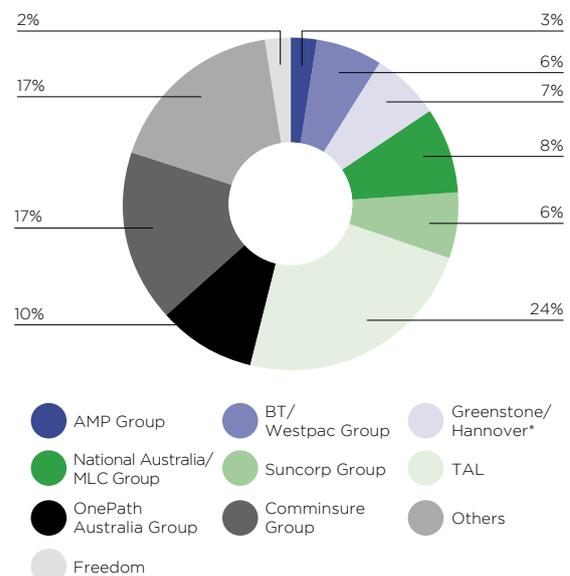
The volume of Freedom's business and the extent of its growth are evident in the size of its market share in the Direct Channel shown in Figure 9 below:

Figure 9 – Direct New Business and Direct In Force Market Share

Direct NB API Market Share CY15



Direct IF API Market Share CY15



Source: Plan for Life Direct Risk Report - adjusted for Freedom business not included in *Plan for Life* data.

2009	The Freedom business was established in 2009.
2010	In October 2010, Freedom started distributing its first product, a final expenses product issued by AIA. AIA undertake the policy administration for this product with Freedom focusing on marketing, distribution and customer service.
2011-2014	Ongoing investment in marketing, lead generation, training, compliance and business processes resulted in sales growing to around \$1 million NB API per month over the first four years.
2014	A revised product range, issued by NobleOak, was launched in April 2014 and Freedom also acquired an equity stake in NobleOak. In 2014, Freedom invested further in its infrastructure and operations in order to undertake its own policy administration for new Freedom Products.
2015	Sales continued to grow reaching around \$2 million NB API per month during 2015. In December 2015, Freedom acquired Spectrum, enhancing its distribution reach and providing significant new growth opportunities.
2016	During 2016, Freedom further enhanced its capabilities including management expertise, retention, marketing, compliance, risk management and resourcing generally. Freedom converted to a public company and a new Board was appointed. During 2016 Freedom Product sales grew to over \$4 million NB API per month. In October 2016, Freedom entered into an agreement with Swiss Re to issue Freedom's products from early in 2017.

Spectrum was established in 2010 as a life insurance focussed dealer group. Spectrum has 273 financial advisers across Australia (June 2016).

Spectrum is focused on recruiting advisers that specialise in providing life insurance products on a General Advice basis, and providing them with all the necessary tools, including access to life insurance products, to allow them to effectively operate their practice. In addition to these advisers, Spectrum has a smaller portion of advisers that provide full service financial planning and advice (ie Personal Advice).

As part of its expansion, Spectrum partnered with one of Australia's largest mortgage aggregation groups, Finsure, to train and licence Finsure's mortgage brokers in the provision of life insurance products on a General Advice basis.

At 30 June 2016, Finsure had in excess of 920 mortgage brokers and a loan book of \$19.7 billion. As at 30 June 2016, Spectrum has trained and accredited 73 of these brokers to provide General Advice on life insurance products.

03. Company Overview *continued*

3.3. Freedom's Business Model

Freedom has continually expanded its range of business activities and internal capability such that, with the exception of Risk Underwriting, it now either determines, influences or has a significant interest in, all aspects of the life insurance value chain.

Product Manufacture	Freedom Products are developed using in-house product development expertise, taking into account customer needs and the distribution channel selected
Marketing & Lead Generation	Freedom undertakes extensive marketing and lead generation activities together with alliance partners and data/digital experts
Distribution	Freedom Products are distributed via an in-house call centre. Risk advisers and mortgage brokers distribute third party products, and will in the future also distribute new Freedom Products
Policy Administration	Freedom Products are administered in-house, using a customised version of Ebix's One-Office administration platform
Risk Underwriting	Freedom bears no claims risk and it is not a registered life insurer

Freedom focuses on developing straightforward life insurance products that are:

- simple to understand and avoid complexity;
- suited for a quick and convenient solution for customers; and
- can be issued under a General Advice process – either through the call centre or face-to-face with a risk adviser or mortgage broker.

By focusing on products that are less complex and easy to understand, Freedom is able to:

- contain its cost of customer acquisition and ongoing customer service; and
- minimise its compliance requirements.

Freedom undertakes marketing, lead generation and distribution activity resulting in policy sales through a number of channels, including:

- Direct Channel
 - inbound call centre
 - outbound call centre
 - alliance partners
- Indirect Channel (predominantly General Advice)
 - mortgage brokers
 - financial advisers

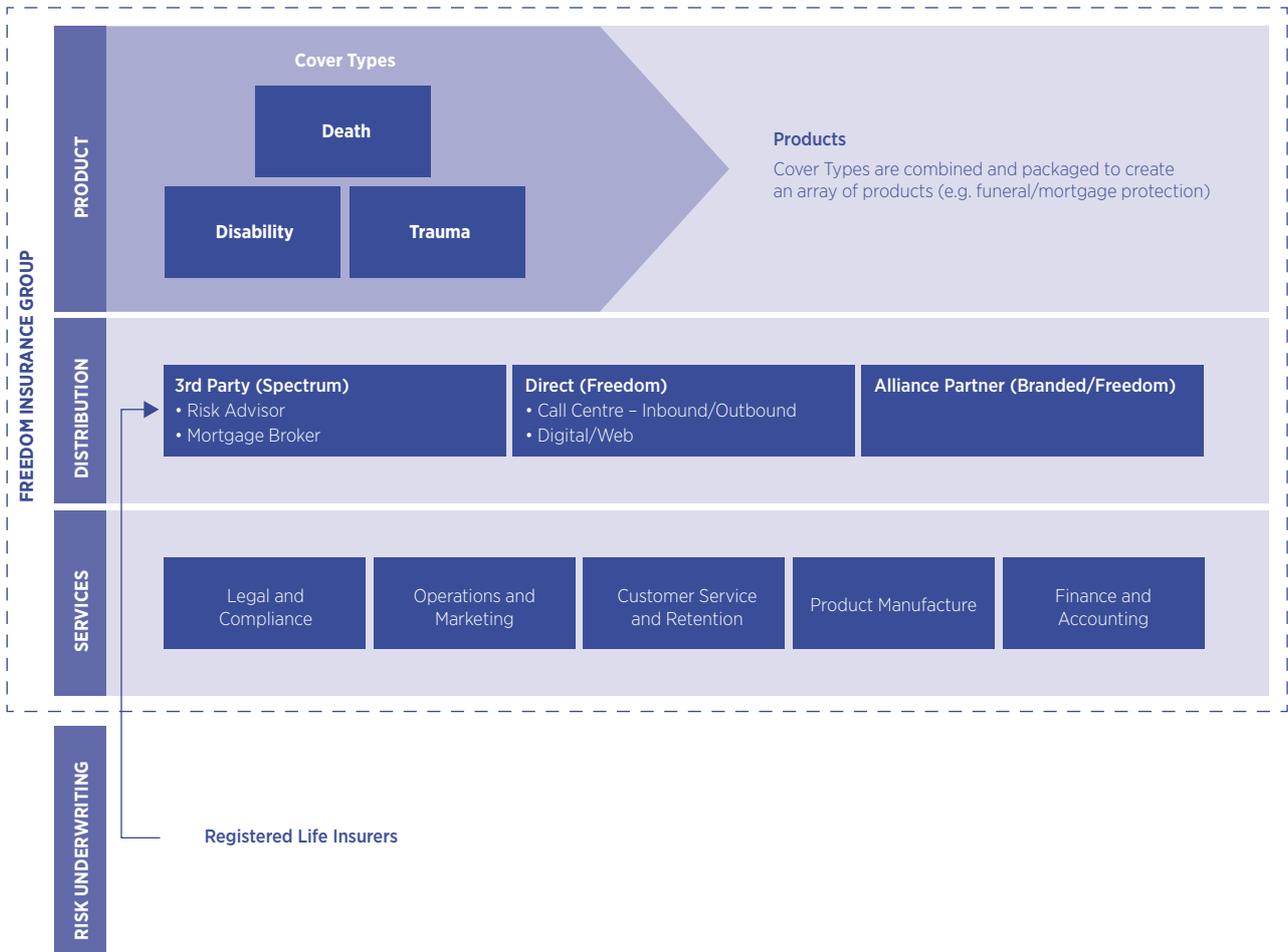
Following the sale of a Freedom Product, Freedom then manages all aspects of the customer interaction, including customer service, premium collection, retention, renewal and claims processing.

Where Freedom does not have a product in market or a more complex solution is required for a customer, Spectrum will sell third party products. These product sales are not Freedom's core focus and comprise a small portion of its total revenue.

Life insurance products sold by Freedom (whether Freedom Products or third party products), are issued by APRA licensed insurers. Freedom is not an APRA licensed insurer and has worked with a number of life insurance product issuers since its inception.

An overview of the components of Freedom's business model is set out in Figure 10 below:

Figure 10 – Freedom's Business Model



3.4. Revenue Model and Margins

Freedom generates revenue from the sale (by way of commission and fees) and administration (by way of administration fees) of life insurance products. Freedom's revenue model and margins vary between Freedom Products and third party products.

3.4.1. Freedom Designed Products

For Freedom Products, Freedom receives:

- **Upfront Commissions** – Upon the sale of a policy, Freedom receives Upfront Commissions and fees from the product issuer in the form of a percentage of the annualised premium.

The majority of Freedom's costs for the sale of Freedom Products can be attributed to customer acquisition activities, which encompass product design and development, lead generation, marketing and sales. In FY16 this represented 87% of operating expenses.

Given the significant portion of costs attributed to customer acquisition, the Upfront Commissions received by Freedom may be less than the total cost of customer acquisition.

- **Trail Commissions** – For the duration of the policy Freedom will receive Trail Commissions. The ongoing income includes deferred income related to customer acquisition activity and administration fees related to tasks associated with ongoing policy maintenance.

Freedom determines the retail pricing for Freedom Products and hence effectively determines the upfront and Trail Commissions it receives. Freedom sets these amounts taking into account the competitive positioning of its products.

03. Company Overview *continued*

Over time the Directors anticipate that:

- As Freedom's in force book continues to grow and scale efficiencies are achieved, the ongoing income will more than cover the costs of servicing the in force book providing surplus cash flow as a contribution to profit or the cost of acquiring new customers.
- Freedom will gradually reduce the upfront commission component of its remuneration in exchange for increasing the Trail Commission component of its remuneration from Freedom Products. The net effect is anticipated to be a reduction in the upfront cash received on sales, with an increase in the overall product margins.

3.4.2. Third Party Products

For third party products sold via Spectrum, Freedom receives both an Upfront and Trail Commission, but not an administration fee.

Freedom's costs for third party products distributed by Spectrum primarily consist of:

- Upfront Commissions paid to advisers on each new life insurance product sold – in FY16 this represents approximately 86% of the Upfront Commissions received by Freedom from the product issuer; and
- Trail Commissions paid to advisers in respect of in force life insurance products – in FY16 this represents approximately 91% of the Trail Commissions received by Freedom from the product issuer.

In addition to these costs, Freedom is responsible for Spectrum's general operating costs.

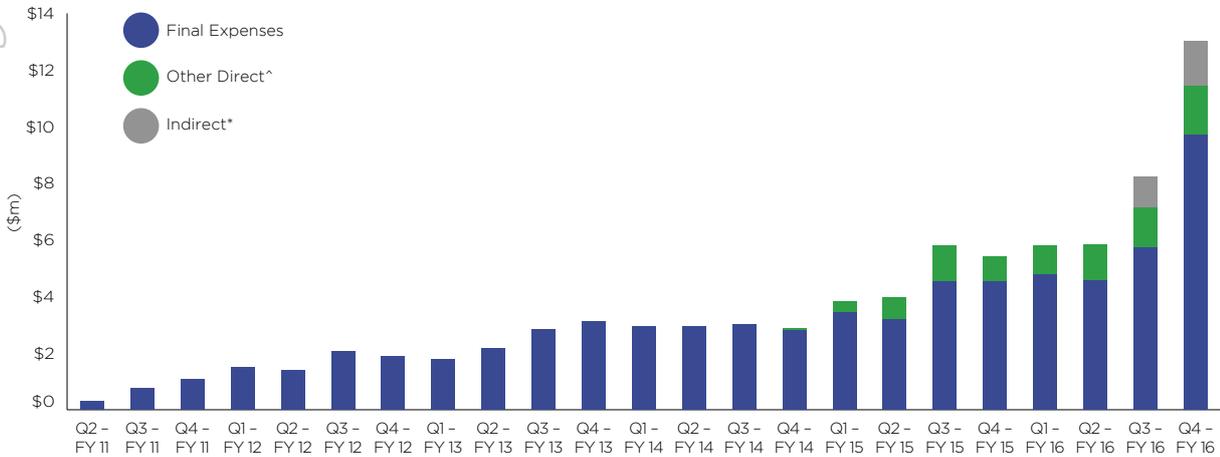
3.5. Freedom Designed Products

Freedom is focussed on developing and distributing products that are simple to understand and suited to a convenient, No Advice or General Advice solution for customers.

The Freedom designed and distributed product range has progressively expanded, with a summary of the current and near term planned product suite set out below. See www.freedominsurance.com.au for further information on Freedom's products.

Product	Implementation Status	Features	Channel	
Final Expenses	Existing	FY11	<ul style="list-style-type: none"> • Up to \$15,000 death cover for final expenses • Guaranteed Issue (no medicals or health questions) • Claim payment generally within 24 hours 	Direct
Accidental Death		FY15	<ul style="list-style-type: none"> • Up to \$500,000 accidental death cover • Guaranteed Issue (no medicals or health questions) 	Direct
Accidental Injury		FY15	<ul style="list-style-type: none"> • Up to \$200,000 accidental injury cover • Guaranteed Issue (no medicals or health questions) 	Direct
Term Life		FY15	<ul style="list-style-type: none"> • Up to \$500,000 life cover subject to short form underwriting 	Direct
Mortgage Protection	Delivery Priority	FY17	<ul style="list-style-type: none"> • Up to \$750,000 death cover – Up to \$225,000 trauma cover • Guaranteed Issue (no medicals or health questions) • Available to eligible mortgage customers 	Mortgage Broker Direct Adviser
Direct Life		FY17	<ul style="list-style-type: none"> • Up to \$200,000 death cover • Guaranteed Issue (no medicals or health questions) 	Direct

Figure 11 - Freedom Quarterly Sales Trend (NB API)



^ Other Direct consists life insurance products other than final expenses/funeral insurance distributed via the Direct Channel.

* Indirect (Spectrum) sales are management estimates based on insurer commissions paid and are excluded prior to the acquisition in December 2015.

Freedom’s most prevalent product to date has been its final expenses product initially launched in 2010. In 2014 a number of unique or improved features were introduced that, in Freedom’s opinion, better suit the market and are consistent with market best practice, including incorporating recommendations made by the ASIC in its review of final expenses insurance.

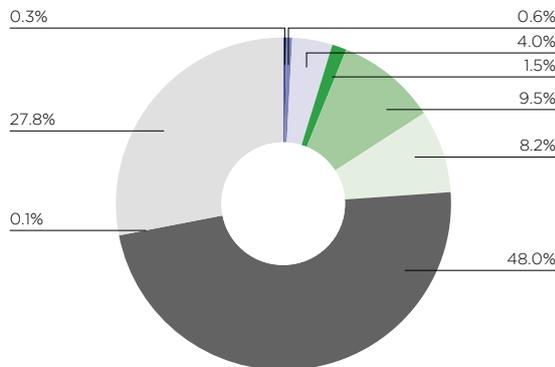
The unique and improved features of the Freedom’s final expenses product include:

- no premium for the first 12 months;
- 42 day cooling off period;
- double claim payment for death overseas;
- stepped/level premiums; and
- the option for a lump sum cash payout at age 75.

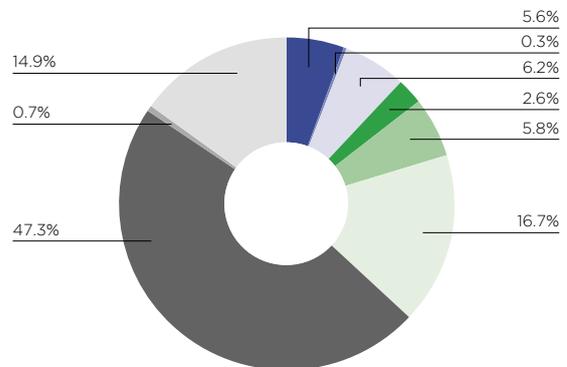
Since its launch in 2010, this product has experienced year-on-year growth and as illustrated in Figure 11. In 2015 Freedom achieved a market share of 27.8% for NB API and 14.9% for In Force API as illustrated in Figure 12.

Figure 12 - Share of Market: Final Expenses

Final Expenses - NB API Market Share CY15



Final Expenses - IF API Market Share CY15



- | | | |
|-------------------------|--------------------------------|---------------|
| AIA Australia | ClearView Wealth Group | Hannover |
| OnePath Australia Group | St Andrew's Financial Services | Suncorp Group |
| TAL | Zurich Australia | Freedom |

- | | | |
|-------------------------|--------------------------------|---------------|
| AIA Australia | ClearView Wealth Group | Hannover |
| OnePath Australia Group | St Andrew's Financial Services | Suncorp Group |
| TAL | Zurich Australia | Freedom |

Source: Plan for Life - adjusted for Freedom business not included in Plan for Life data.

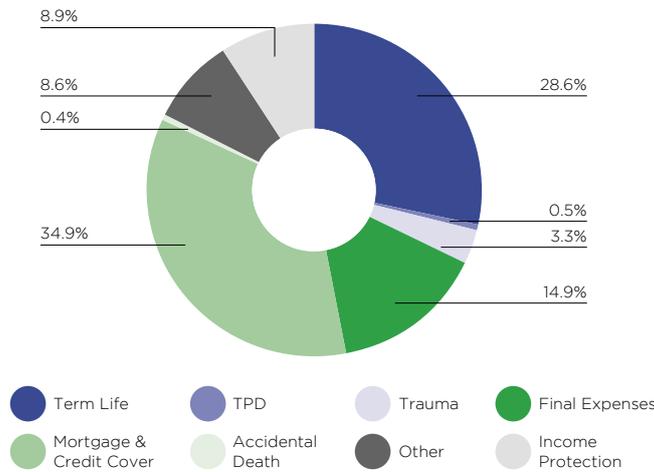
03. Company Overview *continued*

Freedom's other products were launched in late FY15 and its mortgage protection product is due for release in CY2017.

As demonstrated in Figures 13 and 14 mortgage protection products represent a significant portion of the Direct Channel for life insurance. The launch of Freedom's mortgage protection product will give it the opportunity to operate in this component of the market through a combination of Freedom's Direct and Indirect Channels.

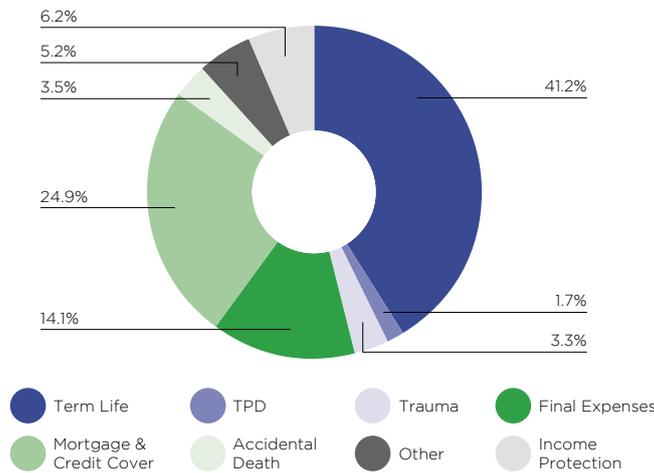
The expansion of these products is expected to be a significant part of Freedom's ongoing growth and they are intended to progressively represent a larger proportion of Freedom's NB API and IF API.

Figure 13 - Product breakdown of market by NB API



Source: Plan for Life - adjusted for Freedom business not included in Plan for Life data.

Figure 14 - Product breakdown of market by IF API



Source: Plan for Life - adjusted for Freedom business not included in Plan for Life data.

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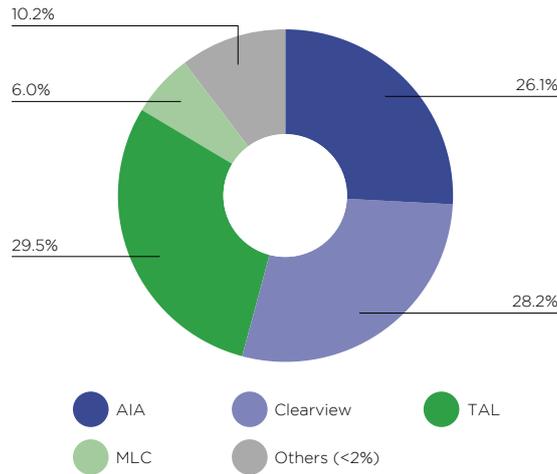
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3.6. Third Party Products

Spectrum distributes a range of third party products from its panel of insurers.

A breakdown of the insurer mix for third party products distributed by Spectrum in FY16 (based on insurer commissions received) is shown in Figure 15.

Figure 15 – Spectrum Insurer Mix FY16



* Others – individual insurer with less than 2% share based on Upfront Commissions paid.

3.7. Freedom’s Distribution Network

Freedom distributes Freedom Products through the Direct Channel and third party products through the Indirect Channel.

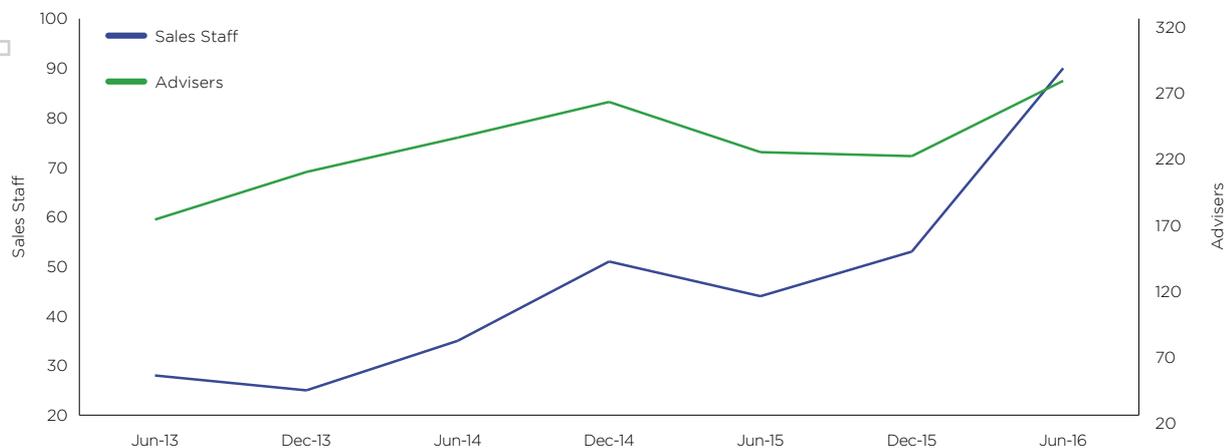
Total sales for the year to 30 June 2016 (NB API) were **\$32.9 million** as set out in Figure 7 in Section 3.1.

The total in force book (IF API) as at 30 June 2016 was **\$65.8 million** as set out in Figure 8 in Section 3.1.

The composition of Freedom’s distribution network is set out in Figure 16.

As at 30 June 2016, Freedom had 90 sales staff in its Direct Channel and 273 advisers distributing insurance products through its Indirect Channel. The historic movement in Freedom sales staff and advisers is reflected in Figure 16.

Figure 16 – Freedom Sales Staff & Advisers (engaged through Spectrum)



03. Company Overview *continued*

3.7.1. Direct Channel Distribution

Freedom currently distributes its Freedom Products via the Direct Channel. Freedom receives approximately 5,000 – 10,000 leads per week through:

- a variety of third party lead generation sources;
- marketing campaigns (e.g. online advertisements, mail, newspaper advertising, magazines etc.); and
- alliance partners.

A team of 90 sales agents located centrally in the Sydney head office contact these leads regarding Freedom Products.

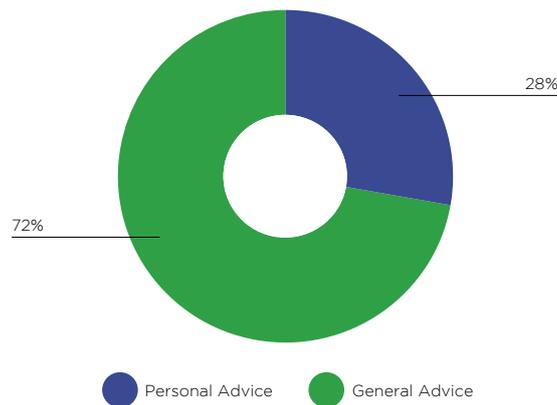
As outlined in Section 3.10 Freedom intends to continue to grow this channel through ongoing growth in agent numbers as well as the development of additional products.

3.7.2. Indirect Channel Distribution

Freedom distributes life insurance products via the Indirect Channel through its subsidiary, Spectrum.

As at 30 June 2016, Spectrum had 273 accredited advisers, including 71 Finsure mortgage brokers. Spectrum's accredited advisers are primarily focussed on selling life insurance products through the provision of General Advice, as shown in Figure 17.

Figure 17 – Breakdown of type of advice provided by Spectrum advisers



Freedom's growth in the Indirect Channel is proposed to be predominantly in the General Advice channel and through the accreditation of mortgage brokers where there is less complexity, with less risk and lower costs.

The mortgage broker channel is an important source of growth for Freedom, noting in particular:

- Spectrum have an exclusive relationship with Finsure, a large and fast growing mortgage aggregator with 927 mortgage brokers and a loan book of \$19.7 billion at 30 June 2016.
- Prior to the acquisition, Spectrum was resource constrained and the recruitment of business development managers has allowed Spectrum to begin to capitalise on opportunities including the relationship with Finsure.
- The mortgage broker proposition will benefit from a simpler product – mortgage protection – designed specifically for mortgage brokers and their customers. A simpler solution will allow a far more efficient accreditation process and a more convenient outcome for brokers and their customers due to its simplicity and straightforward terms.
- Freedom management have significant prior experience in this channel.
- Once the training program with Finsure is fully implemented, Freedom will also engage with other mortgage aggregators to implement similar arrangements.

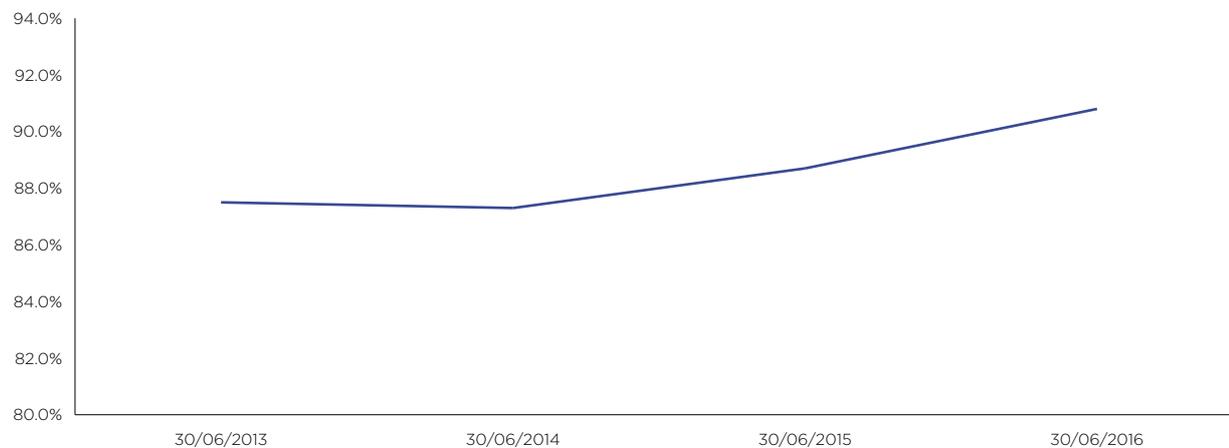
3.8. Services

Freedom undertakes a comprehensive range of services and life insurance functions in respect of Freedom Products, including:

- policy administration using a customised version of Ebix's One-Office administration system;
- customer service;
- fulfilment, administration and IT;
- legal and compliance and quality assurance;
- product development;
- marketing and lead generation;
- learning and development;
- human resources;
- finance and actuarial; and
- claims administration.

There is also a focus on customer retention with a dedicated team operating alongside customer service. The overall trend in the retention ratio (excluding Spectrum) is set out in Figure 18 below:

Figure 18 - Rolling 12 month annual retention rate



The 'Annual Retention' above is calculated as the ratio of A:B where:

- A is the API for the policies within B that remain in force after the 12-month period;
- B is the API for 'premium paying policies' in force at the start of the period; and
- 'premium paying policies' are taken as policies that have been in force for 15 months (where there is a 12-month free period) and for 3 months (for other business) to allow for early cancellations and those cancelled from inception.

Freedom has established an operating and services platform that is scalable and has the capacity to manage significantly higher business volumes.

Further details to retention risk factors are outlined in Section 5.1.2.

03. Company Overview *continued*

3.9. Key competitors

In the Direct Channel, Freedom has a wide range of competitors including TAL, Comminsure and GE Life.

In CY15 Freedom was the second largest distributor of final expenses insurance, its largest competitors for this product are Insurance Line (part of TAL), St Andrews and Suncorp.

The relative market share of these competitors is shown in Sections 3.2 and 3.5 respectively.

Freedom has a significant number of competitors in the Indirect Channel where products are distributed by a wide range of financial advisers including financial planners, accountants and mortgage brokers.

3.10. Growth strategies

Growth strategies for Freedom include:

- Ongoing organic growth of the Direct Channel with the launch of new products and continued growth in the number of sales agents.
- New lead sources and new referral alliances.
- Launch of a new mortgage protection product and the accelerated training of mortgage brokers in Finsure and other mortgage aggregators.
- Ongoing recruitment of new advisers, particularly in the accelerated training of mortgage brokers and financial advisers who are dissatisfied working under a financial intermediary, such as a bank or other financial planning dealer group.
- Consideration and execution of selective acquisition opportunities.
- Execution of Online/digital opportunities to further customer reach and better improve sales and retention strategies within the Direct Channel.

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04.

Financial
Information

04. Financial Information

4.1. Introduction

The financial information for Freedom contained in this Section 4 comprises the following:

- Statutory historical financial information, being the:
 - Statutory consolidated historical balance sheet as at 30 June 2016 (**Statutory Historical Balance Sheet** or **Statutory Historical Financial Information**)
- Pro forma historical financial information, being the:
 - Pro forma consolidated historical income statement for FY14, FY15 and FY16 (**Pro Forma Historical Results**); and
 - Pro forma consolidated historical balance sheet as at 30 June 16 (**Pro Forma Historical Balance Sheet**)(together, the **Pro Forma Historical Financial Information**).
- Forecast financial information, being the:
 - Statutory consolidated forecast income statement for FY17 (**Statutory Forecast Results**);
 - Statutory consolidated forecast net cash flows from operating activities before financing, including capital expenditure for FY17 (**Statutory Forecast Cash Flows**);
 - Pro forma consolidated forecast income statement for FY17 (**Pro Forma Forecast Results**); and
 - Pro forma consolidated forecast net cash flows from operating activities before financing, including capital expenditure for FY17 (**Pro Forma Forecast Cash Flows**),(together, the **Forecast Financial Information**).

The Statutory Historical Financial Information and Pro Forma Historical Financial Information together comprise the **Historical Financial Information**.

The Historical Financial Information and Forecast Financial Information together comprise the **Financial Information**.

The Financial Information has been reviewed and reported by the Investigating Accountant, whose Investigating Accountant's Report is set out in Section 9. Investors should note the scope and limitations of the Investigating Accountant's Report.

Also summarised in this Section 4 are:

- 1 the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- 2 the Historical Financial Information and Forecast Financial Information (refer to Section 4.3);
- 3 a summary of capitalisation and indebtedness before and after the Offer (refer to Section 4.4);
- 4 management discussion and analysis of the Pro Forma Historical Financial Information (refer to Section 4.5);
- 5 the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information and discussion and analysis of the Pro Forma Forecast Financial Information (refer to Section 4.6);
- 6 an analysis of the sensitivity of the Forecast Financial Information to changes in key assumptions (refer to Section 4.7); and
- 7 a summary of the Company's dividend policy (refer to Section 4.8).

All amounts disclosed in this Section 4 are presented in Australian dollars.

4.2. Basis of preparation of the Financial Information

4.2.1. Overview

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations) (**AAS**) and the summarised significant accounting policies adopted by Freedom. Compliance with Australian Accounting Standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards (**IFRS**) as adopted by the International Accounting Standards Board.

The Prospectus includes the Forecast Financial Information based upon the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information, unless stated otherwise.

The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. Freedom's significant accounting policies have been consistently applied throughout the periods presented and are detailed in Section 10.

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.2.2. Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been extracted from Freedom's audited consolidated financial statements for FY14, FY15 and FY16.

These financial statements were audited by Crowe Horwath. Prior to FY13, the financial statements of Freedom were unaudited.

The Pro Forma Historical Financial Information has been prepared for inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from Freedom's consolidated financial statements for the respective financial years and adjusted for items set out in Section 4.3. The pro forma adjustments to the Statutory Historical Balance Sheet have been made to reflect Freedom's structure following Completion of the Offer.

Investors should note that past results are not a guarantee of future performance.

4.2.3. Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus.

The Forecast Financial Information is presented on both a pro forma and statutory basis.

The Pro Forma Forecast Results and the Pro Forma Forecast Cash Flows have been derived from the Statutory Forecast Results and the Statutory Forecast Cash Flows, respectively, after adjusting for pro forma transactions and other adjustments to reflect Freedom's operations following Completion and to eliminate non-recurring items and to reflect public company costs. Both the Statutory Forecast Results and the Statutory Forecast Cash Flows reflect the Director's best estimate forecasts for FY17.

The Forecast Financial Information has been prepared by Freedom based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in Section 4.6. The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

Presentation of the best estimate assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in the Prospectus has been reviewed by the Investigating Accountant but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report in Section 9.

The Forecast Financial Information is not fact and investors are cautioned not to place undue reliance on it. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Freedom's actual financial performance, cash flows or financial position. Investors are advised to review the Forecast Financial Information and best estimate assumptions set out in Section 4.6.2, in conjunction with the sensitivity analysis set out in Section 4.7, the risk factors set out in Section 5 and the other information set out in this Prospectus.

Freedom has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

04. Financial Information *continued*

4.3. Historical Financial Information and Forecast Financial Information

4.3.1. Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results

Table 1 presents the Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results.

The FY17 Pro Forma Forecast Results present Freedom's expected financial results on an ongoing operating basis. This is compared with the statutory forecast results which also allows for one-off IPO related costs.

The Pro Forma Historical Results and Pro Forma Forecast Results are reconciled to the Statutory Historical Financial Results of Freedom and Statutory Forecast Results in Tables 2, 3 and 4.

The Financial Information presented also contains non-IFRS financial measures. The accounting treatment for reported revenue includes two items which recognise future values, rather than cash receipts. These items, Trail Asset Movement and Clawback Provision Movement, are discussed in Section 4.3.3. Due to the nature of these items EBITDA does not align with underlying cash results. Hence, the directors and management also monitor Cash EBITDA which removes the impact of these two items.

Table 1: Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results

	Notes	Historical Results			Forecast Results	
		FY14 Pro Forma \$'000	FY15 Pro Forma \$'000	FY16 Pro Forma \$'000	FY17 Pro Forma \$'000	FY17 Statutory \$'000
Upfront Commission	1	13,822	15,802	23,153	31,449	31,449
Trail Commission/Admin Fees	2	1,583	2,876	5,038	7,500	7,500
Trail Asset Movement	3	2,166	6,788	11,717	16,319	16,319
Clawback Provision Movement	4	(644)	(654)	(4,342)	(5,427)	(5,427)
Adviser Commissions	5	(4,910)	(4,421)	(6,056)	(7,827)	(7,827)
Net Revenue		12,017	20,390	29,510	42,014	42,014
Marketing/Lead Generation	6	2,509	4,666	6,322	7,086	7,086
Sales Staff expenses	7	1,834	3,847	5,994	9,245	9,245
Other Staff expenses	8	2,681	3,627	5,491	6,976	6,976
Other expenses	9	2,337	3,530	4,169	6,004	6,004
IPO related costs	10					3,097
Total Operating Expenses		9,361	15,671	21,977	29,311	32,408
EBITDA		2,711	4,755	7,555	12,703	9,606
Depreciation	11	55	36	21	-	-
EBIT		2,657	4,719	7,533	12,703	9,606
Net interest income/(expense)	12	16	(320)	(1,171)	(685)	(685)
Profit before tax		2,673	4,399	6,362	12,018	8,921
Tax expense	13	812	1,320	2,464	3,605	2,676
NPAT		1,860	3,079	3,899	8,412	6,245
EBITDA		2,711	4,755	7,555	12,703	9,606
Trail Asset Movement		(2,166)	(6,788)	(11,717)	(16,319)	(16,319)
Clawback Provision Movement		644	654	4,342	5,427	5,427
Cash EBITDA	14	1,189	(1,379)	180	1,811	(1,286)

Notes

- 1 Upfront Commission includes initial commission and fees received for Freedom Products as well as initial commission for third party products sold via Spectrum. These commissions are net of Clawback amounts for policies that have lapsed in the Responsibility Period.
- 2 Trail Commission/Admin fees are (i) commissions and fees received over the life of the policies as premiums are paid by customers for Freedom Products as well as for third party products sold via Spectrum. Freedom becomes entitled to these commissions once the initial sale of the policy has been completed; and (ii) administration fees received for ongoing servicing of policies administered by Freedom.
- 3 Trail Asset Movement shows the movement in the Trail Asset. The Trail Asset is determined as the present value of future Trail Commissions using a discounted cashflow approach. The Trail Asset values entitlements for both Freedom Products and third party products sold via Spectrum. Deductions are made from the Trail Asset for payments by Spectrum to advisers, so as not to overstate the value of the Trail Asset (see Section 4.3.3).
- 4 This item shows the movement in the Clawback Provision. The Clawback Provision is held to allow for expected Clawback amounts on policies still in the Responsibility Period (see Section 4.3.3).
- 5 Adviser Commissions are initial and trail commissions paid to advisers for third party products sold via Spectrum.
- 6 Marketing expenses relates to all marketing campaigns and advertising expenses. Lead generation costs include the purchase of third party customer lists and the lead generation staff costs.
- 7 Sales staff expenses are wages and other employment related costs for employees working across all functions relating to Freedom Product sales including contact centres, quality assurance and administration support teams.
- 8 Other Staff expenses are remuneration and other employment related costs for the management team and employees working within the marketing, customer service and retention teams.
- 9 Other expenses include office expenses, printing, stationery, postage, rent, maintenance, utilities, systems and training costs.
- 10 IPO related costs are the payments expected to be made to all advisers for IPO related work streams.
- 11 Depreciation of office and computer equipment.
- 12 Net Interest (expense) is the total interest income received net of interest costs for borrowings.
- 13 Tax expense is calculated and applied at the Australian corporate tax rate of 30%.
- 14 Cash EBITDA shows EBITDA excluding the non-cash revenue items described in notes 3 and 4 (see Section 4.3.3).

4.3.1.1. Pro Forma adjustments to the Statutory Historical and Forecast Results

Set out below in Tables 2, 3 and 4 are the Pro Forma adjustments to the historical and forecast statutory revenue, EBITDA and NPAT to allow for the impact of the historical acquisition of Spectrum on 18 December 2015, as if it had occurred on 1 July 2013. FY17 forecast allows for the full year impact of the changes to operations and the capital structure that will be in effect following completion of the Offer.

Table 2: Reconciliation of the historical and forecast statutory revenue to Pro Forma revenue

	Notes	Historical			Forecast
		FY14 \$'000	FY15 \$'000	FY16 \$'000	FY17 \$'000
Statutory Revenue		11,048	19,216	28,800	42,014
Spectrum Net Revenue	1	970	1,173	710	-
Spectrum Net Revenue prior year adjustments	2	140	156		
Pro Forma Net Revenue		12,017	20,390	29,510	42,014

Notes

- 1 Spectrum net revenue is made up of Upfront Commissions and Trail Commissions received for third party products sold via Spectrum net of commissions paid to advisers.
- 2 Prior year adjustments were made to incorporate the movement in Trail Asset and the Clawback Provision historically as these items had not been included prior to the acquisition of Spectrum in December 2015.

04. Financial Information *continued*

Table 3: Reconciliation of the historical and forecast statutory EBITDA to pro forma EBITDA

	Notes	Historical			Forecast
		FY14 \$'000	FY15 \$'000	FY16 \$'000	FY17 \$'000
Statutory EBITDA		2,606	4,736	6,315	9,606
Spectrum EBITDA		(35)	27	89	-
Spectrum EBITDA historical adjustments	1	140	(8)		
IPO related Expenses	2			1,151	3,097
Pro Forma EBITDA		2,711	4,755	7,555	12,703

Notes

- 1 Prior year adjustments were made to incorporate the movement in Trail Asset and the Clawback Provision historically as these items had not been included prior to December 2015. A further adjustment was made to provide for doubtful debts.
- 2 IPO related expenses are all advisers fees for pre-IPO capital raising, acquisition of Spectrum, and IPO related work streams.

Table 4: Reconciliation of the historical and forecast statutory NPAT to pro forma NPAT

	Notes	Historical			Forecast
		FY14 \$'000	FY15 \$'000	FY16 \$'000	FY17 \$'000
Statutory NPAT		1,797	2,566	3,020	6,245
Spectrum NPAT		(35)	16	62	-
Spectrum NPAT historical adjustments	1	98	(3)		
IPO related Expenses		-	-	1,151	3,097
Option Expense	2	-	500	-	-
Tax impact of IPO costs	3	-	-	(334)	(929)
Pro Forma NPAT		1,860	3,079	3,899	8,412

Notes

- 1 Prior year adjustments were made to incorporate the after tax movement in Trail Asset and the Clawback Provision historically as these items had not been included prior to December 2015. A further adjustment was made to provide for doubtful debts.
- 2 Option expense is the cost of additional Shares issued in relation to convertible notes that were issued in June 2015 and converted to equity in December 2015. The terms included a 20% discount to the Share price as at that date (which was derived from the restructure and the acquisition of Spectrum).
- 3 Tax has been estimated at the Australian Corporate Tax rate of 30% of IPO related expenses excluding stamp duty.

4.3.2. Pro Forma Historical Balance Sheet

Table 5 sets out the audited Statutory Historical Balance Sheet for Freedom as at 30 June 2016 and pro forma adjustments that have been made in order to prepare the Pro Forma Historical Balance Sheet. The pro forma adjustments reflect both post balance date events and the impact of the Offer and capital structure that will be in place following Completion of the Offer.

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Table 5: Statutory Historical Balance Sheet and Pro Forma Historical Balance Sheet

	Note	Audited Statutory Historical Balance Sheet \$'000	Impact of Pro Forma Events and Offer \$'000	Pro forma Historical Balance Sheet \$'000
Assets				
Current				
Cash	1	7,119	12,000	19,119
Current Assets	2	4,750		4,750
Trail Asset	3	3,165		3,165
Total Current Assets		15,034	12,000	27,034
Non-Current				
Trail Asset	3	20,499		20,499
Goodwill	4	5,818		5,818
Investment Assets	5	3,477		3,477
Total Non-Current Assets		29,793	-	29,793
Total Assets		44,827	12,000	56,827
Liabilities				
Current				
Payables	6	4,061		4,061
Clawback Provision	7	7,776		7,776
Convertible Note	8	8,566	(8,566)	-
Loan	9	3,000	(3,000)	-
Payables (IPO Costs)	10		3,097	3,097
Current Liabilities		23,404	(8,469)	14,934
Non-Current				
Employee Benefits		53		53
Deferred tax liability	11	4,475	(288)	4,187
Total Non-Current Liabilities		4,528	(288)	4,240
Total Liabilities		27,932	(8,757)	19,175
Net Assets		16,895	20,757	37,653
Equity				
Issued Shares	12	8,416	24,254	32,671
Equity raising fees	13		(961)	(961)
Reserves	14		49	49
Option Value	15	688	(688)	-
Accumulated Profits	16	7,791	(1,897)	5,893
Total Equity		16,895	20,757	37,653

04. Financial Information *continued*

The pro forma adjustments made to the Statutory Historical Balance Sheet reflect the events and assumptions noted below that will be in place following Completion of the Offer, as if they had occurred or were in place as at 30 June 2016.

The use of proceeds from the Offer is described in Section 4.4.1.

The post-Offer Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Freedom's view on its future financial position.

Notes

- 1 The Increase in Cash is made up of two components:
 - a. the issue of new Shares under the IPO Offer of \$15m; and
 - b. repayment of the Freedom Senior Loan Facility (\$3m in value).
- 2 Current assets include Upfront Commissions, Trail Commissions and administration fees receivable from insurers.
- 3 The Trail Asset is determined as the present value of future Trail Commissions, using a discounted cashflow approach. This asset values entitlements for Freedom Products as well as third party products sold via Spectrum. Deductions are made for payments by Spectrum to advisers, so as not to overstate the Trail Asset. This asset is not impacted by the completion of the Offer (see Section 4.3.3).
- 4 The pro forma event relates to the tax impact of the IPO costs.
- 5 Goodwill arose from the purchase of Spectrum.
- 6 Investment assets are the shareholding in NobleOak, which is held at book value.
- 7 Payables includes trade creditors, employee entitlements and statutory obligations including GST.
- 8 The Clawback Provision is held to allow for expected Clawback amounts on policies still in the Responsibility Period. It is calculated using a discounted cashflow approach (see Section 4.3.3).
- 9 Convertible Note is the discounted value of the Convertible Notes (issued in December 2015 (\$6.41m) and June 2016 (\$2.5m)).
- 10 Loan refers to the Freedom Senior Loan Facility (\$3m in value).
- 11 IPO costs are all adviser fees for IPO related work streams.
- 12 New Shares issued under the Offer and on conversion of Convertible Notes.
- 13 Portion of IPO costs attributed to equity.
- 14 Includes the Freedom Share Scheme expense in relation to Options issued to management under the Freedom EOP (see Section 8.6.1).
- 15 Option value related to the additional Shares issued on conversion of the Convertible Notes – see Note 9.
- 16 Impact on retained profits of the pro forma events.

4.3.3. Trail Asset and Clawback Provision

For the sale of a new policy, Freedom receives an Upfront Commission, as well as a Trail Commission. If the policy lapses in the Responsibility Period, there is a Clawback of a percentage of the Upfront Commission. An ongoing administration fee is also received for providing the policy administration services on Freedom Products.

There are significant upfront costs associated with acquiring a new policy and these costs are fully expensed and no 'Deferred Acquisition Cost' asset is created. It is therefore appropriate to recognise the ongoing income associated with the sale of a policy, at the point of sale and at the same time as the associated expenses are recognised. The activity to earn this income has been completed, with no ongoing obligations. This does not apply to the ongoing administration fees received on Freedom Products as there are ongoing services related to this income.

The Trail Asset is calculated as the present value of future Trail Commissions using a discounted cashflow approach. The calculation of the Trail Asset allows for the following factors:

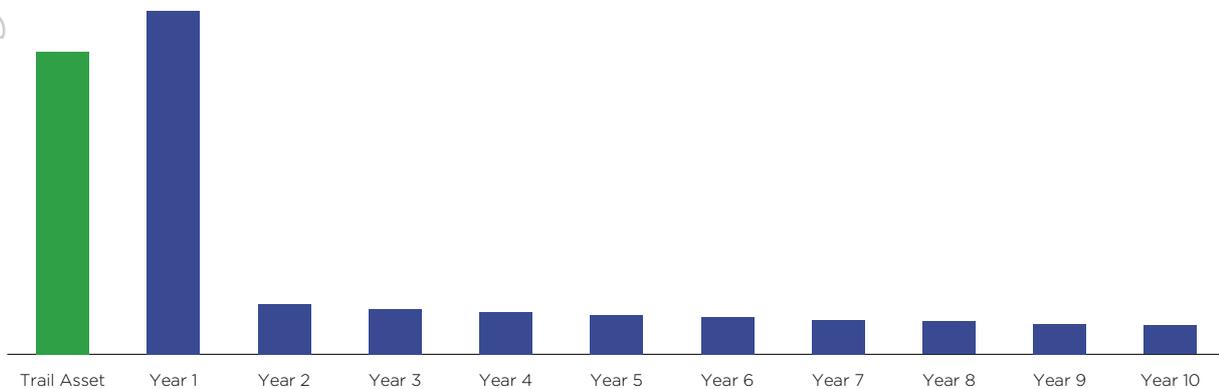
- the expected retention rates for policies sold;
- increases in premiums on outstanding policies;
- the expected future cash flows (ie realised Trail Commissions);
- the time value of money (through the use of a discount rate); and
- counterparty and credit risk (which is allowed for in setting the discount rate).

The key assumptions used to calculate the Trail Asset are discussed in Section 4.6.2.5.

A Clawback Provision is held to allow for expected Clawback amounts on all policies still in the Responsibility Period (**Clawback Provision**). The value of the Clawback Provisions is also calculated using a discounted cashflow approach, and the assumptions used to calculate the value of the Clawback Provision are also set out in Section 4.6.2.5.

A typical cash flow profile for a single policy is demonstrated in Figure 19. This excludes the ongoing administration fee receivable on Freedom Products.

Figure 19 – A typical cash flow profile for a final expenses policy



Note: the Trail Asset bar shown in the chart above does not represent cash flow, and is an accounting representation of the present value of expected future cash flows

As described above, Freedom receives Upfront Commissions for the sale of the policy. This is the high cash inflow in year 1. In the following years, cash Trail Commission are earned over the life of the policy. These Trail Commission cashflows are recognised as the Trail Asset in year 1. Thereafter the Trail Asset reduces as the cash Trail Commissions are received, so that at any point in time the Trail Asset only values Trail Commission and fees yet to be received.

The Trail Asset in the statutory and pro forma balance sheets shows the total value of the Trail Asset at the relevant date. The Trail Asset movement in the statutory and pro forma income statements shows the change in the value of the Trail Asset during the relevant period.

As Freedom designs its own Freedom Products, it is able to set the applicable premiums, Upfront Commissions and Trail Commissions, and therefore influence its revenue profile. For example, Freedom may elect to receive lower Upfront Commissions in order to earn higher Trail Commissions, with the potential to increase total revenue margins over time. Freedom's ability to change the proportion of Upfront Commissions and Trail Commissions is subject to its ongoing cash flow requirements. That is, Freedom must have sufficient working capital available to it to cover the reduction in Upfront Commissions in the short term, which will be compensated by increased Trail Commissions. Any such change would be reflected in the Trail Asset. That is:

- any increase in the percentage of Trail Commissions would result in a higher Trail Asset value; and
- the lower Year 1 cashflow would be offset by a higher Trail Asset value.

04. Financial Information *continued*

4.3.4. EBITDA and Cash EBITDA

In addition to EBITDA, Freedom also calculates and monitors its Cash EBITDA. While EBITDA suitably includes the Trail Asset movement and the Clawback Provision movement items, these are not cash flow items. It is therefore also appropriate to consider an adjusted EBITDA (ie Cash EBITDA) which excludes these non-cash items.

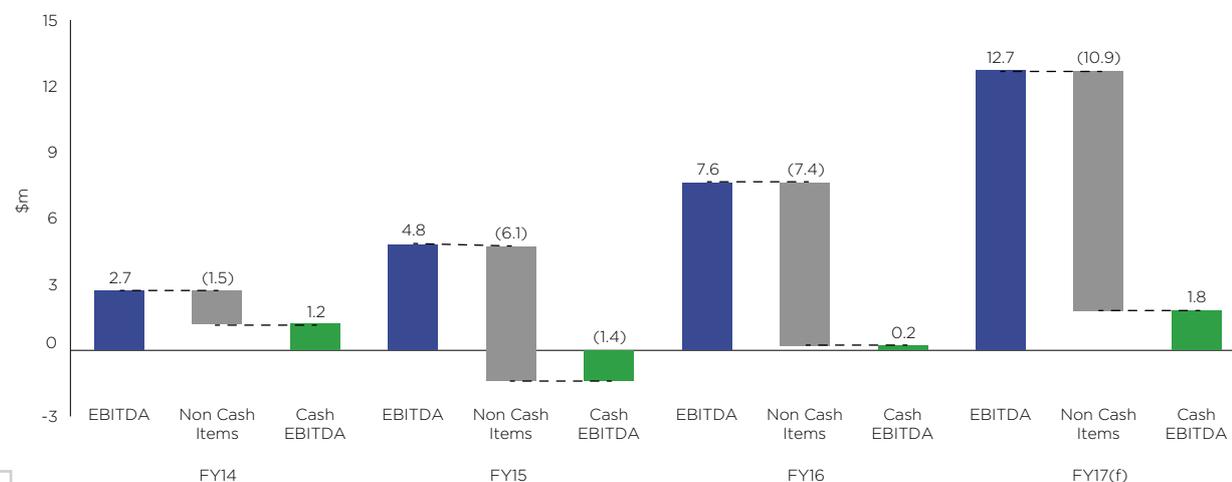
Table 6 shows the relationship between EBITDA and Cash EBITDA

Table 6: Reconciliation of the Cash EBITDA

	Historical			Forecast	
	FY14 Pro Forma \$'000	FY15 Pro Forma \$'000	FY16 Pro Forma \$'000	FY17 Pro Forma \$'000	FY17 Statutory \$'000
EBITDA	2,711	4,755	7,555	12,703	9,606
Trail Asset Movement	2,166	6,788	11,717	16,319	16,319
Clawback Provision Movement	(644)	(654)	(4,342)	(5,427)	(5,427)
Cash EBITDA	1,189	(1,379)	180	1,811	(1,286)

The trend in the EBITDA and Cash EBITDA are set out in Figure 20 and considered further in Section 4.6.5.

Figure 20 – Trend in EBITDA and Cash EBITDA



4.4. Capitalisation and indebtedness

4.4.1. Sources and uses of funds

Table 7 presents the sources and uses of funds following Completion of the Offer including total cash as at 30 June 2016 adjusted for the impact of subsequent events.

After the repayment of the loan, the remaining cash balance available is \$19.0 million. The primary uses of these funds comprise short term working capital and expansion capital for accelerated growth in FY18.

The level of working capital for Freedom is relatively high and increases with increasing sales volumes. Revenues are generally received after the costs have been incurred in generating them. Hence it is preferable to hold a buffer to cover these costs in advance. The Upfront Commissions are generally received mid-way through the month following the month in which the sales are made and it is therefore necessary to cover the expenses associated with those sales for up to 1 ½ months. In addition, as discussed in Section 4.3.2, Freedom periodically reviews its Upfront and Trail Commission and fee profile with a view to maximising overall revenue margins subject to cash flow requirements. This may create a cash strain at the point of sale, exacerbated by increasing sales volumes, and resulting in an increase in the level of working capital required.

On completion of the Offer, Freedom expects to have sufficient funds to continue to grow the business without the need for further capital unless material new opportunities arise that are considered attractive.

Table 7: Sources and uses of funds

Sources of funds	Notes	\$'000
Opening cash 1 July 2016		7,119
Impact of subsequent events		-
Total cash adjusted for impact of subsequent events		7,119
Funds as a result of the Offer	1	15,000
Repayment of Loan	2	(3,000)
Total sources of funds		19,119
Uses of funds		
Payment of IPO transaction costs	3	3,097
Rental Bond	4	1,200
Infrastructure/Systems	5	2,000
Accelerated Growth	6	2,000
Product/Marketing/Acquisition opportunities	7	2,000
Working Capital	8	8,822
Total uses of funds		19,119

Notes

- 1 Funds as a result of the Offer assumes full subscription under the Offer to raise \$15m (noting that the Offer is fully underwritten).
- 2 Repayment of loan refers to the repayment of the Freedom Senior Loan facility (\$3m in value).
- 3 IPO transaction costs are all advisers' fees for IPO related work streams.
- 4 Currently \$0.8m is committed as a rental bond for premises. This is likely to increase in CY18 to procure additional/increased space.
- 5 Further investment in infrastructure to enhance front-end system capability, integration with mortgage broker systems and improve commission payment processes and reporting. Planned for FY18.
- 6 Accelerated growth in the Direct Channel and Indirect Channel markets, including growth in the distribution of Freedom's proposed mortgage protection product. Planned for FY18.
- 7 Future development of innovative products, taking these to market and capitalising on synergistic acquisition opportunities. Planned for FY18.
- 8 Significant working capital is required to cover the expenses incurred to generate sales. 3 months of expenses equates to \$7.3m based on FY17 forecasts. Having sufficient working capital also gives Freedom the flexibility to review the level of Upfront Commissions versus Trail Commissions. Electing a reduction in Upfront Commissions will reduce initial cash inflows (requiring more working capital) but add greater value to the business.

04. Financial Information *continued*

4.4.2. Capital and debt

The table below sets out the capital and debt of Freedom as at 30 June 2016, before and after Completion of the Offer.

Table 8: Pro Forma consolidated historical capitalisation and indebtedness at 30 June 2016

	Historical 30-Jun-16 Statutory \$'000	Impact of Pro Forma Events and Offer \$'000	Historical 30-Jun-16 Pro Forma \$'000
Convertible Notes and Loans	8,566	(8,566)	-
Loans	3,000	(3,000)	
Cash at Bank	(7,119)	(12,000)	(19,119)
Net Debt	4,448	(23,566)	(19,119)
Issued Shares	8,416	24,254	32,671
Equity raising fees	-	(961)	(961)
Reserves	-	49	49
Option Value	688	(688)	-
Accumulated Profits	7,791	(1,897)	5,893
Total equity	16,895	20,757	37,653
Total capitalisation and indebtedness	21,343	(2,809)	18,534

4.5. Management discussion and analysis of Historical Financial Information

4.5.1. General factors affecting the operating results of Freedom

This section discusses the main factors which affected Freedom's operations and relative financial performance in FY14, FY15 and FY16, and which may continue to affect Freedom's operations and financial performance in the future. The discussion of these factors is intended to provide a brief summary only and does not detail all factors that affected Freedom's historical operations and financial performance, nor everything which may impact Freedom's future operations and financial performance.

The information in this section should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.5.1.1. Revenue

Freedom has experienced significant year on year growth since its inception. The total revenue in FY16 has grown at a CAGR of 57% since FY14 from \$12m to \$29.5m.

Freedom's revenue has 3 main streams:

- cash Upfront Commissions received on sales of insurance policies (based on NB API);
- cash Trail Commissions received over the life of each policy as premiums are paid by customers, and administration fees on the servicing of in force policies; and
- the future value of Trail Commissions which is earned at the time of the sale and hence brought to account in that period. Any future Clawbacks are also provided for. These are non-cash items.

For third party products sold via Spectrum, a portion of the cash Upfront Commissions and Trail Commissions is paid onto the advisers.

The key drivers of revenue are sales volumes and the growth of the In Force Book – which is impacted by both sales and retention. As the In Force Book grows, more cash revenue (via Trail Commissions) is available to meet ongoing expenses and contribute to other cash requirements.

4.5.1.2. Operating expenses

To support the growth in revenue, Freedom has also experienced year on year growth in expenses. Total expenses in FY16 have grown at a CAGR of 53% since FY14 from \$9.4m to \$22m. A breakdown of expenses in FY16 is shown in Table 9.

Table 9: Pro Forma Operating Expense Summary

	Historical FY16 Pro Forma	
	\$'000	%
Marketing/Lead Generation	6,322	29%
Sales staff	5,994	27%
Other Staff	5,491	25%
Occupancy	813	4%
Systems	908	4%
Telephone	808	4%
Printing/Postage	496	2%
Recruitment	416	2%
Other expenses	728	3%
Total Operating Expenses	21,977	100%

Expenses have been largely weighted towards sales activities as can be seen in the table above. Other expenses have grown to support the growing sales force and growing In Force Book. This has included procuring larger premises, growth in shared services, IT and other systems. Trends in how the expenses relate to revenue are discussed further in Section 4.6.2.3.

For analysis purposes, expenses are also split into 2 categories:

- Acquisition expenses are incurred in relation to sales generating activities
- Maintenance expenses support the servicing of the business

Many expenses can be categorised as one or the other. For example, sales staff costs are 100% acquisition. Others require an apportionment between the two, depending on the activities either undertaken (by staff) or supported. For example, telephone costs support sales staff but also customer service staff, so are split between the two. In 2016, \$18.9m was categorised as acquisition, with \$3.1m categorised as maintenance.

4.6. Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. In preparing the Forecast Financial Information, Freedom has undertaken an analysis of historical performance and applied assumptions where appropriate. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information are based are by their nature subject to significant uncertainties and contingencies, many of which are beyond the control of Freedom, the Directors and Freedom's management, and are not reliably predictable.

Accordingly, none of Freedom, the Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.7, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 9.

04. Financial Information *continued*

4.6.1. General assumptions

Freedom operates in the Australian life insurance industry across both Direct and Indirect Channels which is regulated by APRA and ASIC. Demand for the insurance products distributed by Freedom across Australia could change during the forecast period. Factors impacting demand include but are not limited to, consumer behaviour, current commercial arrangements, current competitive landscape, economic and regulatory changes. For more detailed narrative on risks to the current general assumptions, please see Section 5.

For the forecast period, the following general assumptions have been made:

- that there is no material changes to the current regulatory environment and applicable legislation;
- that there are no significant changes to the competitive landscape in which Freedom currently operates;
- that there is no change in AAS and IFRS that would impact Freedom's current and ongoing disclosure and financial reporting;
- that there is no significant change to market drivers to the life insurance industry in which Freedom operates, as outlined in Section 2;
- that there are no changes to the assumptions that are used by Freedom to calculate the Trail Asset or Clawback Provision, as outlined in Section 4.6.2.5;
- that Freedom has in place at all times an arrangement with a registered life insurer to enable them to continue to distribute life insurance products without disruption on terms equivalent to the arrangements with NobleOak (see Section 8.9.1 and 8.9.2);
- that there are no significant changes to, or otherwise termination of, any material agreements outlined in Section 8.9;
- that Freedom does not undertake any significant acquisition, divestment or restructuring, or otherwise make any new investments, other than as disclosed in this Prospectus;
- that the risks outlined in Section 5 do not materialise, or otherwise do not materially impact Freedom's ongoing operations and profitability; and
- that the Offer proceeds in accordance with the timetable set out in the Key Dates section.

4.6.2. Specific assumptions

The following sections outline the specific assumptions used to forecast various components of the Financial Results. For some items, the approach is described separately for the Freedom Products sold through the Direct Channel and third party products via Spectrum.

4.6.2.1. New Business Annual Premium Income

The NB API (or sales) forecast for FY17 is \$49.2m. The forecast NB API has a material impact on Freedom's revenue and profitability as can be seen from the sensitivity analysis in 4.7. For Freedom Products, the forecast NB API for FY17 was based on the average NB API for the six months to 1 July 2016. By comparison, the Actual NB API for the whole of FY16 was \$35.5m. The forecast NB API for FY17 of \$49.2m represents a projected growth rate of 45% to the FY16 NB API, reflecting the significant growth that was achieved in the second half of FY16.

Figure 21 shows the quarterly trend in NB API for Freedom Products. The average of each 6-month period is shown as a trend line.

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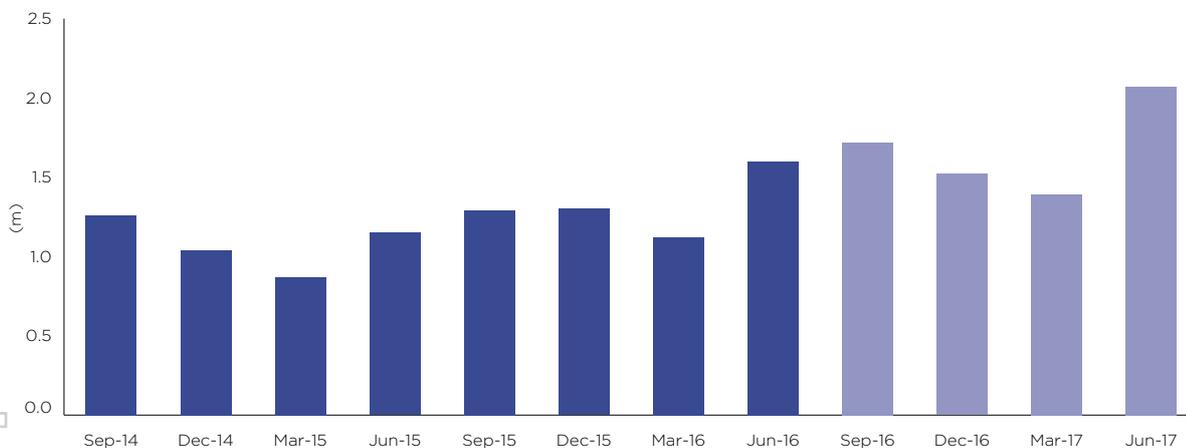
Figure 21 – NB API for Freedom Products by Quarter



For third party products sold via Spectrum, it has been assumed that the average NB API per adviser for FY17 will be the same as the average NB API for the 6-month period to 30 June 2016. Further, the assumed rate of advisor recruitment by Spectrum has been based on moderate growth in FY17 from 273 (as at 30 June 2016) to 333 by 30 June 2017. In FY16 adviser numbers grew from 218 to 273.

Figure 22 shows the quarterly trend in NB API for third party products sold by Spectrum. The dip in NB API in March 2017 is attributable to seasonal drivers associated with Christmas closures.

Figure 22 – NB API for Spectrum third party products by Quarter



4.6.2.2. Retention

The retention rates of insurance policies sold by Freedom are monitored regularly and the assumed future retention rate (including for the forecast period) is based on historic levels. Retention rates are measured in relation to the period for which a policy has been in force, with a general improvement in retention rates the longer a policy remains in force. Freedom’s actual retention rate experience has mostly been more favourable than that assumed for the FY17 forecast.

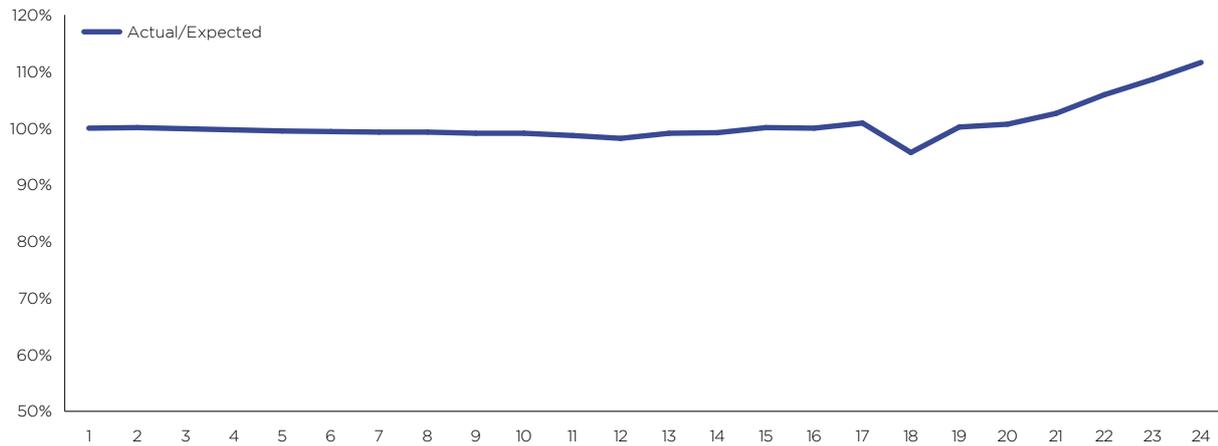
Retention rates are a key assumption impacting the forecast. They measure the retention of existing policyholders and hence the IF API, which in turn impacts the Trail Commissions received by Freedom. Retention rates also impact the amount of Clawback that will be required due to policies not retained throughout the Responsibility Period.

Freedom’s actual retention rate for Freedom Products over the first 24 months of a policy, compared with Freedom’s expected retention rates over the first 24 months of a policy, is set out in Figure 23. Where the actual to expected ratio is greater than 100%, retention rates have been better than expected, with a positive impact on profitability. Where the actual to expected ratio is less than 100%, retention rates have been worse than expected, with a negative impact on profitability.

04. Financial Information *continued*

The ratio in Figure 23 is the retention ratio experienced by Freedom on its cumulative In Force Book over the 24 months from policy commencement. The 24-month retention ratio of 112% indicates that there is 12% more IF API after 24 months from policy commencement as compared to Freedom's underlying assumption.

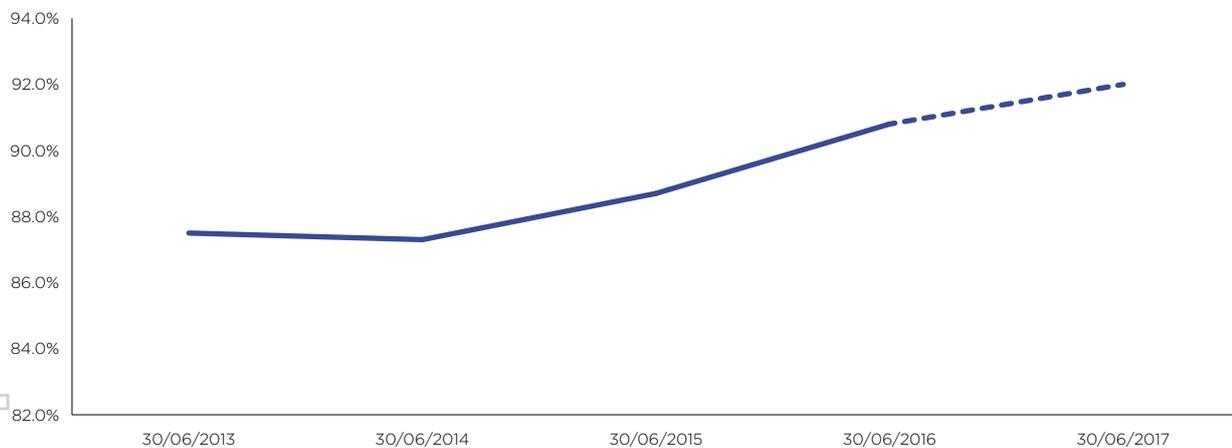
Figure 23 – Retention experience



Note: The timing of lapses in months 15 to 18 was adjusted to reflect a recent system processing change which impacts future business and was allowed for when setting assumptions

The longer term retention rate experienced for Freedom Products on the In Force Book is set out in Figure 24. The improvement as this book continues to mature is evident and is expected to continue for FY17.

Figure 24 – Freedom forecast rolling 12 month retention rate



Note:

The 'Annual Retention' above is calculated as the ratio of A:B where:

- A is the API for the policies within B that remain in force after the 12-month period;
- B is the API for 'premium paying policies' in force at the start of the period; and
- 'premium paying policies' are taken as policies that have been in force for 15 months (where there is a 12-month free period) and for 3 months (for other business) to allow for early cancellations and those cancelled from inception.

4.6.2.3. Expenses

For Freedom Products, key expense assumptions for the forecast period were:

- Salaries & Wages: an expansion of the management team was assumed to support the additional demands of a listed entity. Sales staff were assumed to remain at same levels as at 30 June 2016, which resulted in an increase of 54% in the assumed expenses for salaries and wages from FY16 to FY17. An increase in non-sales support staff has also been assumed. The total employment expense for FY16 was \$12.3m compared to \$16.8m for the FY17 forecast period which represents an increase of 37%.

- Marketing & Lead Generation: these expenses were assumed to remain stable with reference to expenditure as a percentage of NB API. Marketing and lead generation expenses for the full 12 months in FY16 were 22% of NB API. These expenses reduced significantly in the last quarter of FY16 to 15% of NB API. For FY17, marketing and lead generation expenses have been assumed to be 16% of NB API.
- Conversion Rate: a secondary determinant driving the cost of lead acquisition is measured by Freedom's ability to convert a lead to the sale of an insurance policy. The forecast conversion rates are consistent with averages observed during FY16.
- Productivity of Sales Staff: This is measured by the cost of sales staff as a proportion of NB API. While the sales force existing at 30 June 2016 has been assumed to remain largely unchanged through the forecast period in FY17, it has been assumed that their productivity is reduced by 10% from FY16 levels as a conservative measure.
- Variable Expenses: it is assumed that variable expenses including office expenses, printing, stationery, postage, administration systems and training costs will increase in line with NB API and IF API.
- Fixed Expenses: it is assumed that there will be year on year growth in fixed expenses including rent (larger premises for the full year), maintenance and utilities by maintaining these expenses at the same level as that experienced in the last quarter of FY16. Systems development expenses will remain at current levels to cater for development of the new mortgage product.

For third party products sold via Spectrum, expenses for the forecast period were kept mostly unchanged to reflect a similar size employee pool and the synergy in leveraging support functions such as administration and office expenses through Freedom. The only exception was to increase the number of business development managers to support the growth in and training of advisers.

4.6.2.4. Revenue Margins

The revenue derived from the key drivers (NB API and IF API/retention) is based on contractual rates of commission and fees. These rates are expressed as a percentage of premium. The rates for Upfront Commissions and Trail Commission and fees received for the sale of Freedom Products remain unchanged.

For third party products sold via the Spectrum network, revenue on future sales is based on current Upfront Commission and Trail Commission rates. Trail Commission on the In Force Book is a reflection of the existing contractual arrangements which are locked in. It has been assumed that the portion retained by Spectrum remains unchanged.

4.6.2.5. Trail Asset and Clawback Provision

There are three key assumptions used in determining the value of the Trail Asset and the Clawback Provisions:

1. Discount rate: determining the appropriate discount rate requires a degree of judgement. The discount rate used for business written to 30 June 2015 was 8.4%. For policies after that date, a discount rate of 7.7% was used. This discount rate was also used for the forecast. The discount rate is set by the Directors annually.
2. Premium increases for IF API – premiums increase due to benefit indexation and age related increases. Assumptions have been based on past experience which has been stable.
3. Retention rates – retention rate assumptions vary by policy duration. Refer to Section 4.6.2.2 for discussion of historical experience against assumption.

4.6.2.6. Capital expenditure

The forecast assumes no capital expenditure in the forecast period FY17. All costs have been fully expensed to date. With increasing investment in infrastructure and growth planned following the IPO, some expenditure may be capitalised in FY18.

04. Financial Information *continued*

4.6.3. Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

Table 10 compares the forecast cashflows on pro forma and statutory basis.

The statutory cashflows include repayment of the Senior Loan Facility, interest payments as well as the costs associated with the IPO. The pro forma operating cashflow is consistent with the Cash EBITDA measure shown in Table 1 and discussed in Section 4.3.4.

Table 10: Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

	Notes	Forecast	
		FY17 Pro Forma \$'000	FY17 Statutory \$'000
Operating cashflows			
Receipts from customers		31,101	31,101
Payments to suppliers and employees		(29,224)	(29,224)
Net interest paid			(155)
Income tax paid		(31)	(31)
Net operating cashflow	1	1,847	1,692
Repayment of borrowings			(3,000)
Net operating cashflow including capital expenditure		1,847	(1,308)
Equity raising cashflows			
Proceeds from the issue of shares		15,000	15,000
Costs associated with capital raising			(3,097)
Net capital raising cashflow	2	15,000	11,903

Notes

- 1 The operating cash flows are not impacted by changes in the Trail Asset or Clawback Provision.
- 2 Net capital raising cash flow allows for the payment of \$3.1m in capital raising costs associated with the IPO.

4.6.4. Pro Forma Forecast Results

Table 11 sets out the Pro Forma Historical Results for FY16 and the Pro Forma Forecast Results for FY17. Revenue is forecast to increase by 42% in FY17. This is based on the assumed NB API and retention experience as discussed in Sections 4.6.2.1 and 4.6.2.2.

Expenses are forecast to grow by 33% in FY17. This results in an uplift of \$5.1m in EBITDA. Cash EBITDA is forecast to increase by \$1.6m. \$3.5m of the revenue increase is due to the non-cash items (movement in the Trail Asset and Clawback Provision).

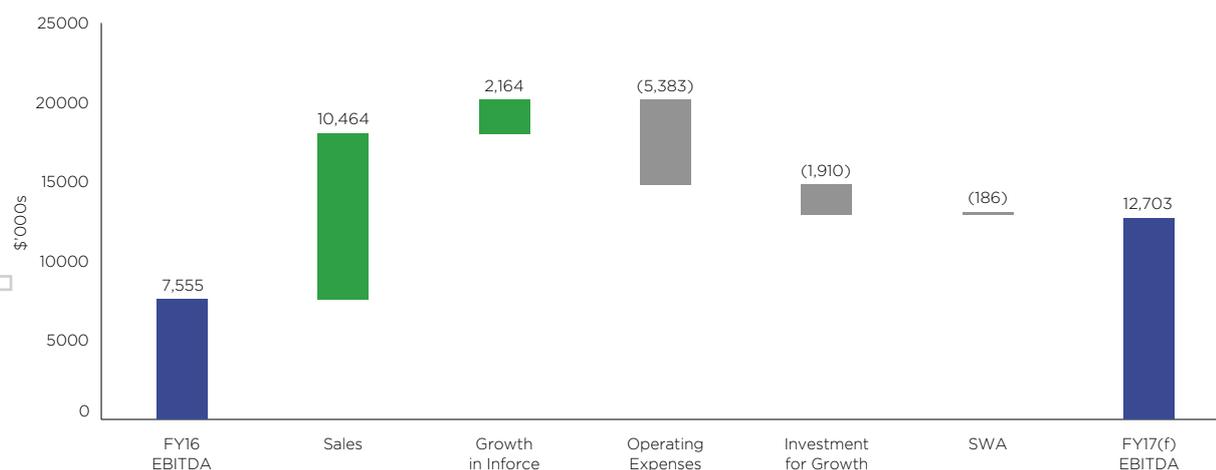
Table 11: Pro Forma Historical Results and Pro Forma Forecast Income Statements

	Historical FY16 Pro Forma \$'000	Forecast FY17 Pro Forma \$'000	Variance \$'000	Variance %
Net Revenue	29,510	42,014	12,504	42%
Marketing/Lead Generation	6,322	7,086	765	12%
Sales Staff expenses	5,994	9,245	3,251	54%
Other Staff expenses	5,491	6,976	1,484	27%
Other expenses	4,169	6,004	1,834	44%
Total Operating Expenses	21,977	29,311	7,334	33%
EBITDA	7,555	12,703	5,149	68%
Depreciation	21	-	(21)	-
EBIT	7,533	12,703	5,170	69%
Net interest expense	(1,171)	(685)	486	-
Profit before tax	6,362	12,018	5,656	89%
Cash EBITDA	180	1,811	1,632	907%

4.6.5. EBITDA and Cash EBITDA

The total pro forma EBITDA in FY17 is forecast to grow 68% to \$12.7m from \$7.6m in FY16.

Figure 25 - EBITDA

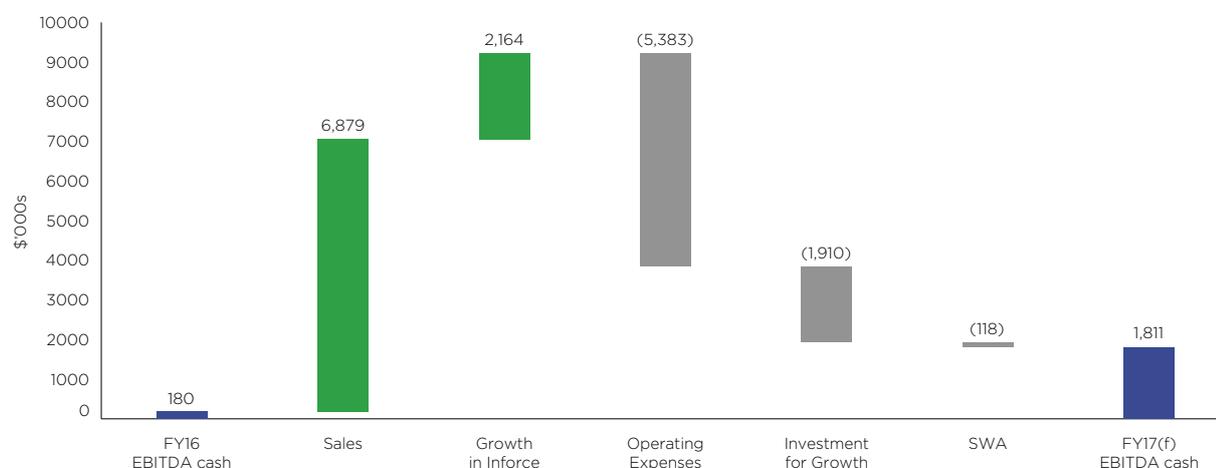


04. Financial Information *continued*

- the increase in Upfront Commission of \$10.4m is due to sales of Freedom Products;
- the increase in Trail Commissions and administration fees of \$2.2m is due to the growing In Force Book as a result of sales;
- the decrease from expenses of \$5.4m is related to sales and servicing activities;
- the further decrease from expenses of \$1.9m is related to non-recurring growth expenses; and
- the decrease from Spectrum reflects a conservative assumption around cost of sales of third party products by Spectrum.

FY17 pro forma Cash EBITDA is forecast to grow from \$180K in FY16 to \$1.8m.

Figure 26 – Cash EBITDA



The difference between pro forma EBITDA and pro forma Cash EBITDA is the movement in the Trail Asset and the Clawback Provision. These are non-cash movements itemised in Table 1.

4.6.6. Trends and Margins

4.6.6.1. Upfront Commissions and costs

It is common for the cost of customer acquisition to exceed the upfront revenue (ie Upfront Commissions). This is a key driver of the cash requirements for growth in Freedom Product sales and is offset by the longer term value in the Trail Commission and administration fees received by Freedom on its In Force Book.

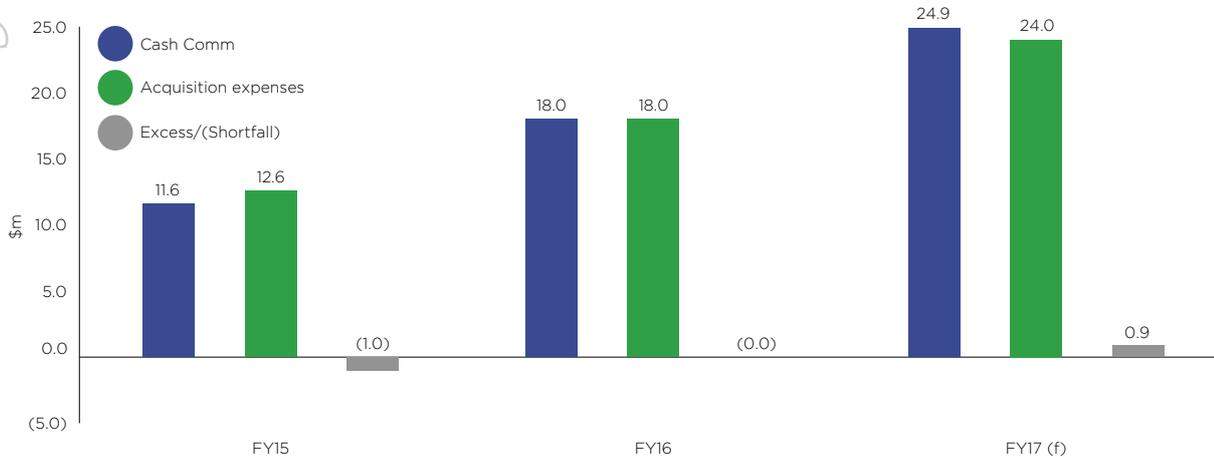
As a result of continued improvements in processes and efficiency, the cost of customer acquisition was almost equal to Upfront Commissions in FY16.

Freedom expects that this trend will continue in FY17 and Upfront Commission will exceed customer acquisition expenses for Freedom Products. This is illustrated in Figure 27.

As Freedom continues to expand, there may be periods where this is not the case and customer acquisition expenses may again exceed upfront commission and fees.

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Figure 27 – Upfront margin trends



The following chart shows the components of the actual customer acquisition costs for FY15 and FY16 as well as those forecast for FY17. With reference to specific assumptions outlined in Section 4.6.2 key changes from FY16 to the FY17 forecast include:

- **Sales staff costs:** The level of total sales staff and costs at the completion of FY2016 have been maintained for FY17, with a slight reduction in the productivity of the sales team assumed for FY17.
- **Marketing and lead generation costs:** Freedom has continued to reduce its marketing and lead generation costs through improved analysis and review of the most effective methods. Ineffective lead sources have been reduced or eliminated and more effective sources increased. This has resulted in a substantial improvement in efficiencies. FY17 assumes the marketing and lead generation costs achieved over the last quarter of FY16 are maintained without further savings. Freedom may consider increasing this type of spend in the future to accelerate growth with any program reviewed on its merits at the time.
- **Other acquisition costs:** These costs are largely fixed, so could be expected to continue to decrease in percentage terms as sales volumes increase.

Figure 28 – Acquisition costs

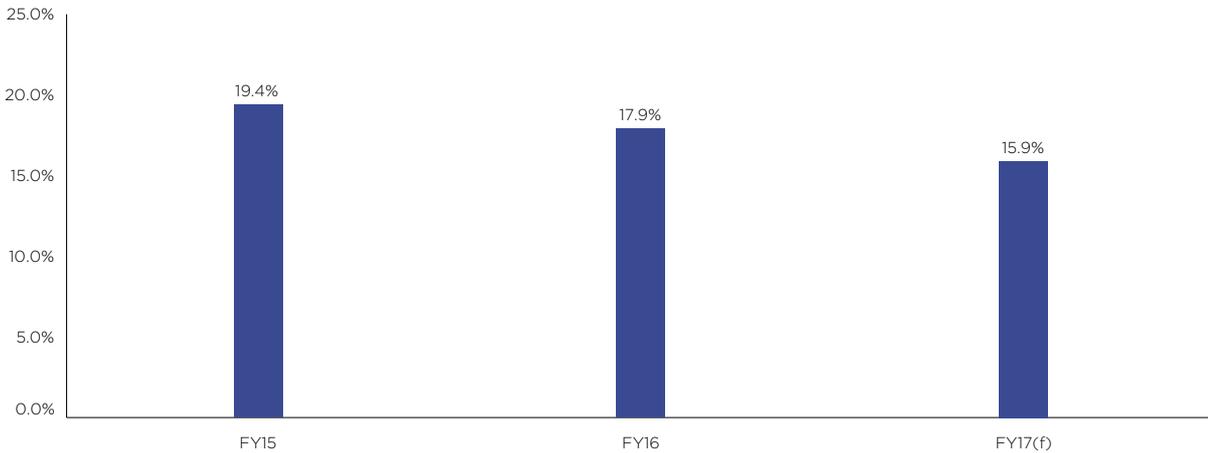


04. Financial Information *continued*

4.6.6.2. Trail Commissions and costs

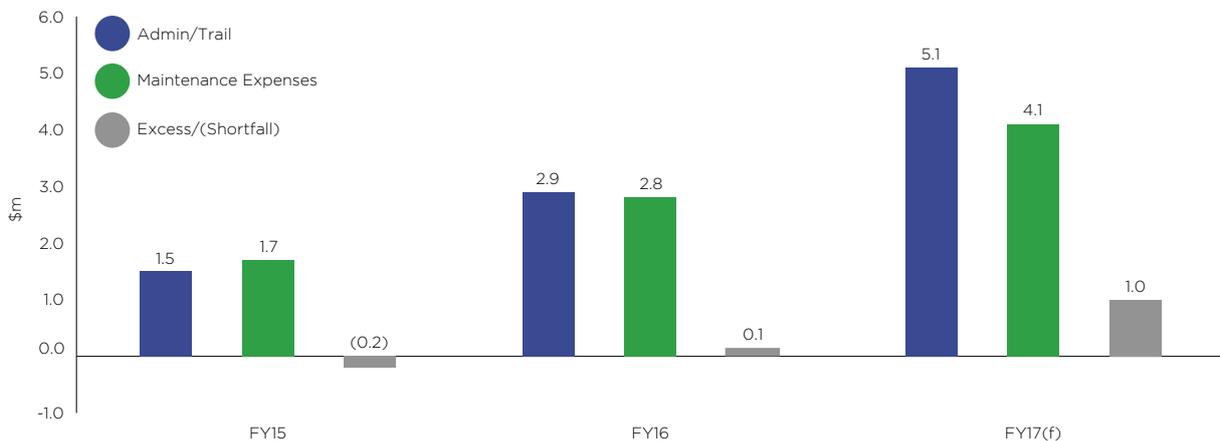
As the scale of Freedom's business has increased, it has been able to more efficiently service its In Force Book as shown by the reduction in the cost of servicing as a percentage of IF API in the chart below.

Figure 29 – Servicing costs



Greater Trail Commissions and administration fees are generated as the In Force Book grows. This, together with the efficiency improvements resulted in Trail Commissions and administration fees exceeding maintenance expenses in FY16 and providing cash flow to support other growth in the business. This trend is forecast to continue in FY17 as Freedom's In Force Book continues to grow and greater efficiencies are achieved.

Figure 30 – Ongoing margin trends



4.7. Sensitivity analysis of the Forecast Financial Information

The Forecast Financial Information included in Sections 4.6.3, 4.6.4 and 4.6.5 is based on a number of estimates and assumptions, as described in Sections 4.6.1 and 4.6.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Freedom, the Directors and Freedom's management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out in Table 12 is a summary of the sensitivity to changes of the Forecast Financial Information to a number of key variables. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive. It is likely that Freedom's management would respond to any changes in one item to seek to minimise the net effect of Freedom's profit and cash flow.

For the purpose of the sensitivity analysis in Table 12, each sensitivity is presented in terms of the impact on FY17 pro forma EBITDA.

Table 12: Sensitivity analysis

	Notes		Increase/ Decrease %	Forecast FY17 Pro Forma EBITDA Change from Increase \$'000's	Forecast FY17 Pro Forma EBITDA Change from Decrease \$'000's
Sales		+/-	10%	1,590	(1,590)
Long term lapse rate	1	+/-	0.5%	(76)	76
Long term lapse rate assumption change	2	+/-	0.5%	(1,084)	1,131
Discount rate on sales from 1/7/16	3	+/-	0.5%	(354)	371
Acquisition costs	4	+/-	10%	(1,633)	1,633

Notes:

- 1 Experience variations in long term lapse rates in a single year does not have a large impact on EBITDA
- 2 The change in assumption has a larger impact as it capitalises the impact on future years.
- 3 The discount rate is set for business written up to 30 June 2016, so only new business in FY17 is affected.
- 4 For this purpose, acquisition expenses have been defined as the total of Marketing and Lead Generation and Sales staff costs as per the categories in Table 1.

4.8. Dividend Policy

No dividend will be paid following the Listing in respect of FY16. Freedom expects that in the immediate foreseeable future any profits should remain in Freedom rather than distributed in the form of dividends. The Board periodically reviews the suitability of this current dividend policy against future business plans, growth opportunities and working capital requirements.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend in future periods. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of Freedom, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Freedom, and any other factors the Directors may consider relevant.

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05.

Risk Factors

05. Risk Factors

Freedom is subject to a variety of risk factors. Some of these are specific to its business activities, while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of Freedom, its investment returns and the value of an investment in the Shares.

The risks listed below are not an exhaustive list of risks associated with an investment in Freedom, either now or in the future, and this information should be considered in conjunction with all other information presented in this Prospectus. Many of the risks described below are outside the control of Freedom and its Directors and management. There is no guarantee that Freedom will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the matters identified in this Section 5 and should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances, and tax issues.

We recommend you seek professional advice from your stockbroker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

5.1. Risks specific to an investment in the Company

5.1.1. The ability to source a commercially competitive insurer arrangement

Freedom's core business model involves the design, distribution and administration of life insurance products that are issued by APRA regulated life insurers. Therefore, Freedom revenues are dependent on Freedom having in place ongoing arrangements with one or more life insurers to enable Freedom to continue to be able to distribute Freedom Products on the commercial terms required by Freedom. As part of those terms, Freedom requires the life insurers to outsource the administration of the products introduced under the distribution arrangement to Freedom.

To enable Freedom to distribute life insurance products, Freedom will typically enter into a distribution agreement with a selected life insurer. Any unforeseen termination or suspension of the distribution agreement with that life insurer may result in Freedom being unable to continue to introduce new business under that arrangement resulting in Freedom ceasing to be able to introduce new business and earn Upfront Commissions, Trail Commissions and, administration fees on this insurance business. In addition to limiting the variety and type of products that Freedom is able to offer its customers, such an occurrence has the potential to negatively affect Freedom's ability to conduct its business with a flow on impact on profitability.

Such termination or suspension could arise due to a number of circumstances including:

- 1 a deterioration in the working relationship between Freedom and the insurer;
- 2 the failure by an insurer to comply with its regulatory obligations or suffering an event of insolvency and therefore becoming unable to meet its contractual obligations to Freedom;
- 3 either Freedom or the insurer failing to meet their contractual obligations to the other under the arrangement; or
- 4 the termination of the arrangement by the insurer following the expiry of the term of the arrangement.

If Freedom is no longer able to distribute products issued by an incumbent insurer, Freedom will need to seek to establish a distribution arrangement with an alternate insurer or insurers, together with an agreement to provide the administration services on business introduced under the arrangement. The Directors expect that it could take up to 9 months to put in place a similar arrangement with another insurer, although, it could be considerably less depending on the circumstances, the structure of the arrangements and the terms being offered by the prospective insurer. However, there is no guarantee that Freedom will be able to enter into suitable long term distribution and administration arrangements within the required time frame (if at all) or on comparable terms to its existing arrangements.

Should there be an unexpected termination of an existing distribution agreement, the Directors believe that on short notice Freedom will be able to meet its immediate cash flow requirements by entering into distribution arrangements with one or more insurers to sell that insurer's products. However, again there is no guarantee that Freedom will be able to do so, nor can it be assumed that such arrangements will be as favorable to Freedom as the arrangement that has terminated.

Freedom has negotiated distribution and administration arrangements with insurers on a number of occasions and has experience in managing this risk. Freedom management and the Directors are confident that suitable arrangements will continue to be successfully negotiated, particularly given the increasing business volumes and enhanced attractiveness of Freedom's distribution capabilities to insurers.

05. Risk Factors *continued*

Freedom currently has a distribution agreement with NobleOak and the parties have agreed to mutually terminate this agreement to new business following a short transitional period that will enable an orderly transition to a new arrangement with Swiss Re that is replacing the NobleOak distribution agreement with a similar arrangement (see Section 8.9.1). As part of the new arrangement, Freedom and Swiss Re have agreed to enter into an administration agreement prior to launch of the products insured by Swiss Re. Should unforeseen events lead to the implementation of the proposed arrangement with Swiss Re being delayed, or otherwise not proceeding, Freedom would be required to seek an alternative solution in a relatively short time period, with the risk of business interruption and/or reduced revenue margins.

5.1.2. Lower than expected retention rates

Insurance products are designed and priced based on a number of assumptions, including the retention rate. This rate represents the proportion of insurance policies retained by policyholders compared to the number of policies that were in force at the beginning of that same period. This rate is set based on industry data and historical experience for the product type taking into account all relevant factors.

It is in Freedom's interest to ensure that ongoing retention rates on all the products that it distributes and administers is as high as possible with a minimum objective of equaling or exceeding those assumed for the product in question. To help maximise retention, Freedom continuously monitors the retention rates and implements various initiatives in order to encourage customers to retain their insurance cover. An important element of this program is a team dedicated specifically to customer retention for customers of Freedom Products sold through its Direct Channel.

Retention rates may fall as a result of a variety of reasons including competition from other insurers and distributors, poor customer service, bad publicity, deteriorating economic conditions, regulatory changes and shifts in demographics.

Lower than assumed customer retention rates will have a negative revenue impact for Freedom due to the loss of the entitlement to the Trail Commissions and administration fees payable on those policies that have been cancelled as well as the need to repay Upfront Commissions to the insurer under the Clawback arrangement for those policies that have been cancelled within the Responsibility Period.

Where the lower retention rate is material and expected to continue, a write down in the trail asset may be required with a negative impact on revenue, profitability and the balance sheet. There may also be a need to potentially reprice the product and that may include reducing Freedom's fees and commissions on both new and existing business. In addition, efforts to address adverse retention rates may result in increased expenditure.

The amount of the trail asset is significant at \$23.7 million and the financial impact of changes in the retention rate for Freedom Products is set out in Section 4.6.2.2.

5.1.3. Changes in regulation of life insurance industry

Freedom's business and its operations are affected by a range of laws, regulations, and policies which govern the life insurance industry specifically, and the financial services industry generally. These industries are frequently the subject of parliamentary and regulatory reviews and legislative and policy changes. Recent examples relevant to Freedom's business include the Financial System Inquiry, the FOFA reforms, the Trowbridge Report and the proposed reforms to life insurance remuneration arrangements that have been announced by the Commonwealth government (see Section 2.5 and below for further information).

Changes to the statutory and regulatory environment in which Freedom operates may adversely impact Freedom's revenue, profitability or growth by increasing the cost of compliance, reducing the range of products Freedom can offer or limiting marketing or distribution methods. Changes in regulatory requirements may also directly affect Freedom's revenue by changing permitted fee or commission structures, capping fee or commission payments, altering Clawback obligations or restricting the type of remuneration Freedom may accept from customers or insurers (see Section 2.5 for further information). Future changes may also adversely impact the demand for Freedom's products or the financial returns associated with them.

If Freedom fails to adapt to changes in the regulatory environment by adopting an appropriate operational and strategic approach, there is a risk that Freedom's revenue and profitability may suffer.

In respect of the current reforms, the Commonwealth Government announced that the Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2016 which lapsed prior to the 2016 Federal election was reintroduced into Parliament on 12 October 2016. If passed in its proposed form, this proposed change to the Corporations Act will affect Freedom's current commission arrangements on business introduced after the commencement of the reforms, which has tentatively been announced for 1 January 2018.

The new laws will (amongst other requirements) restrict the amount of Upfront Commission that a distributor can receive and prescribes a Responsibility Period of 2 years for Clawbacks of Upfront Commissions. In circumstances where the amount of Upfront Commissions exceeds the permitted limit, it is expected that insurers will reapportion the commission payable by reducing the Upfront Commission and increasing the Trail Commission payable over the life of the product in order to compensate.

The reforms will require changes to the commission and Clawback terms for new business written from the commencement of the changes as follows:

- 1 under the new distribution arrangements with Swiss Re the Upfront Commission, Trail Commission and Clawback terms will need to be restructured by Freedom; and
- 2 Spectrum will need to agree its Upfront Commission, Trail Commission and Clawback arrangements with the insurers whose products are distributed by Spectrum.

Based on the current legislative proposal, the Directors believe that the new commission and Clawback arrangements:

- 3 will be in place prior to the commencement of the proposed changes (but not during the forecast period) and their introduction will not materially impact on the operation of the Freedom business; and
- 4 are unlikely to have a material negative effect on the amount of revenue Freedom is able to generate over the life of a policy introduced by Freedom or Spectrum.

5.1.4. Failure to comply with applicable laws, regulatory requirements and government policies

Freedom operates in a highly regulated industry and its operational and financial performance may be adversely affected if it does not comply with applicable laws, regulatory requirements and government policies. Failure to comply with these requirements may result in adverse consequences including penalties, restrictions on activities or fee models, operations being suspended, the forced sale of part of the business or other liabilities. In particular, any failure by Spectrum or Freedom Insurance to comply with the terms of their respective AFSL could result in those entities becoming unable to advise customers or distribute insurance products, which would adversely impact Freedom's cashflows and net asset position.

Freedom has pursued a telemarketing strategy in order to generate leads and distribute the Freedom Products. The persons performing a lead generation or distribution role will be operating as a representative under Freedom Insurance's AFSL and if these representatives breach the terms of the AFSL or otherwise act outside their authorities or in breach of legal and regulatory requirements, then Freedom Insurance will in most circumstances be liable for their conduct. Freedom provides its call centre staff with ongoing training and call scripts and has in place strict policies and procedures that are all designed to ensure that call centre staff comply with Freedom requirements and do not expose Freedom to ASFL breaches or other liabilities.

Freedom also has an obligation under various statutory requirements to avoid contacting individuals who are registered under the Australian Communications and Media Authority's *Do Not Call Register Act 2006* and other various statutory requirements (see Section 5.1.4). Whilst Freedom provides ongoing compliance training and employs various means to abide by such requirements, Freedom bears the risk that breaches of these requirements may result in brand damage, financial penalties, litigation and more.

Spectrum also appoints various financial advisers as authorised representatives under its AFSL. If these authorised representatives breach the terms of the AFSL or other legal and regulatory requirements, then Spectrum will generally be liable for their conduct. Spectrum provides its authorised representatives with a detailed compliance manual setting out policies and procedures to be followed by those authorised representatives in order to facilitate compliance with Spectrum's AFSL and other relevant legal and regulatory requirements.

Despite Freedom taking the steps outline above to mitigate its risks, there is no guarantee that its call centre staff or authorised representatives will follow the policies and procedures in place.

5.1.5. Disruption to IT systems

A significant proportion of Freedom's revenue is generated through direct distribution and administration of Freedom Products, both of which are currently conducted through its call centre. To provide these distribution and administration services, Freedom relies upon the uninterrupted operation and integrity of its IT systems, including administration tools, data and customer management software, communications systems and data backup services.

05. Risk Factors *continued*

There is a risk that Freedom's IT systems may be damaged or interrupted due to system outages, breaches of data security, computer viruses, electrical or telecommunications outages, or force majeure events. System failures or extended interruptions to these services could have a range of adverse impacts on Freedom's business including:

- disruption to its capacity for lead generation and ability to distribute its products;
- the impairment of its ability to perform contractual obligations to an insurer to provide administrative services to existing policy holders;
- a reduction in the service levels available to customers resulting in lower satisfaction for existing policyholders;
- a breach of data security in respect of its records and private third party information (see Section 5.1.9);
- brand name and reputational damage; and
- adverse financial consequences including penalties, litigation and other liabilities as a result of breaches to the IT systems.

5.1.6. Increase in cost of lead generation

Freedom's business model involves significant upfront costs associated with generating leads and securing new customers. Various factors may increase Freedom's cost incurred per new customer including:

- a change in the reputation of its brand or the products offered;
- an increase in the rate of policy cancellation resulting in Clawback of Upfront Commissions;
- a declining trend in consumer interest in the insurance products offered by Freedom; and
- increased competition with alternative distributors of insurance products including other insurers and insurance packaged by superannuation providers.

A material increase to the cost of lead generation will adversely impact Freedom's financial projections and ongoing profitability.

5.1.7. Disruptive Innovations

Freedom operates in a highly competitive environment where participants in the industry are constantly competing for overall market share. The combined forces, which drives participants in the industry to reduce customer acquisition costs, maintain a competitive edge and provide a more convenient solution for its customers may see new disruptive innovations or participants enter the market.

The widespread adoption of new technologies and innovation in the market will challenge traditional business models and existing distribution channels that are in place within the industry today. If the core business model and existing technology infrastructure used by Freedom today becomes outdated because of disruptive innovations, this may adversely affect future Freedom's revenue and profitability.

5.1.8. Aggressive Commissions and Incentives Schemes

Increased competitive pressures within the life insurance industry can stem from participants who employ aggressive commissions and incentive schemes to intermediaries and agents as a tactic to increase market share. These tactics can be loss-leading and prove difficult for participants in the industry such as Freedom to compete against and maintain market share. The threat from these sales strategies employed by its competitors, may adversely affect Freedom's future revenue and profitability.

5.1.9. Data Security

Freedom collects financial and personal information from consumers including payment details, personal contact details and more. Whilst Freedom employs various sophisticated measures to protect this data, there is a risk that those measures will be insufficient in detecting and preventing breaches. Sophisticated network penetration methods or advancement in computing abilities may significantly compromise the platform used by Freedom to protect consumer information. These breaches may affect Freedom's obligations under privacy laws, which amongst other things, may result in heavy fines, litigation and liabilities. This could potentially adversely affect Freedom's reputation, revenue and profitability.

Further, Freedom's does not have, and may not be able to obtain, adequate insurance coverage for losses arising from data security breaches.

5.2. General risks of an investment in the Company

5.2.1. Key executives

Freedom's ability to execute its current plans depends in large part upon its ability to retain key personnel who had a key role in designing the business model. If any key executives leave Freedom, Freedom's financial performance may suffer if an appropriate replacement cannot be recruited on acceptable terms.

5.2.2. Global economic conditions may affect Freedom

Freedom's business is dependent on global economic conditions and the global economic outlook, and on the economic conditions and outlook in its key markets. Economic conditions may be affected by levels of business spending, inflation, interest rates, consumer confidence, access to debt and capital markets and government fiscal, monetary and regulatory policies. A prolonged downturn in general economic conditions may have a material adverse impact on the Company's trading and financial performance.

5.2.3. Decline in demand for insurance products

Demand for insurance policies distributed by Freedom is related to a number of factors including macro-economic conditions, consumer sentiment, changing demographics and the regulatory environment. A change in consumer behaviour may arise as a result of economic factors affecting disposable income such as salaries, unemployment rates, the cost of living and interest rates. A material change in the disposable income of the average consumer may result in the decline of new insurance policies being issued.

There is also the risk that consumer perceptions regarding the value of insurance products could change over an extended period of time making Freedom Products less popular. A strong consumer trend of this kind may adversely affect Freedom's ability to generate new business and, ultimately, its overall profitability.

5.2.4. Force majeure events may occur

Events may occur within or outside Australia that may have potential impacts on the Australian economy, the operations of Freedom's business and the price of its Shares. These events include, but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on Freedom's ability to conduct its business.

5.2.5. Trading in Shares may not be liquid

There can be no guarantee that an active market in the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

5.2.6. Changes in laws, including tax laws and accounting standards may occur

Any changes to taxation laws, regulations or policies in jurisdictions in which Freedom operates may adversely affect Shareholder returns. Any changes to the Australian Accounting Standards, as determined by the Australian Accounting Standards Board, may affect the future measurement and recognition of key income statement and balance sheet items. Such changes could materially and adversely affect the financial performance and position reported in Freedom's financial statements.

Future laws or regulations may be introduced concerning various aspects of the internet as it relates to Freedom's business, including online content, copyright, foreign ownership of internet and media companies, privacy, and liability for third party activities, all of which may adversely impact Freedom's operations.

5.2.7. Risk of Shareholder dilution

In the future, Freedom may elect to issue new Shares, to engage in fundraisings and also to fund, or raise proceeds, for acquisitions Freedom may decide to make. Shareholders may be diluted as a result of such issues of shares and fundraisings.

05. Risk Factors *continued*

5.2.8. Litigation risk

In the ordinary course of its business, Freedom is subject to the risk of litigation and other disputes with its employees, clients, regulators, partners, competitors and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to Freedom's reputation, which could have an adverse effect on the financial performance of its business.

5.2.9. Potential fluctuations in the price of Shares

Any stock market investment carries risk. When Freedom is listed on the ASX, it will be subject to general risks applicable to all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the performance of Freedom.

Share prices quoted on the ASX may be subject to fluctuations as a result of a range of factors, including:

- an actual or predicted change in operating results;
- changes to recommendations or forecasts prepared by securities analysts;
- changes to Government fiscal, monetary or regulatory policy, legislation or the regulatory environment in which Freedom operates;
- inclusion in or removal from market indices;
- changes in the market valuation of other comparable companies and the nature of the market where Freedom operates;
- the announcement of significant changes to the businesses or operations of Freedom or its competitors;
- fluctuations in the domestic and international market for listed stocks; and
- the occurrence of some or more of the risks described in this Section 5.

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06.

Key People,
Interests
and Benefits

06. Key People, Interests and Benefits

6.1. Board of Directors



6.1.1. David Hancock
– Chairman

Mr David Hancock is the Chairman of Freedom and has over 25 years of experience in financial services. David will be a member on both the Audit and Risk Committee and the Remuneration and Nomination Committee for Freedom.

Prior to joining Freedom, David held the position of Executive General Manager at the Commonwealth Bank of Australia (CBA.ASX), performing a variety of roles across capital markets, fixed income and equities. He has also held several board and senior positions on publicly-listed companies including Non-Executive Director at Afterpay (AFY.ASX), Director at Tower Insurance (TWR.ASX), CEO of Tower Group Limited (TWR.NZX), Director of Commonwealth Securities (part of CBA.ASX) and Director at Firstfolio (FFF.ASX). In addition, David has held senior roles in JPMorgan where he was a Managing Director with responsibilities in New Zealand, Australia and Asia across various operations.

David holds a Bachelor of Business from the Queensland University of Technology, Brisbane. He is also a member of the Australian Institute of Company Directors.



6.1.2. Keith Cohen
– Chief Executive Officer

Mr Keith Cohen is the CEO, Executive Director and founder of Freedom.

Keith has been responsible for leading the development and execution of the Company's long term strategy with a view to creating shareholder value. He is responsible for the day-to-day management decisions and has been critical to the success of the Company including the development of insurer relationships from inception to the more recent acquisition of Spectrum.

Keith has extensive experience in the life insurance industry and was also the founder and Managing Director of Australian Life Insurance Group (ALI Group) from September 2002 to March 2009. Prior to this, Keith was also a Director of various Westpac companies (WBC.ASX), including Westpac Life Insurance Services Limited, Westpac General Insurance Limited, Westpac Financial Services Limited, Westpac Financial Consultants Limited and Westpac Custodian Nominees Limited. Before joining Westpac as the Chief Actuary in 1996, Keith was Deputy General Manager – Development Actuary at Sage Life Limited in South Africa. Keith is also a Non-Executive Director on the NobleOak Board.

Keith holds a Bachelor of Science degree from the University of Cape Town and is a Fellow of the Institute of Actuaries of Australia and the UK.



6.1.3. Stephen Menzies
– Non-Executive Director

Mr Stephen Menzies is a Non-Executive Director of Freedom and has extensive knowledge in corporate law and corporate restructures. Stephen will be a member on both the Audit and Risk Committee and the Remuneration and Nomination Committee for Freedom.

Stephen is an experienced lawyer and business consultant who specialises in securities issues, funds management and corporate finance. He has significant corporate transactional experience, acting for various companies and investment banks in the implementation of complex structured transactions. He has also had extensive involvement in public company takeovers and corporate restructures, as well as both public and private equity issues.

Stephen was a partner at Ashurst from 2006 to August 2014. He has also acted as a senior enforcement officer at the Australian Securities Commission. He is currently a Director of Platinum Asset Management Ltd (PTM.ASX), Century Investments Ltd (CYA.ASX) and chairs the Advisory Board of the Centre for Quantum Computation and Communication Technology.

He holds a Masters of Laws, Bachelor of Laws and Bachelor of Economics.



6.1.4. Andrew Jensen
– Non-Executive Director

Mr Andrew Jensen is a Non-Executive Director of Freedom and has significant experience in corporate finance. Andrew will hold the position of Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee for Freedom.

Andrew has extensive knowledge in the management of all aspects of the finance function with strong commercial, strategic, M&A, and change management experience. He has financially led companies engaged in various fields including telecommunications & technology, real estate, financial services and the franchising sectors both in Australia and internationally.

Andrew is an accomplished CFO with over 15 years' experience in senior finance & management roles. He currently serves as an Executive Director and CFO of Disruptive Investment Group Ltd (DVI.ASX), a developer and operator of retail and e-commerce brands. He is also a Non-Executive Director of Dealer Trade Holdings Pty Ltd, a start-up created to assist Australian motor dealers trade with themselves in a fast and secure manner.

Prior to the above, Andrew was the CFO and Director of VGC Food Group Pty Ltd, a private diversified manufacturing and franchising group. He has also served as the CFO of Digicel PNG (Papua New Guinea) part of Digicel Group Limited (Digicel), one of the South Pacific's largest and most successful telecommunications companies. Lastly, Andrew was the CFO of Australasia's largest real estate group Ray White, with over \$20 Billion in annual sales and one of Australia's largest independent mortgage broking business.

He is a graduate member of the Institute of Company Directors and a fellow of the Institute of Public Accountants.



6.1.5. Katrina Glendinning
– Non-Executive Director

Ms Katrina Glendinning is a Non-Executive Director of Freedom and has extensive knowledge of financial services. Katrina will hold the position of Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee for Freedom.

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.

Katrina is Executive Director and Chief Operating Officer of Pengana Capital Ltd. Pengana is a funds management business with a reputable retail brand and proven business model for attracting and retaining quality portfolio managers. She is responsible for the finance, operations, operational risk management, technology, human resources, compliance and legal areas of the business, and is a member of Pengana's Compliance and Risk Committees.

Prior to joining Pengana, Katrina was an Executive Vice President at BT Funds Management (subsidiary of WBC.ASX) where she held a number of roles from May 1993 until October 2002. During this period she was a representative of BT Funds Management Ltd, BT Portfolio Services Pty Ltd and BT Securities Ltd. Prior to BT, Katrina worked at Price Waterhouse in Audit.

Katrina holds a Bachelor of Economics from the University of Sydney, is a member of the Institute of Chartered Accountants in Australia, has a Graduate Diploma in Applied Finance and Investment (FINSIA), and is a graduate of the Australian Institute of Company Directors. Katrina has had and holds roles in the Not for Profit arena as a Director and/or Committee member for a number of school, school foundation and sporting boards/committees.

06. Key People, Interests and Benefits *continued*

6.2. Senior Management

6.2.1. Keith Cohen – Chief Executive Officer

See Section 6.1.2 above.



**6.2.2. Jenny Andrews
– Chief Financial Officer**

Ms Jenny Andrews is the CFO of Freedom.

Jenny is responsible for financial planning, reporting and managing all financial risks of the Company. She is a senior finance executive with strong expertise in actuarial, financial and operational management across life insurance, superannuation and wealth management.

From June 2009 to October 2012, Jenny was Head of Pricing and Profitability with ANZ Wealth Management (part of ANZ.ASX). She is also experienced in start-up companies and was another founding member of Australian Life Insurance where during the period 2003 to 2009 she was CFO and Chief Actuary for the group. Jenny was responsible for the financial and operational management of the company and established the group's financial systems and reporting infrastructure

During the period 1998 to 2003, Jenny was the Financial Control Actuary at Westpac Financial Services Ltd (part of WBC.ASX) where she was responsible for leading the actuarial team. From 1994 to 1998, Jenny held the roles of Valuation Actuary and Associate Actuary Marketing (Pricing and Product Development) with TOWER Life Australia Ltd (now TAL).

Jenny holds a Bachelor of Science degree and is a Fellow of the Institute of Actuaries of Australia.



**6.2.3. Jennifer Davitt
– Chief Operating Officer**

Mrs Jennifer Davitt is the COO of Freedom.

Jennifer joined Freedom in 2015 and has been instrumental in providing senior management to all aspects of operations including but not limited to marketing, sales, training, human resources, compliance and systems. She has been integral in the project management of the Spectrum acquisition and the successful listing of Freedom on the ASX. She is a senior executive in the banking and finance sector with a broad skill base across multiple disciplines including business transformation, project management, change management, financial management, mergers and acquisitions, risk, procurement, technology, process excellence, HR and governance.

From 2006-2015, Jennifer held various head of department and executive roles in which she displayed a focus on execution and the creation of high performing teams. During her time at ANZ Limited (ANZ.ASX), Bankwest Ltd (subsidiary of CBA.ASX), Qantas Loyalty (part of QAN.ASX) and multiple appointments at Westpac Banking Corporation Ltd (WBC.ASX), Jennifer successfully led major programmes of work, involving process improvement, cultural transformation, technical integration and major capital works.

As a former Naval Officer in the Royal Australian Navy, Jennifer is recognised for the structure and discipline she brings to the organisations for which she works, whilst also understanding the importance of customer centricity, stakeholder management and fiscal efficiency.

Jennifer holds a MBA, Master of Project Management and a Bachelor of Arts (Economics).



6.2.4. Malcolm McCool
– Group General Counsel

Mr Malcolm McCool is the Group General Counsel of Freedom.

Malcolm initially joined Freedom in 2011 to help facilitate the next phase of its development and has primarily been involved in project type initiatives relating to relationships with insurers and reinsurers and product and benefit fund design.

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 that are ideally suited to a specialist life insurance business such as the Freedom group.

Malcolm was a founding member of ALI Group. Prior to the commencement of ALI Group in 2002, Malcolm held senior legal positions for 4 years with Westpac Banking Corporation (WBC.ASX) and became a leading practitioner in the financial services reform laws that now regulate the insurance industry. From 1990 Malcolm spent 8 years with Citibank group in various legal roles.

Malcolm holds a Bachelor degree in both Law and Commerce from the University of NSW.



6.2.5. Aaron Harvey Light
– Head of Shared Services

Mr Aaron Harvey Light is the Head of Shared Services of Freedom.

Harvey is a founding member of Freedom and was a member of the Board and Director of Freedom Insurance until October 2016. Harvey is responsible for the shared service functions of the business. His primary responsibilities include management of the customer service, collections, claims, underwriting and retention teams. In addition, Harvey is also responsible for enterprise wide functions including facilities, procurement, systems and technology.

Harvey has over 25 years' experience in IT and administration management, primarily in the insurance environment working for companies such as HIH (formerly HIH.ASX) and Allianz Australia Limited. Harvey was part of the management team that founded and ran ALI Group from September 2002 until March 2009.



6.2.6. Yolande De Torres
– Head of Marketing

Ms Yolande De Torres is the Head of Marketing of Freedom.

Yolande has been with Freedom since its inception and was instrumental in obtaining Freedom's AFSL. In her current role as Head of Marketing, she has overall responsibility for the strategic planning and execution of all marketing and media activity, liaising closely with relevant external and internal stakeholders.

Until May 2016, she also held the position of Head of Compliance. In this role Yolande was responsible for designing the overall compliance framework for the business as well as overseeing the day to day implementation of best practices ensuring high standards of quality and compliance are met.

Prior to joining Freedom, Yolande held senior roles in business administration, compliance and marketing including 4 years at Insession Pty Ltd (now ACI Worldwide) and 5 years at Falkiner Global Investors Ltd (FGIL) where she was also a Director.

Yolande holds a Bachelor Degree in Arts from Sydney University.

06. Key People, Interests and Benefits *continued*



6.2.7. Diane Osborne
– Head of Risk
Management
and Compliance

Ms Diane Osborne is the Head of Risk Management and Compliance for Freedom.

Diane joined Freedom in 2016 and is responsible for overseeing all regulatory requirements, risks and the day-to-day compliance issues of the Company. Her responsibilities for the Company is to ensure all staff including management and employees adhere strictly to the Company compliance policies and procedures.

Diane comes from a background of more than 20 years' experience in financial services as a senior legal, company secretarial and compliance manager. Prior to her current role, Dianne was General Counsel and Compliance Manager at Uniting Financial Services, General Counsel and Company Secretary at Cuscal Limited, Legal Head of Retail & Business Distribution at Westpac Banking Corporation (WBC.ASX), Legal Head of Product & Compliance at St. George Bank (subsidiary of WBC.ASX) and Global Head of Legal & Compliance at AMP Ltd (AMP.ASX).

Diane holds a Bachelor of Arts and a Bachelor of Law from Macquarie University.



6.2.8. Mark Schroeder
– Managing Director
of Spectrum

Mr Mark Schroeder is the Managing Director of Spectrum.

Mark is a founding member and a Director of Spectrum, an independent insurance dealer group established in 2010. Throughout his time at Spectrum, Mark has been responsible for implementing all the day-to-day and long term objectives of Spectrum. Under his leadership, Spectrum has grown its adviser network to more than 270 financial advisers located across Australia.

Prior to establishing Spectrum, Mark has held an array of executive roles at Westpac Banking Corporation Ltd (WBC.ASX), Pivotal Financial Services Pty Ltd, Financial Wealth Services Pty Ltd, Tolhurst Group Ltd (TNL.ASX), Fiducian Group Ltd (FID.ASX), Tynan Mackenzie Pty Ltd and Computershare Ltd (CPU.ASX).

Mark previously served as a Submarine Naval Officer under the Royal Australian Navy, an Air Force Officer and Squadron Leader under the Royal Australian Air Force. His distinguished military experience has provided the discipline, prudent management controls and leadership to his corporate career.

Mark holds a Master of Business Administration from Western Sydney University and a Masters of Strategic Studies RANC (Royal Australian Navy College).

6.3. Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of Freedom;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Freedom; or
- an Underwriters to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Freedom;
- property acquired or proposed to be acquired by Freedom in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of Freedom or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of Freedom.

06. Key People, Interests and Benefits

6.3.1. Interests of advisers

The Company has engaged the following professional advisers:

- Baillieu Holst Limited has acted as joint Underwriter and Joint Lead Manager to the Offer. Freedom has paid, or agreed to pay, the Underwriters the fees described in Section 8.8 for these services;
- Bell Potter Limited has acted as joint Underwriter and Joint Lead Manager to the Offer. Freedom has paid, or agreed to pay, the Underwriters the fees described in Section 8.8 for these services;
- Piper Alderman has acted as Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters). Freedom has paid, or agreed to pay, approximately \$260,000 (excluding disbursements and GST) for these services. Further amounts may be paid to Piper Alderman in accordance with its timed-based charge-out rates;
- Crowe Horwath has acted as the Investigating Accountant and has prepared the Investigating Accountant's Report for inclusion in the Prospectus. Crowe Horwath has also performed due diligence enquiries in relation to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information. Crowe Horwath has also acted as auditor and tax adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$87,500 (plus GST) for these services to the date of this Prospectus. Further amounts may be paid to Crowe Horwath in accordance with their normal time-based charge-out rates; and
- Aura Capital has acted as financial adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$1m (excluding disbursements and GST) for these services.

6.3.2. Directors' interests and remuneration

6.3.2.1. Chief Executive Officer

Keith Cohen is employed by Freedom, through its wholly owned subsidiary, Insurance Network Services Australia. Keith reports directly to the Board.

Keith is entitled to receive a total remuneration of \$714,000 per annum (comprising base salary and superannuation). Keith is also entitled to five weeks' paid annual leave each year during the term of his employment. In addition, Keith is entitled to a cash bonus of \$50,000 upon successful listing of Freedom to the ASX.

Keith's employment agreement may be terminated by Keith or Freedom by giving at least 6 months' notice in writing, or where terminated by Freedom, by making payment in lieu of notice and requiring Keith to not work during the notice period or to work for only part of the notice period.

Freedom may terminate Keith's 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 Freedom policy or procedure.

Keith may terminate his employment immediately by giving written notice to Freedom, if Freedom breaches a material obligation under the employment agreement and where that breach is capable of being remedied, Freedom fails to remedy such breach within 14 days of receipt of a notice from Keith setting out the details of the breach.

Keith's employment contract also includes a post-termination restraint period of 12 months'. The enforceability of the restraint clause is subject to usual legal requirements.

6.3.2.2. Non-Executive Director remuneration

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.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the Listing Rules, the total amount paid to all Directors for their services must not exceed, in aggregate in any financial year, the amount fixed by Freedom in general meeting. No amount has yet been fixed by the Company in general meeting.

The annual base Non-Executive Director fees currently agreed to be paid by the Company are \$110,000 per annum to the Chairman and \$65,000 per annum to each other Non-Executive Director.

06. Key People, Interests and Benefits *continued*

All Directors' fees include superannuation payments to the extent applicable and must not include a commission on, or a percentage of, profits or operating revenue.

Directors may also be reimbursed for all reasonable travelling and other expenses incurred by the Directors in attending to the Company's affairs including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of the Company.

Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of Freedom, perform any extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

6.3.2.3. Deeds of access, indemnity and insurance for Directors

The Company has entered into a deed of access, indemnity and insurance with each Director, which confirms the Director's right of access to Board papers, and requires Freedom to indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate. Under the deeds, Freedom must maintain a directors' and officers' insurance policy, insuring the Directors and officers against liability as a Director or officer of Freedom and its related bodies corporate until seven years after a Director or officer ceases to hold office as a director or officer of Freedom, or a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved).

6.3.2.4. Directors' Shareholdings and holding of Options

Directors are not required under the Constitution to hold any Shares or options over Shares. On the Prospectus Date and on Completion of the Offer, the Directors will hold the following Shares (either directly or through beneficial interests or entities associated with the Director).

Table 6.1 Directors' Shareholdings

Director	Shareholding on Prospectus Date		Shareholding on Completion of the Offer	
	Number	(%)	Number	(%)
Keith Cohen ¹	41,283,885	25.2	41,283,885	17.2
Andrew Jensen ²	-	-	74,618	0.03
David Hancock	-	-	-	-
Stephen Menzies	-	-	-	-
Katrina Glendinning	-	-	-	-

Notes:

1. Held indirectly through Keith Charles Cohen and Jeanette Patricia Cohen ATF Cohen Family Trust
2. Held indirectly through A and K Jensen ATF A & K Jensen Superannuation Fund

Each of David Hancock, Stephen Menzies, Andrew Jensen and Katrina Glendinning have indicated that they intend to take up Shares under the Offer.

A number of the Shares held by Keith Cohen and Andrew Jensen will be subject to voluntary escrow arrangements as set out in section 8.5.

6.3.3. Other Senior Management Remuneration

6.3.3.1. Chief Operating Officer

Jennifer Davitt is employed by Freedom, through its wholly owned subsidiary, Insurance Network Services Australia.

Jennifer is entitled to receive a total remuneration of \$330,000 per annum (comprising base salary and superannuation). In addition, Jennifer is entitled to a total cash bonus of up to \$170,000 for IPO related performance KPI's of which \$100,000 is awarded upon Freedom Listing on the ASX and the balance \$70,000 is due in February 2017 subject to tenure. Jennifer is also entitled to four weeks' paid annual leave each year during the term of her employment.

Jennifer's employment agreement may be terminated by Jennifer or Freedom by giving at least 3 months' notice in writing, or where terminated by Freedom, by making payment in lieu of notice and requiring Jennifer to not work during the notice period or to work for only part of the notice period.

Freedom may terminate Jennifer's 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 Freedom policy or procedure.

6.3.3.2. Chief Financial Officer

Jenny Andrews is employed by Freedom, through its wholly owned subsidiary, Insurance Network Services Australia.

Jenny is entitled to receive a total remuneration of \$300,000 per annum (comprising base salary and superannuation). In addition, Jennifer is entitled to a total cash bonus of up to \$150,000 for IPO related performance KPI's of which \$100,000 is awarded upon Freedom Listing on the ASX and the balance \$50,000 is due in February 2017 subject to tenure. Jenny is also entitled to four weeks' paid annual leave each year during the term of her employment.

Jenny's employment agreement may be terminated by Jenny or Freedom by giving at least 3 months' notice in writing, or where terminated by Freedom, by making payment in lieu of notice and requiring Jennifer to not work during the notice period or to work for only part of the notice period.

Freedom may terminate Jenny's 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 Freedom policy or procedure.

6.3.3.3. Group General Counsel

Malcolm McCool is employed by Freedom, through its wholly owned subsidiary, Insurance Network Services Australia.

Malcolm is entitled to receive a total remuneration of \$272,000 per annum (comprising base salary and superannuation). In addition, Malcolm is entitled to a total cash bonus of up to \$150,000 for IPO related performance KPI's of which \$100,000 is awarded upon Freedom Listing on the ASX and the balance \$50,000 is due in February 2017 subject to tenure. Malcolm is also entitled to four weeks' paid annual leave each year during the term of his employment.

Malcolm's employment agreement may be terminated by Malcolm or Freedom by giving at least 3 months' notice in writing, or where terminated by Freedom, by making payment in lieu of notice and requiring Malcolm to not work during the notice period or to work for only part of the notice period.

Freedom may terminate Malcolm's 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 Freedom policy or procedure.

6.3.3.4. Other senior management service arrangements

Other senior members of management are either engaged as a consultant under a consultancy agreement or a party to a contract of employment with a member of Freedom. These agreements document 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 and a non-compete restraint following the termination of engagement or employment. Notice of termination provisions and leave entitlements vary depending on the laws of the jurisdiction in which the Related party arrangements.

06. Key People, Interests and Benefits *continued*

6.4. Corporate governance

This Section 6.4 explains how the Board will manage Freedom's business. The Board is responsible for the overall corporate governance of Freedom. Details of Freedom's key policies and practices and the charters for the Board and each of its committees will be available from the Prospectus Date at www.freedominsurance.com.au.

The Board monitors the operational and financial position and performance of Freedom and oversees its business strategy including approving the strategic goals of Freedom. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Freedom.

In conducting business with these objectives, the Board is concerned to ensure that Freedom is properly managed to protect and enhance Shareholder interests, and that Freedom, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Freedom, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for Freedom's business and which are designed to promote the responsible management and conduct of Freedom.

The main policies and practices adopted by Freedom, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution.

6.4.1. ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations 3rd edition (**ASX Recommendations**) for entities listed on the ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the Listing Rules, the Company will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where the Company does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

The Board will comply with the ASX Recommendations on Listing.

6.4.2. Board appointment and composition

The Board of Directors is comprised of the Chief Executive Officer and four Non-Executive Directors (including the Chairman). Biographies of the Directors are provided in Section 6.1.

Each Director has confirmed to Freedom that they anticipate being available to perform their duties as a Non-Executive or Executive Director as the case may be, without constraint from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Freedom's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers quantitative and qualitative principles of materiality for the purpose of determining independence on a case-by-case basis. The Board will consider whether there are any factors or considerations that may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of Freedom.

The Board considers that each of David Hancock, Stephen Menzies, Katrina Glendinning and Andrew Jensen are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of that Director's unfettered and independent judgement, and they are able to fulfil the role of independent Director for the purpose of the ASX Recommendations. Keith Cohen is currently considered by the Board not to be independent as he is currently the Chief Executive Officer of the Company.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

6.4.3. Board Charter

The Board has adopted a written Charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising Freedom's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise Freedom's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with Freedom's values and governance framework (including establishing and observing high ethical standards); and
- ensure Shareholders are kept informed of Freedom's performance and major developments affecting its state of affairs.

The management function is conducted by, or under the supervision of the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer). Directors are entitled to request information from management at any time they consider it appropriate.

The Board collectively, and individual Directors, may seek independent professional advice at Freedom's expense, subject to the approval of the Chairman.

6.4.4. Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee, and the Remuneration and Nomination Committee. Other committees may be established by the Board as and when required.

6.4.5. Audit and Risk Committee

Under its charter, this committee should consist of at least three members of the Board, only Non-Executive Directors, a majority of independent Directors and an independent chair who is not Chairman of the Board. Initially members of this Committee will comprise of Mr. David Hancock, Mr. Stephen Menzies, Mr. Andrew Jensen (Chairman) and Ms Katrina Glendinning.

The Audit and Risk Committee will assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- overseeing Freedom's relationship with the external auditor and the external audit function generally;
- overseeing the preparation of the financial statements and reports;
- overseeing Freedom's financial controls and systems;
- managing the process of identification and management of financial risk; and
- non-committee members, including members of management and the external auditor, may attend meetings of the committee by invitation of the committee chair.

06. Key People, Interests and Benefits *continued*

6.4.6. Remuneration and Nomination Committee

Under its charter, this committee should consist of at least three members, only Non-Executive Directors, a majority of independent Directors and an independent Director as chair. The Remuneration and Nomination Committee will comprise of Mr. David Hancock, Mr. Stephen Menzies, Mr. Andrew Jensen and Ms Katrina Glendinning (Chairman).

The responsibilities of the Remuneration and Nomination Committee are as follows:

- assist the Board to develop a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
- review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman and Chief Executive Officer, having regard to the objective that the Board comprise Directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- review and recommend to the Board the criteria for Board membership, including the necessary and desirable competencies of Board members and the time expected to be devoted by Non-Executive Directors to the Company's affairs;
- review and recommend to the Board membership of the Board, including making recommendations for the re-election of Directors and assisting the Board as required to identify individuals who are qualified to become Board members (including in respect of Executive Directors);
- assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- review the Board Charter on a periodic basis, and recommend any amendments for Board consideration;
- ensure that an effective induction process is in place and regularly review its effectiveness and provide appropriate professional development opportunities for Directors;
- on an annual basis, review the effectiveness of the Board's Diversity Policy by assessing the Company's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives and reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented; and
- in accordance with the Board's Diversity Policy, on an annual basis, review the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of Freedom, and submit a report to the Board, which outlines the Committee's findings.

6.4.7. Corporate governance policies

6.4.7.1. Continuous disclosure policy

Once listed, Freedom will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Freedom is aware of its obligation to keep the market fully informed of any information it becomes aware of concerning Freedom which may have a material effect on the price or value of the Shares, subject to certain exceptions.

Freedom has adopted a Continuous Disclosure Policy, which establishes procedures that are aimed at ensuring that Freedom fulfils its obligations in relation to the timely disclosure of material price-sensitive information.

6.4.7.2. Securities Trading Policy

Freedom has adopted a Policy for Trading in Securities, which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects the Company and Directors and employees against the misuse of unpublished information that could materially affect the value of securities. The Securities Trading Policy applies to all Directors, officers, senior executives and employees who have been advised by the Company Secretary that they have information that is or may become inside information and their connected persons.

The policy provides that relevant persons must not deal in Freedom's securities:

- when they are in possession of material price-sensitive information;
- on a short-term trading basis; and
- during trading blackout periods (except in exceptional circumstances).

Outside of these periods, Directors and certain designated employees must receive prior approval for any proposed dealing in Freedom's securities (including any proposed dealing by one of their connected persons), and in all instances, buying or selling Shares is not permitted at any time by any person who possesses material price-sensitive or 'inside' information.

6.4.7.3. Code of conduct

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal code of conduct that outlines how Freedom expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of Freedom (including temporary employees, contractors and the Directors) must comply with the code of conduct.

The code of conduct is designed to:

- provide a benchmark for professional behaviour throughout Freedom;
- support Freedom's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the policy.

6.4.7.4. Communication with Shareholders

Freedom aims to communicate all important information relating to Freedom to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including Freedom's website, at the annual general meeting, through the annual report and ASX announcements.

6.4.7.5. Diversity policy

The Board has formally approved a diversity policy in order to, among other matters, address the representation of women in senior management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure. The Board will include in the annual report each year, a summary of Freedom's progress towards achieving the measurable objectives set under the diversity policy for the year to which the annual report relates and details of the measurable objectives set under the diversity policy for the subsequent financial year.

6.4.7.6. Further details

Further details on the above corporate governance policies may be found on Freedom's website located at www.freedominsurance.com.au.

6.4.7.7. Privacy policy

Freedom is committed to protecting the safety and security of its clients and users of its products and is sensitive to their concerns about the protection of their personal information. Freedom's privacy policy details how any personal information collected by Freedom is used.

To ensure that it meets its privacy obligations, Freedom:

- relies on various security measures including data and cyber security controls and physical security devices;
- instructs customer service, retention and sales agents on their obligations regarding privacy during their induction training; and
- provides various training and instructional materials to staff, including scripts and supplementary folders.

Staff compliance with the privacy policy is monitored through ongoing reporting, coaching and supervision. Freedom has a compliance team who review call recordings and provide feedback to staff.

Freedom's privacy policy is available on its website at www.freedominsurance.com.au.

For personal use only



07.

Details
of the Offer

07. Details of the Offer

7.1. Introduction

7.1.1. The Offer

This Prospectus relates to an initial public offering of 42,857,142 Shares for issue by the Company at an Offer Price of \$0.35 per Share.

The Shares offered under this Prospectus will represent approximately 18% of the Shares on issue on Completion of the Offer, being 239.97 million Shares. All Shares will rank equally with each other.

7.1.2. Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is only to Australian resident investors who are not Institutional Investors and who have received a firm allocation from their Broker;
- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions; and
- the Staff Offer, which consists of the offer of up to 257,040 Shares. Each employee of Freedom who meets the residency and employment conditions, will be invited to apply for \$499.80 worth of Shares. Freedom will match each application for \$499.80 worth of Shares with an additional \$499.80 worth of Shares, at no additional cost to the employee, under the Freedom Employee Share Scheme.

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Managers and the Company, having regard to the allocation policy outlined in Sections 7.4.5 and 7.5.2. The number of Shares allocated under the Broker Firm Offer will be reduced by the number of Shares that are applied for and issued under the Staff Offer.

The Offer is fully underwritten by the Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Lead Managers to terminate the Underwriting Agreement, is set out in Section 8.9.

7.1.3. Purpose of the Offer

The Offer is being conducted to:

- cover IPO and capital raising costs;
- fund further product development and enhancements;
- fund investments in new technology infrastructure and customer service and policy administration systems;
- repayment of the existing debt;
- allow sales and marketing growth;
- provide working capital for the business; and
- provide Freedom with the benefits of an increased profile that comes from being a listed entity.

07. Details of the Offer *continued*

7.1.4. Sources and uses of funds

The table below sets out the proposed use of funds for FY17 and FY18.

Source of funds	\$m	%*	Use of funds	\$m	%*
Opening cash 1 July 2016	7.1	32.1	Payment of IPO transaction costs	3.1	14.0
Funds as a result of the Offer	15.0	67.8	Repayment of Senior Loan Facility	3.0	13.6
			Payment of rental bond	1.2	5.4
			Infrastructure/systems [^]	2.0	9.0
			Accelerated growth in Direct and Indirect Channel markets [^]	2.0	9.0
			Product/marketing/acquisition opportunities [^]	2.0	9.0
			Working capital	8.8	39.9
Total	22.1	100.0		22.1	100.0

* errors due to rounding

[^] planned for FY18

7.2. Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 8.7.
What is the consideration payable for each security?	The Offer Price is \$0.35 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out in the Key Dates on page 4 of this Prospectus. No Shares will be issued under this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised under the Offer?	\$15 million will be raised from investors under the Institutional Offer and the Broker Firm Offer and the Staff Offer.
How is the Offer structured?	The Offer comprises: <ul style="list-style-type: none"> the Broker Firm Offer which is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia; the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and certain other eligible jurisdictions; and the Staff Offer, which consists of an invitation to eligible employees of Freedom that meet the residency and employment requirements to apply for 1,428 Shares which will be matched by Freedom by the issue of a further 1,428 Shares, for no additional consideration, under Freedom's Employee Share Scheme.

Topic	Summary
<p>What is the allocation policy?</p>	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Managers the Company. The Lead Managers, in consultation with the Company, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors. The number of Shares allocated under the Broker Firm Offer will be reduced by the number of Shares that are applied for and issued under the Staff Offer.</p> <p>The number of Shares allocated the Broker Firm Offer will be reduced by the number of Shares that are applied for and issued under the Staff Offer.</p> <p>For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares that they are allocated to their retail clients.</p>
<p>Will the Shares be quoted?</p>	<p>The Company will apply for admission to the official list of the ASX and quotation of Shares on the ASX under the code 'FIG'. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>
<p>Is the Offer underwritten?</p>	<p>Yes, the Offer is fully underwritten by the Lead Managers. Details are provided in Sections 7.7 and 8.8.</p>
<p>Are there any escrow arrangements?</p>	<p>Yes. Details are provided in Section 8.5.</p>
<p>Has any ASIC relief or ASX waiver been obtained or relied on?</p>	<p>Yes. Details are provided in Section 8.14.</p>
<p>How can I apply?</p>	<p>Institutional Investors identified by the Lead Managers will be separately advised by the Lead Managers of the Application procedures for the Institutional Offer.</p> <p>Broker Firm Applicants, who have received an invitation to participate in the Broker Firm Offer from a Broker, may apply for Shares by completing a valid Application Form accompanying this Prospectus and submitting that form in accordance with the instructions received from their Broker.</p> <p>Staff Applicants, who have received an invitation to participate in the Staff Offer from Freedom, may apply for Shares by completing a valid Application Form accompanying this Prospectus and submitting that form in accordance with the instructions received from Freedom.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>
<p>Is there any brokerage, commission or stamp duty payable by Applicants?</p>	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p>

07. Details of the Offer *continued*

Topic	Summary
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances it is the obligation of each investor to make their own enquiries concerning the taxation consequences of an investment in Freedom.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 7.9.</p>
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 28 November 2016.
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue or transfer of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>
Where can I find more information about this Prospectus or the Offer?	<p>If you have any questions about this Prospectus or how to apply for Shares, please call the Freedom IPO Information Line on 1300 648 169 (within Australia) or 03 9415 4232 (outside Australia) from 8.30am to 5pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether Freedom is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>

7.3. Shareholding structure

The equity capital of Freedom, as at the Prospectus Date is set out in the table below.

	Shares at the Prospectus Date		Convertible Notes at the Prospectus Date	Options at the Prospectus Date
	Number	%	Number	Number
Management and Board	80,812,018	49	200	2,830,000
Remaining Shareholders	82,821,652	51	-	-
Convertible Note holders			88,900	-
Total	163,633,670	100.0	89,100	2,830,000

The equity capital of Freedom, on Completion of the Offer, including on a fully diluted basis, is set out in the table below.

	Shares at Completion of the Offer		Options at Completion of the Offer	Shares at Completion of the Offer (on a fully diluted basis)	
	Number	%	Number	Number	%*
Management and Board	80,886,636	33.7	2,830,000	83,716,636	34.5
Remaining Shareholders	82,821,652	34.5		82,821,652	34.1
Convertible Note holders	33,158,065	13.8		33,158,065	13.7
Institution Offer and Broker Firm Offer	42,600,102	17.8		42,600,102	17.6
Investors under the Staff Offer	257,040	0.1		257,040	0.1
Total	239,723,495	100.0	2,830,000	242,553,495	100.0

* errors due to rounding

The Company expects its key Shareholders will have the Shareholdings set out in the table below on the Prospectus Date.

Shareholder	Person whose relevant interest is held	Shares on Prospectus Date	Shareholding on Prospectus Date (%)	Shares on Completion of the Offer	Shareholding on Completion of the Offer (%)
K & J Cohen ATF Cohen Family Trust	Keith Cohen	41,283,885	25.2	41,283,885	17.3
Brian Pillemer	Brian Pillemer	18,060,090	11.0	18,060,090	7.6
Kolenda Holdings Pty Ltd ATF K Inc Trust and Daring Investments Pty Ltd	John Kolenda	16,388,472	10.0	16,388,472	6.9
Aaron Harvey Light	Aaron Harvey Light	13,811,300	8.4	13,811,300	5.8
Tampaul Pty Ltd	Paul Zwi	13,063,166	8.0	13,063,166	5.5

7.4. Broker Firm Offer

7.4.1. Who can apply in the Broker Firm Offer

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer. The Broker Firm Offer is not a general public offer and is not open to persons in the United States.

07. Details of the Offer *continued*

7.4.2. How to apply for Shares under the Broker Firm Offer

Applications for Shares may only be made on an Application Form accompanying this Prospectus or any replacement or supplementary prospectus. Broker Firm Applicants must complete and lodge their Application Form with the Broker from whom they received their firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus or any replacement or supplementary Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Broker Firm Applicants should contact their Broker about the minimum and maximum Application amount. The Company and the Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Broker Firm Applicants must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9:00 am (AEST) on 14 November 2016 and is expected to close at 5:00pm (AEST) on 21 November 2016. The Company and the Lead Managers may elect to close the Broker Firm Offer early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. Your Broker may impose an earlier Closing Date. Broker Firm Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.4.3. Payment methods

Broker Firm Applicants must pay their Application Monies in accordance with instructions from their Broker.

7.4.4. Application Monies

The Company reserves the right to decline any Application and all Applications in whole or in part, without giving any reason. Broker Firm Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

7.4.5. Allocation policy under the Broker Firm Offer

The allocation of Shares to Brokers has been determined by the Lead Managers and the Company.

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Broker Firm Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for the Brokers how they allocate Shares among their retail clients, and they (and not the Company or the Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.5. Institutional Offer

7.5.1. Invitations to bid

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Managers will separately advise Institutional Investors of the Application procedures for the Institutional Offer.

7.5.2. Allocation policy under the Institutional Offer

The allocation of Shares between the Institutional Offer and the Broker Firm Offer is determined by the Lead Managers and the Company. The Lead Managers in consultation with the Company, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer are advised of their allocation of Shares, if any, by the Lead Managers. The allocation policy is influenced by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long term Shareholders; and
- any other factors that the Company and the Lead Managers considered appropriate.

7.6. Staff Offer

7.6.1. Who can apply in the Staff Offer

The Staff Offer consists of an invitation to Freedom employees who:

- are current employee of Freedom as of the Offer Date;
- are Australian residents; and
- have an adjustable taxable income of less than \$180,000 per annum,

to apply for Shares.

The offer of Shares under the Staff Offer is subject to the rules of the Freedom Employee Share Scheme, and is being made in accordance with the employee share scheme qualifying provisions of Division 83A-B of the *Income Tax Assessment Act 1997 (Cth)* (\$1,000 exempt share benefit) to encourage broad based employee equity participation.

7.6.2. How to apply for Shares under the Staff Offer

Each participant in the Staff Offer will receive a personalised invitation to apply for 1,428 Shares for \$499.80. Freedom will match Applications under the Staff Offer with the issue of a further 1,428 Shares to each Applicant, for not additional consideration.

Staff Applicants must lodge their Application Form with the Company in accordance with the instructions on the personalised invitation. Applicants under the Staff Offer must not send their Application Forms to the Share Registry.

The Staff Offer opens at 9:00am (AEST) on 14 November 2016 and is expected to close at 5:00pm (AEST) on 21 November 2016. The Company may elect to close the Staff Offer early, extend the Staff Offer or any part of it, or accept late Applications either generally or in particular cases. Staff Applicants are therefore encouraged to submit their Applications as early as possible.

7.6.3. Payment methods

Staff Applicants must pay their Application Monies in accordance with instructions on their personalised invitation.

07. Details of the Offer *continued*

7.7. Underwriting arrangements

The Offer is fully underwritten by the Lead Managers. The Lead Managers and the Company have entered into an Underwriting Agreement under which the Underwriters have been appointed as arranger, manager and Underwriters of the Offer. The Lead Managers agree, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer.

The Underwriting Agreement sets out a number of circumstances under which the Lead Managers may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 8.8.

7.8. Ownership restrictions

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 7.8 contains a general description of these laws.

7.8.1. Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

7.8.2. Foreign Acquisitions and Takeovers Act

Generally, the *Foreign Acquisitions and Takeovers Act 1975* applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

7.8.3. Financial Sector (Shareholdings) Act

In addition to the general restrictions in the Corporations Act and the *Foreign Acquisitions and Takeovers Act 1975*, ownership of shares in Freedom may be restricted by the *Financial Sector (Shareholdings) Act 1998*, which restricts the acquisition of interests in an Australian financial sector company which would take that person's voting power in the financial sector company to more than 15%. The Company currently holds a stake of approximately 15.97% in NobleOak, a life insurance company regulated by the Financial Sector (*Shareholdings*) Act 1998. If a shareholder acquires a shareholding of more than 15% in Freedom, that shareholder will be deemed to be an 'associate' of Freedom, and hold a stake in NobleOak which is equivalent to Freedom's stake in NobleOak at that time (i.e. 15.97% as at the Prospectus Date).

An investor may apply to the Australian Treasurer (through the Australian Prudential Regulation Authority) to extend its ownership in an Australian financial sector company beyond 15%, but approval depends on the Treasurer being satisfied that a holding by that person of more than 15% in an Australian financial sector company is in the national interest.

Shareholders should take care to ensure that their holding in the Company does not breach any applicable restrictions on ownership and should seek their own advice on the application of the *Financial Sector (Shareholdings) Act 1998* to their circumstances.

Given the termination of the existing distribution arrangements with NobleOak, Freedom's shareholding in NobleOak is no longer strategic and will be reviewed by the Board in due course. Accordingly, to the extent that Freedom's shareholding in NobleOak falls below 15%, no approvals under the *Financial Sector (Shareholdings) Act 1998* will be required for potential investors.

7.8.4. Selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the *US Securities Act of 1933*, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold, pledged or transferred in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable laws.

This Prospectus may only be distributed in Australia and, outside Australia, to persons to whom the Offer may be lawfully made in accordance with the laws of the applicable jurisdiction, provided that this Prospectus may not be distributed in the United States.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.9. What are the taxation considerations?

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their Shares on capital account.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997*. These Shareholders should seek their own professional advice based on their particular facts.

Tax laws are complex and subject to ongoing change. The comments below are based on the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, the *A New Tax System (Goods and Services Tax) Act 1999*, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The tax consequences discussed below do not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisers disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

Shareholders should seek professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

07. Details of the Offer *continued*

7.9.1. Dividends on a Share for Australian tax resident Shareholders

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders should include in their assessable income the dividend actually received, together with any franking credit attached to that dividend.

Where the franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable by the Shareholder. To be eligible for the franking credit tax offset, a Shareholder must satisfy the "holding period" rule and "related payments" rule. These rules require that a Shareholder hold the Shares 'at risk' for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within 45 days. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". A Shareholder must not be obliged to make a "related payment" in respect of any dividend, unless they hold the Shares "at risk" for the required holding period around the dividend dates. Special rules apply to trusts and beneficiaries. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed A\$5,000.

Legislation has recently been enacted to deny franking tax offsets to certain "distribution washing" arrangements. Shareholders should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

Where a Shareholder is a company, the Shareholder will generally be entitled to a carry forward loss calculated by reference to any excess of the franking credit attached to the Shareholder's dividends over the Shareholder's tax liability for the income year. Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

Franked dividends received by a corporate Shareholder will generally give rise to a franking credit in the Shareholder's franking account (subject to the Shareholder satisfying the rules outlined above for claiming a tax offset). Special rules apply to Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships. These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

To the extent a dividend distributed by the Company is unfranked, the Shareholders should generally be taxed at their respective rate of income tax with no franking tax offset.

7.9.2. Disposal of Shares by Australian tax resident Shareholders

The disposal of a Share by a Shareholder will be a capital gains tax (**CGT**) event where the Shareholder holds their Share on capital account. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years. Capital losses cannot be offset against other forms of assessable income. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal).

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder may be entitled to a "CGT discount" for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gain arising may be reduced by 50% in the case of individuals and trusts, and by one-third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months or more before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains after offsetting current year or prior year capital losses.

7.9.3. Tax File Numbers

Shareholders are not required to quote their Tax File Number (**TFN**) or, where relevant, Australian Business Number (**ABN**) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. Medicare levy). Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

7.9.4. GST implications

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares in the Company, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect, relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

7.9.5. Stamp duty

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares while the Company remains listed.

7.10. Discretion regarding the Offer

The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

The Company and the Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

07. Details of the Offer *continued*

7.11. ASX listing, registers and holding statements

7.11.1. Application to the ASX for listing of Freedom and quotation of Shares

The Company will apply for admission to the official list of the ASX and quotation of the Shares on the ASX within seven days of the Prospectus Date. The Company's ASX code is expected to be 'FIG'.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the official list is not to be taken as an indication of the merits of Freedom or the Shares offered for issue.

If the Company does not make such an application within seven days after the date of this Prospectus, or permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.

7.11.2. CHES and issuer sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHES**) and will comply with the Listing Rules and the ASX Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHES subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHES or a Shareholder sponsored by a participant in CHES will be registered on the CHES subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHES holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHES subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Freedom and the Share Registry may charge a fee for these additional issuer sponsored statements.

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08.

Additional
Information

08. Additional Information

8.1. Registration

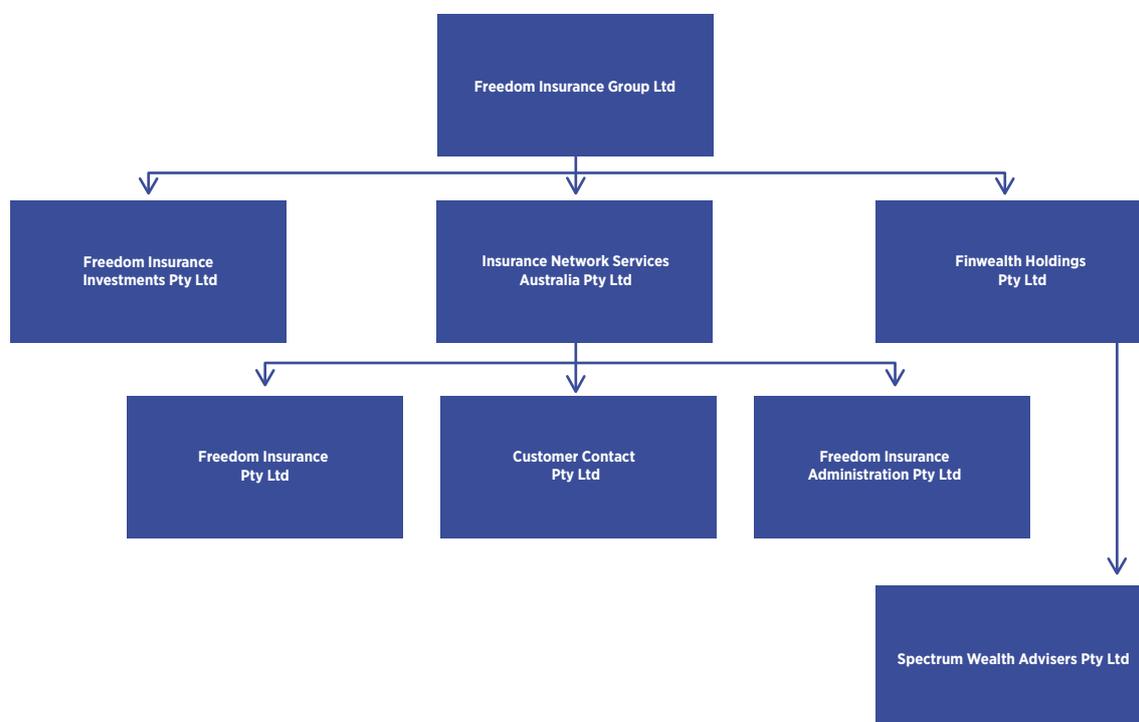
The Company was registered in Victoria on 13 October 2015 as an Australian proprietary company limited by shares. The Company was converted to a public company on 23 September 2016.

8.2. Company tax status

The Company will be taxed in Australia as a public company.

8.3. Corporate structure

The following diagram represents the corporate structure of Freedom at the Prospectus Date. Each subsidiary of Freedom is 100% owned, directly or indirectly, by the Company, and is engaged in the business of the Company.



8.4. Convertible Notes

In December 2015, the Company issued convertible notes to a number of Institutional Investors for total proceeds of \$6.41 million. In June 2016, the Company issued a further \$2.5 million worth of convertible notes to certain Institutional Investors (together the **Convertible Notes**). The purpose of issuing the Convertible Notes was to raise funds for Australian sales and marketing growth, product development and enhancements, as well as IPO preparation and capital raising costs.

On Completion of the Offer, the Convertible Notes will automatically convert into 33,232,683 Shares at an effective conversion price of \$0.28, equivalent to a 20% discount to the Offer Price.

8.5. Voluntary escrow arrangements

The Shareholdings of a number of existing Shareholders (**Escrowed Shareholders**) will be subject to voluntary escrow. The Escrowed Shareholders, the number of their Escrowed Shares, and the percentage of the capital of Freedom represented by those Escrowed Shares on completion of the Offer, is set out in the table below:

Escrowed Shareholder	Escrowed Shareholding	Expected voting power (post Listing)
K & J Cohen ATF Cohen Family Trust	41,283,885	17.2%
Aaron Harvey Light	13,811,300	5.8%
M & R McCool ATF McCool Family Trust	6,607,350	2.8%
Yolande De Torres	6,158,549	2.6%
Daring Investments Pty Ltd	5,278,300	2.2%
Jennifer Andrews	5,139,050	2.1%
Ng Capital Management Pty Ltd ATF CNG Investment Trust	3,945,773	1.6%
JetM Investments Pty Ltd	3,905,942	1.6%
Sixth Ave Investments Pty Ltd	3,905,942	1.6%
A and K Jensen ATF A & K Jensen Superannuation Fund	74,618	0.03%

The voluntary escrow arrangements terminate:

- as to 50% of the shares escrowed, on release to the market of Freedom's financial results for the financial year ended 30 June 2017; and
- as to the remaining 50% of the shares escrowed, on release to the market of Freedom's financial results for the half year ended 31 December 2017.

Each of these Escrowed Shareholders has entered into an escrow deed in respect of their Escrowed Shares, which prevents them from disposing of their Escrowed Shares during the escrow period, subject to any exceptions.

The restriction on dealing broadly includes, among other things, selling, transferring or otherwise disposing of any interest in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares, doing, or omitting to do, any act where the act or omission would have the effect of transferring effective ownership or control of any the Escrowed Shares or agreeing to do any of those things.

Any of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not escrowed have accepted the takeover bid; and
- the Escrowed Shares held by the Escrowed Shareholder to be transferred or cancelled as part of an approved merger by a scheme of arrangement under Part 5.1 of the Corporations Act.

08. Additional Information *continued*

8.6. Freedom Employee Share Scheme

Freedom's executive remuneration policies have evolved over time and are intended to fairly remunerate executives for their contribution to the business and to reward their performance in the short, medium and long term. These policies are also designed to attract, motivate and retain qualified and experienced executives employed across the business.

To do this, Freedom provides an appropriate and competitive mix of remuneration components balanced between fixed and variable 'at risk' components, awarded in both cash and equity.

To date, the equity components of remuneration have been offered under Freedom's Employee Option Plan. However, going forward, the Board will amend the terms of the Freedom Employee Option Plan to a broader Employee Incentive Plan suitable for an ASX listed company, the terms of which are summarised below.

8.6.1. Freedom Employee Option Plan (Freedom EOP)

The Freedom EOP was established in compliance with the employee share scheme legislation in Australia enacted effective from 1 July 2015 to encourage 'start-up' companies (as defined) to offer options to employees to encourage their long term performance and service on a tax concessional basis.

At the date of this Prospectus only one grant has been made under Freedom EOP. The key details of the Options outstanding under Freedom EOP, are as follows:

Number of Participants	8								
Number of Options Outstanding	2,830,000								
Exercise Price	\$0.10								
First Exercise Date	23 September, 2019								
Last Exercise Date	31 March 2021								
Performance Conditions	<p>The percentage of each Tranche of Options that will vest will depend on the Company's TSR (Total Shareholder Return) achieving the CAGR set out in the table below over the following relevant measurement periods:</p> <ul style="list-style-type: none">• For Tranche 1: IPO date to 23 September 2019;• For Tranche 2: IPO date to 31 March 2020;• For Tranche 3: IPO date to 31 March 2021. <p>The TSR CAGR will be calculated from a base value equal to the IPO issue price per security.</p> <table><tbody><tr><td>Less than 15% per annum</td><td>None</td></tr><tr><td>At least 15% per annum</td><td>25%</td></tr><tr><td>Between 15% and 25% per annum</td><td>Interpolated vesting on a straight line basis between 25% (15% CAGR) and 100% (25% CAGR).</td></tr><tr><td>At least 25% per annum</td><td>100%</td></tr></tbody></table>	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%
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%								
Service Condition	Continuous employment with the Company from grant date to the relevant vesting date.								
Other Conditions	These Options will lapse if the Company does not undertake an initial public offering and be listed on a recognised stock exchange by 30 June 2017.								

The exercise price of the Options is subject to ASX granting a waiver from Listing Rule 1.1 Condition 11. To the extent that a waiver is not granted, or is granted on conditions, the Board will consider alternative methods of adequately incentivising senior managers who are the Option holders.

On the Listing of Freedom, the Board will amend the EOP rules in line with the Freedom Employee Incentive Plan.

8.6.2. Freedom Employee Incentive Plan (Freedom EIP)

The Freedom EIP is a flexible employee incentive plan suitable for both local and overseas participation. The Freedom EIP enables Freedom, to offer executives (and other selected employees) a range of different interests or Awards to reward and drive performance, retain senior management and other selected employees and to offer broad based employee share ownership.

These interests or Awards available under the Freedom EIP include:

- performance rights;
- options;
- cash rights;
- service rights;
- deferred shares;
- stock appreciation rights; and
- exempt shares.

At the date of this Prospectus no grants have been made under the Freedom EIP. For the purposes of the Staff Offer, it is intended that an offer of 'Exempt Shares' under the Freedom EIP be made to selected employees in accordance with the employee share scheme qualifying provisions of Division 83A-B of the *Income Tax Assessment Act 1997 (Cth)* (\$1,000 exempt share benefit) to encourage broad based employee equity participation.

Details of this proposed offer are summarised as follows:

Number of Offerees	180
Number of Shares Offered each	2,856
Employee contribution	\$499.80
Employer contribution	\$499.80
Forfeiture conditions	None
Holding restriction	3 years
Estimated take-up	50%
Estimated cost to FIG	\$44,982.00 (180 offerees x 50% take-up x \$499.80)

08. Additional Information *continued*

A summary of main terms of the Freedom EIP are as follows:

Eligibility	<p>The Board has the discretion to determine which executives and employees are eligible to participate in the Freedom EIP, and what type of award suits the remuneration or incentive purpose. The definition of employee under the Freedom EIP rules includes any full time or permanent part time employee or officer and a director of the Company. Directors, including Non-executive Directors, are only eligible to participate in the Freedom EIP if approved by Shareholders.</p>
Awards	<p>The Board has the discretion to set the terms and conditions on which it will offer awards under the Freedom EIP.</p> <p>The Board may determine that the awards will be subject to performance, service, or other conditions (Vesting Conditions) and, if so, will specify those Vesting Conditions in the offer. The Board has discretion to define any Vesting Conditions, which may include conditions relating to continuous employment, performance of the participant and/or Freedom Insurance or the occurrence of specific events.</p> <p>Awards will vest to the extent that the applicable Vesting Conditions are satisfied, and the Board retains discretion to waive the satisfaction of the Vesting Conditions, in certain approved circumstances.</p> <p>Securities issued under the Freedom EIP may be issued at no cost to the participants. Options may be subject to payment of an exercise price by the participant which is determined by the Board and advised to the participant in individual offer documents.</p>
Vesting conditions	<p>The vesting of any securities issued under the Freedom EIP will be subject to any Vesting conditions determined by the Board, which may include the satisfaction of performance, service or other conditions.</p>
Shares as an Award or on vesting of an award	<p>Shares allocated on vesting of an award carry the same rights and entitlements as other issued Shares, including dividend and voting rights.</p> <p>Depending on the terms of issue, the Shares may be subject to disposal and/or forfeiture restrictions, which means that they may not be disposed of or dealt with for a period of time and/or may be forfeited if certain further conditions are not satisfied.</p> <p>Shares allocated to participants under the Freedom EIP may be issued by Freedom or acquired on or off market by Freedom or its nominee. Freedom may initially issue Shares to a trustee and later transfer the Shares to participants.</p>
Dividend and voting entitlements	<p>Awards, other than Shares, are not entitled to dividend or voting rights.</p>
Quotation	<p>Awards, except Shares, will not be quoted on the ASX. Freedom will apply for official quotation of any Shares issued under the Freedom EIP, in accordance with the Listing Rules and having regard to any disposal restrictions in place under the Freedom EIP.</p>
Ceasing employment	<p>If a participant's employment with Freedom ceases for any reason other than death, the Board has the discretion to determine the treatment of that participant's awards. Accordingly, the participant's unvested Awards may immediately lapse (unless the Board determines otherwise).</p> <p>If a participant's employment with Freedom ceases due to death, the Board may determine that the Vesting Conditions (and any disposal and/or forfeiture restrictions) applicable to the participant's unvested Awards (and Shares allocated on vesting of performance rights) will cease to apply.</p>

Change of control	If a change of control of Freedom occurs, the Board will determine, in its sole and absolute discretion, the manner in which all unvested and vested awards will be dealt with.
Restrictions	Without the prior approval of the Board, awards may not be sold, transferred, mortgaged, pledged, charged, granted as security or otherwise disposed of. Participants must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested awards.
Loans	There are no loans allowed or provided under the Freedom EIP.
Freedom Employee Share Scheme Trust	A trust may be established in connection with the operation and administration of the Freedom EIP. The trust, if established, may be used to acquire Shares that are then used to satisfy Freedom's obligations to deliver Shares to participants upon satisfaction of the Vesting Conditions. In addition, any Shares delivered on vesting, which are subject to disposal or forfeiture conditions, would continue to be held in the trust until these disposal or forfeiture conditions cease to apply. After the disposal or forfeiture conditions cease to apply, participants could continue to hold their Shares via the trust or have these Shares transferred out of the trust, at their discretion.
Amendments	To the extent permitted by the Listing Rules, the Board retains the discretion to vary the terms and conditions of the Freedom EIP. This includes varying the number of security interests, or the number of Shares to which a participant is entitled upon vesting or upon a reorganisation of, or other changes to, the capital of Freedom.
Other terms	The Freedom EIP also contains customary and usual terms having regard to Australian law for dealing with the administration, variation, suspension and termination of the Freedom EIP.

8.7. Constitution and rights attaching to the shares

8.7.1. Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of the ASX.

8.7.2. Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held. If the votes are equal on a proposed resolution, the chairperson of the meeting does not have a casting vote, in addition to any deliberative vote.

8.7.3. Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

08. Additional Information *continued*

8.7.4. Dividends

The Board may pay any interim and final dividends at their discretion. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and determine the amount timing and method of payment.

8.7.5. Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, Corporations Regulations and Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the Listing Rules.

8.7.6. Issue of further Shares

The Board may, subject to the Constitution, Corporations Act and the Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

8.7.7. Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

8.7.8. Non-marketable parcels

In accordance with the Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. An unmarketable parcel of shares is defined in the Listing Rules and is generally, a holding of shares with a market value of less than \$500.

8.7.9. Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

8.7.10. Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under that section, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of Shares may be varied:

- with the consent in writing of the holders of 75% of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

8.7.11. Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum of ten Directors, unless the Shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at annual general meetings of the Company.

No Director (excluding the Managing Director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

8.7.12. Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

8.7.13. Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total aggregate amount provided to all Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.2. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors may be paid for all travelling and other expenses the Directors incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Director who performs extra services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

Directors' remuneration is discussed in Section 6.3.2.

8.7.14. Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the Company's power and the powers that are not required by law or by the Constitution to be exercised by the Company in general meeting.

8.7.15. Preference shares

The Company may issue preference Shares including preference Shares which are, or at the option of the Company or holder are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference Shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

8.7.16. Indemnities

The Company, to the extent permitted by law, indemnifies each Director and executive officer of Freedom on a full indemnity basis against all losses, liability, costs, charges and expenses incurred by that person as an officer of the Company or of a related body corporate.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for a contract insuring each Director and executive officer of the Company against any liability incurred by that person as an officer of the Company or of a related body corporate, including for negligence or for reasonable costs and expenses incurred by that person in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

8.7.17. Access to records

The Company may enter into contracts with a Director or former Directors agreeing to provide continuing access for a specified period after the Director ceases to be a Director to Board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.

8.7.18. Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

08. Additional Information *continued*

8.8. Underwriting Agreement

The Company and the Lead Managers have entered into an underwriting agreement dated 28 October 2016 (**Underwriting Agreement**) pursuant to which the Lead Managers agree to underwrite subscriptions for the Shares offered under the Offer.

8.8.1. Commission, fees and expenses

The Company has agreed to pay to the Lead Managers a management fee of 0.75% and an underwriting fee representing 3.00% of the gross proceeds of the Offer.

8.8.2. Termination events

The Lead Managers may, at any time on or after the Prospectus Date and on or before the allotment date of the Offer or at any other time as specified below, terminate the Underwriting Agreement (without any cost or liability to the Lead Managers) by notice to the Company, on the occurrence of any of the following events occur:

- the Company is, or becomes, for any reason, unable to issue or allot the Shares under the Offer;
- ASX amends, withdraws or revokes any required ASX waivers, or ASIC amends, withdraws or revokes any required ASIC modifications, in relation to the Offer;
- a statement contained in the Prospectus is misleading or deceptive (including by omission), is likely to mislead or deceive or becomes misleading or deceptive, or a material matter is omitted from the Prospectus;
- unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to:
 - the Company's admission to the official list of ASX; or
 - the official quotation of all of the Shares under the Offer on ASX,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or the ASX;
- the Company withdraws the Prospectus (as amended by any supplementary or replacement Prospectus) or the Offer;
- a Lead Manager reasonably forms the view that a supplementary or replacement Prospectus must be lodged with ASIC under section 719 of the Corporations Act;
- Any of the following occurs:
 - ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus;
 - ASIC holds a hearing in relation to the Prospectus under section 739(2);
 - an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Prospectus;
 - any person (other than either of the Lead Managers) who has previously consented to the inclusion of its name in the Prospectus, withdraws that consent; or
 - any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- a person other than ASIC commences any inquiry or investigation, or takes any regulatory action or seeks any remedy, in connection with the Company, the Offer or the Prospectus and such inquiry, investigation or proceeding is not disposed of or withdrawn to the Lead Managers' satisfaction on or before the 5th business day following commencement, the taking of the action or seeking of remedy or, if an underwriter is required to subscribe for shortfall securities under the Offer, before 10.00am on that date;
- at any time before the settlement of the Listing, the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at close of trading on the business day immediately before the date of the Underwriting Agreement and is at or below that level at the close of trading for 2 consecutive Business Days during any time after the date of the Underwriting Agreement; and

- either the Company or any of its subsidiaries:
 - becomes an insolvent under administration or insolvent;
 - is in liquidation, in provisional liquidation, under administration or wound up or has had a controller appointed to its property;
 - is subject to any arrangement, assignment, moratorium or composition protected from creditors under any statute or is dissolved;
 - an application or order has been made, resolution passed, proposal put forward, or any other action taken which is preparatory to or could result in any of the three points above;
 - is taken to have failed to comply with a statutory demand under section 459F of the Corporations Act; or
 - the Company is or becomes unable to pay its debts when they are due or is unable to pay its debts within the meaning of the Corporations Act or the Company may be presumed to be insolvent under section 459C or 585 of the Corporations Act.

8.8.3. Termination events subject to materiality

The Lead Managers may, at any time on or after the Prospectus Date with ASIC and on or before the allotment date of the Offer, terminate the Underwriting Agreement (without any cost or liability to the Lead Managers by written notice to the Company), if any of the following events occur and the Lead Managers have reasonable grounds to believe that the event has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer, ability of the Lead Managers to market or promote or settle the Offer, the likely price at which the Shares will trade on ASX, or the willingness of investors to subscribe for the Shares:

- any licence, permit, authorisation or consent which is material when considered in the context of the Prospectus or necessary to conduct the business of the Company is suspended, modified or amended in a manner unacceptable to a Lead Manager;
- the Company fails to lodge this Prospectus with ASIC within 24 hours of execution of the Underwriting Agreement, in a form approved by the Lead Managers, which consent must not be unreasonably withheld or delayed;
- the Prospectus does not comply with:
 - the Corporations Act (including sections 710, 711 and 716);
 - the Listing Rules; or
 - any other applicable law;
- a forecast or other material statement which relates to future matters in the Prospectus becomes incapable of being met or unlikely to be met in the projected time;
- the due diligence report or any other information supplied by or on behalf of the Company to the Lead Managers in relation to the Shares under the Offer, the Company, or the Offer, is or becomes untrue, incorrect, misleading or deceptive (including by omission) in a material respect;
- an event occurs which is or is likely to give rise to an adverse change in or affecting the assets, liabilities, financial position or performance, profits, losses, earnings, prospects or condition, financial or otherwise of the Company or its subsidiaries from those disclosed in this Prospectus, or an adverse change in the nature of the business conducted by the Company or proposed to be conducted by the Company or its subsidiaries;
- a significant or material contract referred to in the Prospectus is:
 - breached by the Company;
 - found to be void or voidable, illegal, invalid or unenforceable;
 - ceases to have effect;
 - altered, amended or varied without the consent of the Lead Managers; or
 - terminated (whether by breach or otherwise), rescinded, altered or amended;

08. Additional Information *continued*

- there is the introduction of legislation or there is a public announcement of a proposal to introduce a new law or regulation or policy in Australia or of any State or Territory of Australia;
- The Company contravenes:
 - the Corporations Act;
 - its Constitution or another constituent document;
 - any of the Listing Rules;
 - an encumbrance or document which is binding on the Company; or
 - any other applicable law, regulation, authorisation, ruling, consent, judgment, order or decree of any Applicable Authority in any material respect.
- any of the warranties or representations by the Company in the Underwriting Agreement are or become incorrect in any material respect;
- a new circumstance occurs in relation to the Company that has arisen since the Prospectus was lodged that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged and which is materially adverse from the point of view of an investor within the meaning of section 719;
- the Company defaults on any undertaking or obligations under the Underwriting Agreement;
- Without the prior written consent of the Lead Managers, the Company:
 - disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus;
 - ceases or threatens to cease to carry on business;
 - alters its capital structure, other than as contemplated in the Prospectus; or
 - amends its constitution or any other constituent document of the Company or the terms of issue of the Shares under the Offer.
- Any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading;
 - any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or
 - after the date of the Underwriting Agreement, a change or development (which was not publicly known prior to the date of the Underwriting Agreement) involving a prospective adverse change in taxation affecting the Company or the Offer occurs.

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- there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs (whether or not war or a national emergency has been declared), or a major act of terrorism occurs in or involving any one or more of the following:
 - Australia;
 - New Zealand;
 - the United Kingdom;
 - the United States of America;
 - the People's Republic of China, and
 - Russia,
- involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- the Company does not provide a closing certificate (as required under the Underwriting Agreement) or a statement in a closing certificate is false, misleading, inaccurate or untrue or incorrect;
- any of the following occur:
 - a Director or senior executive of the Company is charged with an indictable offence relating to a financial or corporate matter;
 - any governmental agency commences any public action against a senior executive of the Company or any of its directors;
 - any Director or senior executive of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
 - a Director or senior executive of the Company engages in any fraudulent conduct or activity; or
 - a change in senior executives or the directors of the Company occurs, or a Director or any senior executive dies or becomes permanently incapacitated;
- other than as disclosed in the Prospectus, a change to the board of Directors occurs;
- other than as disclosed in the Prospectus, the Company charges or agrees to charge, the whole, or a substantial part of its business or property; or
- any event set out in the timetable in the Prospectus is delayed for more than two business days.

8.8.4. Representations, warranties and undertakings

The Underwriting Agreement contains representations, warranties and undertakings provided by the Company to the Lead Managers. The representations and warranties relate to matters such as their powers and capacities, their conduct (including in respect of their compliance with applicable laws and the Listing Rules, business and status, ongoing due diligence and disclosure), the Offer Documents, the information provided (including the financial information), insolvency, the conduct of the Offer, litigation and insurance.

The Company's undertakings include that it will not, during the 90-day period after Completion of the Offer, issue or agree to issue any Shares without the prior written consent of the Lead Managers.

8.8.5. Indemnity

The Company agrees to keep the Lead Managers and certain of the Lead Managers' affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness or gross negligence).

08. Additional Information *continued*

8.9. Material contracts

Freedom, through its subsidiaries, has entered into a number of contractual arrangements with third parties. Below is a summary of the key terms of those arrangements.

8.9.1. Distribution Agreement with Swiss Re

Freedom Insurance is in the process of switching its insurance carrier from NobleOak to Swiss Re. For these purposes, Freedom Insurance has entered into a Product Development and Distribution Agreement dated 21 October 2016 with Swiss Re (**Swiss Re Distribution Agreement**) which sets out the terms on which Freedom may distribute insurance policies issued by Swiss Re.

The Swiss Re Distribution Agreement allows for the joint development of life insurance products to be distributed by Freedom and issued by Swiss Re. Freedom is responsible for arranging the administration on all Freedom Products issued under the Swiss Re Distribution Agreement.

The material terms of the Swiss Re Distribution Agreement are set out below:

- **Initial Products** – Swiss Re is to become the insurer of the existing Freedom Protection Plan and the new mortgage protection product. The Freedom Protection Plan (including final expenses cover) is intended to be launched in February 2017 with the mortgage protection product to be launched soon thereafter.
- **Right of First Refusal** – For an initial term of 5 years Swiss Re has the exclusive right of first refusal to be the insurer of all subsequent new or varied insurance products to be distributed by Freedom Insurance. Freedom Insurance may use another insurer for these products where Swiss Re has elected not to accept the opportunity on the terms requested by Freedom or where another insurer is willing to provide Freedom Insurance with more favourable terms than those offered by Swiss Re. Freedom may also switch to another insurer where Swiss Re is for any reason unable to continue to remain as insurer on an existing product on the requested terms.
- **Freedom Insurance Fees** – the fees and commissions payable to Freedom Insurance are determined on a product by product basis and form part of the product specification agreed by the parties for each product. The fees and commissions:
 - are a combination of Upfront Commissions and Trail Commissions payable to Freedom Insurance which continue to be payable on existing business after termination of the Swiss Re Distribution Agreement;
 - a combination of Upfront and Trail Commissions payable to Insurance Network Services Australia (a member of the Freedom group of companies); and
 - a variable commission payable to Freedom Insurance being the periodic surplus of the product account for each product.
- **Administration** – Freedom Insurance is responsible for procuring all administration services for products Freedom Products distributed under the Swiss Re Distribution Agreement and has arranged for these to be performed by Freedom Insurance Administration Pty Ltd (see Section 8.9.3). These administration services will continue to be provided after termination of the Swiss Re Distribution Agreement.
- **Client Relationship** – Freedom Insurance retains the client relationship with each of the customers introduced under the Swiss Re Distribution Agreement and Swiss Re will be unable to contact these customers for the purpose of offering them Swiss Re products or replacing their existing Freedom Products with another product issued by Swiss Re or any other life insurer without the consent of Freedom Insurance. This applies both during the term of the Swiss Re Distribution Agreement and after its termination.
- **Changes to Underlying Insurance Charge** – Swiss Re has the right to increase its underlying insurance charge that it retains on new and/or existing business as a result of adverse experience on the business. This may cause a reduction in Freedom's fees or commissions on both new and existing business where not otherwise funded by an increase of the retail insurance premium as determined by Freedom Insurance.

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- **Term and Termination** – The Swiss Re Distribution Agreement commenced with immediate effect and is for an initial term of 5 years ending on 31 January 2022 and will continue indefinitely after that time until terminated by either party. The distribution of Freedom Products under the Swiss Re Distribution Agreement is subject to certain conditions precedent. The Swiss Re Distribution Agreement may be terminated under certain circumstances, including:
 - by Freedom Insurance, any time after 1 December 2020, upon 12 months' notice in writing;
 - by Swiss Re, at any time after 1 February 2021, upon 12 months' notice in writing; and
 - where the other party commits a breach of a material clause of the agreement and that breach is not rectified within 30 days of a valid notice.

Freedom Insurance also has a right of termination where the primary objectives of the Swiss Re Distribution Agreement are not being met and it is not in Freedom Insurance's legitimate ongoing interest to continue with the agreement.

Swiss Re also has a right of termination on 6 months' notice, if a key person who ceases to be employed by Freedom is not replaced by an adequate replacement, and there are reasonable grounds to believe that Freedom will be unable to meet its obligations under the Swiss Re Distribution Agreement on an ongoing basis.

8.9.2. Distribution Agreement with NobleOak

NobleOak and Freedom Insurance are parties to a Product Development and Distribution Agreement. (**NobleOak Distribution Agreement**). NobleOak and Freedom Insurance agreed on 7 October 2016 that the NobleOak Distribution Agreement will be terminated to new business following a short period that will allow for Freedom Insurance to transition to Swiss Re as the insurer of the products that it distributes.

This is expected to occur during February 2017 to coincide with the initial product launch under the Swiss Re Distribution Agreement at which time the NobleOak Distribution Agreement will be closed to new business and the agreement will automatically terminate. In any event, the NobleOak Distribution Agreement will terminate no later than 30 June 2017. Under the arrangements effective from 7 October 2016, Freedom Insurance is no longer required to provide NobleOak with the opportunity to insure new or varied insurance products or to use NobleOak as the insurer of its products. However, Freedom Insurance will be able to continue to distribute Freedom Products issued by NobleOak until the transition to Swiss Re.

Under the terms of the NobleOak Distribution Agreement a number of rights and obligations continue following its termination, including:

- NobleOak will remain the registered life insurer for the Freedom Products issued by NobleOak prior to termination of the agreement;
- the financial arrangements in respect of the existing NobleOak business will continue in full force and effect for so long as any Freedom Products issued by NobleOak remains in-force, with Freedom Insurance, Insurance Network Services Australia and Freedom Administration continuing to be entitled to commissions, fees and any other payments in connection with those Freedom Products as if the agreement had not been terminated;
- the administration of the Freedom Products issued by NobleOak will continue to be performed by Freedom Administration under the existing NobleOak Administration Agreement (see Section 8.9.3); and
- Freedom Insurance will retain the client relationship with each of the customers insured under a Freedom Product issued by NobleOak and NobleOak will be unable to contact these customers for the purpose of offering NobleOak products or replacing their existing insurance with another product issued by NobleOak.

Given the termination of the NobleOak Distribution Agreement, Freedom's shareholding in NobleOak is no longer strategic and will be subject to review by the Board in due course.

08. Additional Information *continued*

8.9.3. Distribution Agreement with AIA

The Distribution Agreement between Freedom Insurance, Insurance Network Services Australia and AIA Australia Ltd dated 4 October 2010 (**AIA Distribution Agreement**) was closed to new business on 10 April 2014. In accordance with the terms of the AIA Distribution Agreement, following its termination:

- Freedom continues to receive Trail Commission on the existing AIA business; and
- Insurance Network Services Australia continues to provide run-off services in relation to the existing AIA business (consisting of policy servicing, customer service and claims administration services) and continues to receive the administration fee for the provision of these services.

8.9.4 Administration Agreements

Freedom Administration entered into a Life Insurance Administration Agreement with NobleOak dated 7 April 2014 (**NobleOak Administration Agreement**) for the provision of comprehensive administration services for the life insurance business introduced by Freedom Insurance under the NobleOak Distribution Agreement. Freedom Administration is also in the process of agreeing the terms of a substantially similar agreement with Swiss Re in order to provide the administration services for the life insurance business introduced by Freedom Insurance under the Swiss Re Distribution Agreement. Under the terms of the Swiss Re Distribution Agreement, Swiss Re requires this agreement to be in place prior to the distribution of any products intended for February 2017.

The material terms of the NobleOak Administration Agreement are set out below:

- **Scope of Services** – The services provided are all administrative tasks that are necessary for the proper administration of the Freedom Products issued by NobleOak and includes both front and back end processing, issuing policies that meet eligibility requirements, policy maintenance, claims administration, customer service and record keeping. Freedom Administration must not perform any task which constitutes a financial service under the Corporations Act or any tasks that the insurer is unable to delegate by law.
- **Fees** – Freedom Administration is entitled to a fee from NobleOak for providing these services. The fees:
 - are determined on a product by product basis on reasonable commercial terms as determined by Freedom Insurance and Freedom Administration and these form part of the product specification agreed by Freedom Insurance and NobleOak for each product; and
 - continue to be payable in respect of services provided on existing business after termination of the NobleOak Distribution Agreement for so long as the services are provided.
- **Obligations to the Insurer** – Freedom Administration provides the services on behalf of NobleOak and as this arrangement is a material outsource for the purpose of APRA outsourcing requirements, Freedom Administration has a range of ongoing obligations to NobleOak. These obligations are designed to ensure that the services are provided with all due skill and care, without disruption and in a manner consistent with applicable laws and NobleOak's risk management requirements and statutory and regulatory obligations.
- **Term and Termination** – The agreement has no fixed term and is continuing on an ongoing basis until terminated. The agreement may be terminated by Freedom Administration by providing 12 months' notice provided that suitable replacement arrangements have been arranged by Freedom Insurance for the provision of the administration services to NobleOak. This agreement may be terminated by NobleOak where Freedom Administration commits a breach of a material clause of the agreement and that breach is not rectified within 30 days of a valid notice. The agreement will terminate automatically if there are no Freedom Products remaining to be administered under the NobleOak Distribution Agreement.

Termination of the NobleOak Distribution Agreement will not affect the continuation of the NobleOak Administration Agreement for business written under the NobleOak Distribution Agreement.

8.10. Compliance Offer

In addition to the Offer, this Prospectus also relates to an offer to nominated employees of the Company for the issue of up to a further 10 Shares (the **Compliance Offer**). The Compliance Offer opens on the Opening Date and will close 5 Business Days after the commencement of trading of Shares on the ASX (or on any earlier date that the Board determines). The Company reserves the right not to accept any applications in respect of the Compliance Offer.

As noted in Section 8.4, Shares will be issued on the automatic conversion of the Convertible Notes on Completion of the Offer. The existence of the Compliance Offer will enable holders of those Shares to rely on the exception under section 708A(11) of the Corporations Act and sell their Shares on ASX after Listing (which would have otherwise been prohibited for 12 months after the date of the Completion of the Offer, under the on-sale restrictions in section 707(3) of the Corporations Act).

8.11. Consents and disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Baillieu Holst Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager and Underwriter to the Offer in the form and context in which it is named. Baillieu Holst Ltd takes no responsibility for any part of this Prospectus other than any reference to its name.
- Bell Potter Securities Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager and Underwriter to the Offer in the form and context in which it is named. Bell Potter Securities Limited takes no responsibility for any part of this Prospectus other than any reference to its name.
- Piper Alderman has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser to the Company (except in relation to taxation and stamp duty) in the form and context in which it is named. Piper Alderman takes no responsibility for any part of this Prospectus other than any reference to its name.
- Crowe Horwath has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor, tax adviser and Investigating Accountant to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included. Crowe Horwath takes no responsibility for any part of this Prospectus other than any reference to its name, the Investigating Accountant's Report.
- Computershare has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this Prospectus.
- Aura Capital has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as financial adviser to the Company in the form and context in which it is named. Aura Capital takes no responsibility for any part of this Prospectus other than any reference to its name.
- Swiss Re has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in Sections 1.3, 3.2, 5.1.1, 8.9.1, 8.9.2 and 8.9.4 of this Prospectus in the form and context in which it is named.
- NobleOak has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in Sections 5.1.1, 7.8.3, 8.9.2 and 8.9.4 of this Prospectus in the form and context in which it is named.
- Plan for Life has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named and the inclusion of the data attributed to it, in the form and context included in this Prospectus. Plan for Life takes no responsibility for any part of this Prospectus other than any reference to its name and the inclusion of the data attributed to it, in the form and context included in this Prospectus.

08. Additional Information *continued*

8.12. Control implications of the Offer

The Directors do not expect any Shareholder to control the Company on Completion of the Offer (as defined in Section 50AA of the Corporations Act).

8.13. Plan for Life Data

Freedom has relied on industry data developed and published by Plan for Life in Section 2 of this Prospectus. Whilst the data published by Plan for Life is widely treated as representative of whole insurance industry in Australia, a small number of market participants, including Freedom are not represented in the Plan for Life data. To this end, in developing the graphs and figures set out in this Prospectus which rely on Plan for Life data, Freedom had added its internal numbers to the existing Plan for Life data so that those graphs and figure are more representative of the industry.

8.14. ASX waivers and ASIC relief

The Company has applied for relief from ASIC so that the takeovers provisions of the Corporations Act will not apply to certain relevant interests that the Company would otherwise acquire in escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares described in Section 8.5.

The Company has applied for a waiver from the application of Listing Rule 1.1 Condition 11 to the exercise price of the Options issued under the Freedom EOP, the terms of which are set out in Section 8.6.1.

8.15. Expenses of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer payable by the Company (including advisory, legal, accounting, tax, listing and administrative fees, the Underwriters' management fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be \$3.1 million.

8.16. Litigation and claims

So far as the Directors are aware, as at the Prospectus Date, there are no legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on the future financial results of the Company and the Directors are not aware of any such legal proceedings that are pending or threatened.

8.17. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

8.18. Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.

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09.

Investigating
Accountants
Report

09. Investigating Accountants Report



**Crowe Horwath
Corporate Finance (Aust) Ltd**
ABN 95 001 508 363 AFSL No. 239170
Member Crowe Horwath International

25 October 2016

The Directors
Freedom Insurance Group Limited
Level 12, 20 Bond St
SYDNEY NSW 2000

Level 15 1 O'Connell Street
Sydney NSW 2000
Australia
Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

Dear Directors

Independent Limited Assurance Report on the Pro Forma Historical and Forecast Financial Information and Financial Services Guide

We have been engaged by Freedom Insurance Group Limited ("**FIG**" or "**the Company**") to prepare an Independent Limited Assurance Report ("**the Report**") on the pro forma historical and pro forma forecast financial information of the Company for inclusion in the Prospectus (the "**Prospectus**") to be dated on or about 28 October 2016 relating to the Initial Public Offering of shares in FIG and a listing on the ASX ("**the Offer**").

Expressions and terms defined in the Prospectus have the same meaning in this Report, unless otherwise stated.

The nature of this Report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Crowe Horwath Corporate Finance (Aust) Ltd ("**Crowe Horwath Corporate Finance**") holds an Australian Financial Services Licence (Number 239170) in accordance with the Australian Securities and Investments Commission requirements for advising and dealing in securities. This Report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Background

FIG has issued the Prospectus in respect of a proposed equity capital raising, whereby FIG intends to issue a minimum of 42.86 million shares at an issue price of \$0.35 per share to raise \$15 million.

Scope

The Company has requested Crowe Horwath Corporate Finance to prepare this Report covering the following information included in the Prospectus:

Historical Financial Information

The historical financial information, as set out in the Prospectus comprises:

- The pro forma income statements of FIG for the years ended 30 June 2014, 30 June 2015 and 30 June 2016; and
- A pro forma balance sheet for FIG as at 30 June 2016.

Crowe Horwath Corporate Finance (Aust) Ltd is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity.



(hereafter the “**Pro Forma Historical Financial Information**”).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in **Section 4** of the Prospectus.

The Statutory Historical Financial Information has been extracted from the financial reports of:

- Freedom Insurance Group Limited for the years ended 30 June 2014, 30 June 2015 and 30 June 2016; and
- Spectrum Wealth Advisers Pty Ltd for the years ended 30 June 2014 and 30 June 2015.

The financial reports mentioned above were audited in accordance with the Australian Auditing Standards with unmodified audit opinions issued on the respective reports.

The Pro Forma Historical Consolidated Balance Sheet as at 30 June 2016 assumes completion of the proposed transactions outlined in **Section 4** of the Prospectus which includes the Offer (the “**Pro Forma Transactions**”) as though they had occurred on that date.

The Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Forecast Financial Information

The pro forma and statutory forecast financial information as set out in the prospectus comprises:

- The statutory forecast income statement of FIG for the year ended 30 June 2017;
- The pro forma forecast income statement of FIG for the year ended 30 June 2017;
- The statutory cash flow statement of FIG for the year ended 30 June 2017; and
- The pro forma forecast cash flow statement of FIG for the year ended 30 June 2017.

(hereafter the “**Forecast Financial Information**”).

The Forecast Financial Information as described in **Section 4** of the Prospectus has been prepared in accordance with the Directors’ best estimate assumptions. The stated basis of preparation used in the preparation of the Forecast Financial Information is the recognition and measurement principles contained in the Australian Accounting Standards and the Company’s adopted accounting policies. The pro forma forecast financial information includes pro forma adjustments applied to the statutory forecast financial information as set out in **Section 4** of the Prospectus as if those events or transactions had occurred at that date of the forecast. Due to its nature, the pro forma forecast financial information does not represent the Company’s actual prospective performance or cash flows for the year ending 30 June 2017.

The Pro Forma Historical Financial Information and the Forecast Financial Information are collectively referred to as the “**Financial Information**”.

09. Investigating Accountants Report *continued*



Directors' Responsibility

The Directors of the Company are responsible for the preparation and presentation of the Financial Information. The Directors are also responsible for the determination of the Pro Forma Transactions set out in Section 4 of the Prospectus and the basis of preparation of the Pro Forma Historical Financial Information.

The Directors of the Company are also responsible for the preparation of the Statutory Forecast including its basis of preparation and for the determination of the best estimate assumptions as set out in **Section 4** of the Prospectus. They are also responsible for the preparation of the Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the Directors determine necessary to enable the preparation of the Pro Forma Historical Financial Information and Forecast Financial Information that are free from material misstatement.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information*.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently do not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical Financial Information of the Company as described in **Section 4** of the Prospectus does not present fairly, in all material respects:

- The pro forma historical consolidated statement of comprehensive income for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- The pro forma historical consolidated balance sheet as at 30 June 2016;
- The Pro Forma transactions do not provide a reasonable basis for the Pro Forma Historical Financial Information;



- The Pro Forma Historical Financial Information has not been prepared on the basis of the transactions set out in **Section 4** of the Prospectus; and
- The Pro Forma Historical Financial Information does not present fairly the Company's pro forma historical consolidated balance sheet as at 30 June 2016,

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro Forma Transactions set out in Section 4 of the Prospectus had occurred at 30 June 2016.

Forecast Financial Information

Based on our limited assurance engagement, of the Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions giving rise to the Forecast Financial Information, nothing has come to our attention which causes us to believe that:

- The Directors' best estimate assumptions do not provide a reasonable basis for the preparation of the Forecast Financial Information;
- The Forecast Financial Information was not prepared on the basis of the best estimate assumptions;
- The Forecast Financial Information does not present fairly:
 - The forecast consolidated statement of comprehensive income for the year ending 30 June 2017; and
 - The forecast consolidated statement of cash flows for the year ending 30 June 2017,

in accordance with the recognition and measurement requirements (but not all of the presentation and disclosure requirements) of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

The Forecast Financial Information has been prepared by Management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2017. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different to the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors best estimate assumptions on which the Forecast Financial Information are based relate to future events and/ or transactions that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside of the control of the Company. Evidence may be available to support the Directors' best estimate assumptions on which the Forecast Financial Information is based, however, such evidence is generally future orientated and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly provide a lesser level of assurance on the reasonableness of the Directors best estimate assumptions. The limited assurance conclusion expressed in this Report has been formed on the above basis.

09. Investigating Accountants Report *continued*



Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the sensitivities and investment risks as described in **Sections 4 and 5** of the Prospectus. The sensitivity analysis described in **Section 4.7** of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this Report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to **Section 4.2.3** of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

Crowe Horwath Corporate Finance has consented to the inclusion of the Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Crowe Horwath Corporate Finance is limited to the inclusion of this Report in the Prospectus. Crowe Horwath Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Crowe Horwath Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Crowe Horwath Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

Crowe Horwath Corporate Finance (Aust) Ltd

Crowe Horwath



Annexure 1 – Financial services guide

Date of issue: 25 October 2016

General Advice – Investigating Accountant's Report

This Financial Services Guide is designed to help retail clients make a decision as to their use of the relevant general financial product advice; to ensure that we comply with our obligations as a financial services licensee; and to provide you with information on:

- how we and our associates are paid;
- any potential conflict of interest we may have; and
- our internal and external dispute resolution procedures and how you can access them.

Introduction

Crowe Horwath Corporate Finance (Aust) Ltd, ABN 95 001 508 363 has been engaged to issue general financial product advice in the form of an Investigating Accountant's Report for inclusion in a disclosure or other document in relation to the issuing of a financial product.

Who is responsible for the financial services provided to me?

Crowe Horwath Corporate Finance (Aust) Ltd holds an Australian Financial Services Licence No. 239170 and is responsible for the financial services provided by it and its Authorised Representatives, including authorising the distribution of this Financial Services Guide.

Crowe Horwath Corporate Finance (Aust) Ltd is wholly owned by Crowe Horwath Australasia Ltd and operates as part of the business advisory and professional accounting practice of Crowe Horwath.

General Financial Product Advice

In the Investigating Accountant's Report we provide general financial product advice, not personal financial product advice, because the advice has been prepared without taking into account your personal objectives, financial situation or needs.

You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

What kinds of financial services are you authorised to provide to me?

We are authorised to provide advice on, and deal in, the following classes of financial products to wholesale and retail clients:

1. Provide financial product advice for the following classes of financial products:
 - a) derivatives; and
 - b) securities.
2. Deal in a financial product by:
 - a) issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:
 - i. derivatives; and
 - ii. securities.

09. Investigating Accountants Report *continued*



Investigating Accountant's Reports

We provide financial product advice by issuing an Investigating Accountant's Report in connection with a financial product of another person or entity. Our Report includes a description of the circumstances of our engagement and identifies the person or entity who has engaged us. You have not engaged us directly but you will be provided with a copy of the Report due to your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

Do you have any relationships or associations with financial product issuers?

Crowe Horwath Corporate Finance (Aust) Ltd and any of its associated entities may at any time provide professional or financial services to financial product issuers in the ordinary course of our business.

How is Crowe Horwath Corporate Finance (Aust) Ltd paid to produce an Investigating Accountant's Report?

We will charge a fee in the vicinity of \$55,000 excluding GST for providing this Investigating Accountant's Report. This fee will be paid by the person or entity which engages us to provide the Report. The fee has not affected the opinion we have expressed in the Report.

Except for this fee, neither Crowe Horwath Corporate Finance (Aust) Ltd, nor any of its principals, employees or related entities, receives any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Does Crowe Horwath Corporate Finance (Aust) Ltd get paid for referring clients to invest in the products associated with your Investigating Accountant's Reports?

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the Investigating Accountant's Report that we are engaged to provide.

We do not receive commissions or any other benefits for referring clients in connection with the underlying financial product and/or financial service that is the subject of the reports we are engaged to provide.



Do I pay for the financial services provided?

You do not pay us a fee for the production of the Investigating Accountant's Report. It is the responsibility of the person or entity which engaged our services to produce the Report to meet this cost.

Who can I complain to if I have a complaint about the financial services provided?

If you have any complaint about the service provided to you, you should take the following steps:

Contact us and tell us about your complaint.

If your complaint is not satisfactorily resolved within three business days, please contact the Complaints Officer on (02) 9262 2155, or put your complaint in writing and send it to us at:

The Complaints Officer
Crowe Horwath Corporate Finance (Aust) Ltd
Level 15, 1 O'Connell St
SYDNEY NSW 2000

If you still do not get a satisfactory outcome you can contact the Financial Ombudsman Service (FOS) of which Crowe Horwath is a member. FOS can be contacted on 1300 780 808 or you can write to them at GPO Box 3, Melbourne, Victoria 3001.

ASIC has a freecall Infoline on 1300 300 630 which you may also use to make a complaint or obtain information about your rights.

If you have any further questions about the financial services Crowe Horwath Corporate Finance (Aust) Ltd provides, please contact our office on (02) 9262 2155.

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10.

Significant
Accounting
Policies

10. Significant Accounting Policies

The financial statements cover both the Company as an individual entity and the consolidated entity consisting of the Company 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 the Company's functional and presentation currency.

10.1.1. New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the 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, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

10.1.2. Basis for preparation

10.1.2.1. Group reorganisation and comparative information

In December 2015, the Company ('the legal parent') acquired Insurance Network Services Australia and Freedom Insurance Investments (collectively the 'legal subsidiaries'). The reorganisation has been accounted for as a capital reorganisation. The financial statements are therefore presented as if the Company had been the parent company of the Group throughout the periods presented. No reclassifications or adjustments to previously reported figures and no changes in the operations of the Group resulted from this change. Refer to the 'Business combinations' accounting policy for further explanation of the accounting for this transaction.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the 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 IASB.

10.1.2.2. Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, the revaluation of available for sale financial assets and derivative financial instruments.

10.1.3. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 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.

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. Refer to the 'Business combinations' accounting policy for further details. 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.

10. Significant Accounting Policies *continued*

10.1.4. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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. Derivatives are classified as current or non-current depending on the expected period of realisation.

10.1.5. Impairment of non-financial assets

Goodwill is subject to amortisation and 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.

10.1.6. Employee benefits

10.1.6.1. 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.

10.1.6.2. 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

10.1.6.3. Defined contribution superannuation expense

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

10.1.7. 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

10.1.8. Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

10.1.9. Revenue

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.

10.1.9.1. 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 in the event of early termination by customers as specified in agreements with insurance providers. These clawbacks are provided for as a provision.

Trail commissions are ongoing fees for customers introduced to insurance providers. Trail commissions represents 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 net present value 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 as revenue in profit or loss.

10.1.9.2. Rebates, administration fees and other revenue

Revenue is recognised when it is received or when the right to receive payment is established.

10.1.10. Expenses

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.

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

10.1.11. 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.

10. Significant Accounting Policies *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.

10.1.12. Current assets – 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.

10.1.13. Current assets – trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

10.1.14. Non-current assets – other financial assets

The investment has been designated as an available-for-sale asset. It was initially measured at fair value and subsequently carried at cost less accumulated impairment losses. The investment is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are taken to profit or loss.

10.1.15. Non-current assets – intangibles

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

10.1.16. Current liabilities – trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

10.1.17. Current liabilities – borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

10.1.18. Current liabilities – provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

10.1.19. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

10.1.20. Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

10. Significant Accounting Policies *continued*

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

10.1.21. Earnings per share

10.1.21.1. Basic earnings per share

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

10.1.21.2. 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.

10.1.22. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

10.1.22.1. Accounting for the internal restructure at IPO

During the financial year, an internal restructure took place in preparation of the listing of the Group on the ASX. This resulted in a newly incorporated company, Freedom, becoming the legal parent of the Group, in preparation for the IPO.

The Group elected to account for the restructure as a capital reorganisation rather than a business combination. In the directors' judgement, the continuation of the existing accounting values most appropriately reflects the substance of the internal restructure. As such, the financial statements of the new Group have been presented as a continuation of the pre-existing consolidated accounting values of assets and liabilities in Insurance Network Services Australia's financial statements.

In adopting this approach the directors note that there is an alternate view that such a restructure could be accounted for as a business combination that follows the legal structure of Freedom being the acquirer. If this view had been taken, the net assets of the Group would have been uplifted to fair value, with consequential impacts on profit or loss and the statement of financial position. An IASB project on accounting for common control transactions is likely to address such restructures in the future. However, the precise nature of any new requirements and the timing of these are uncertain. In any event, history indicates that any potential changes are unlikely to require retrospective amendments to the financial statements.

10.1.22.2. Net present value ('NPV') of trail commission

The Group recognises trail commission revenue at the time of being entitled to the upfront commission on sale of an insurance premium, rather than on the basis of actual payments received. This method of revenue recognition requires management to make certain estimates and assumptions including, but are not limited to, lapse rates, discount rates and its associated risk free rate, and price increases. The Group receives trail commission income for the life of the settled insurance policy. Management have determined that there are three key assumptions: (i) Discount rate – determining the appropriate discount rate requires a degree of judgement; (ii) Premium age re-rate or price increase – the rate is affected by the policy type and the age of the individual lives insured. Historical premium increases are used as a base to which adjustments may be applied to take into account current and expected market conditions; and (iii) Policy lapses – the rate of policy lapses are affected by many variables including the age of particular policies and market conditions. Historical lapse rates are used as a base to which adjustments may be applied to take into account current and expected market conditions.

10.1.22.3. Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

10.1.22.4. Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

10.1.22.5. Clawback provision

Upfront fees received from certain insurance providers can be clawed back in the event of early termination. The clawback period ranges from nil to two years, depending on agreements. The Group provides for this liability based upon historic average rates of attrition and recognises revenue net of these clawback amounts.

10.1.22.6. Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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11.

Glossary

11. Glossary

Term	Meaning
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
AIA	AIA Australia Limited (ABN 79 004 837 861).
AEST	Australian Eastern Standard Time and includes Australian Eastern Daylight Savings time when applicable.
AFSL	An Australian Financial Services Licence.
API	Annual premium income. It is the annualised dollar amount expected to be paid by an insured entity/person to maintain the policy.
Applicant	A person who submits an Application.
Application	An application for Shares under the Offer described in this Prospectus.
Application Form	Each of the paper and electronic application forms, or accompanying this Prospectus upon which an Application may be made.
Application Monies	The amount accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited ACN 008 624 691, or where the context requires, the Australian Securities Exchange, which it operates.
ASX Recommendations	The ASX Corporate Governance Principles and Recommendations (third edition).
Board	The board of Directors.
Broker	Any ASX participating organisation selected by the Lead Managers and the Company to act as a broker to the Offer.
Broker Firm Applicant	A person who submits an Application under the Broker Firm Offer.
Broker Firm Offer	The invitation to Australian resident retail clients of Brokers to acquire Shares offered under this Prospectus provided that such clients are not in the United States.
CAGR	Compound annual growth rate.
Chairman	The chairman of the Company.
CHES	Clearing House Electronic Subregister System, operated in accordance with the Corporations Act.
Clawback	A commission or benefit that is paid to an adviser that is recovered, or 'clawed back', by the insurer if the policy lapses or the premium decreases within a certain period.
Clawback Provision	As defined in section 4.3.3.

11. Glossary *continued*

Term	Meaning
Closing Date	The date on which the Broker Firm Offer is expected to close, being 5:00pm (AEST time) on 21 November 2016, or such other date and time determined by the Company in consultation with the Lead Managers.
Company	Freedom Insurance Group Ltd ACN 608 717 728.
Completion of the Offer	Completion of the issue of Shares under this Prospectus.
Compliance Offer	The offer to selected employees of the company detailed in section 8.10.
Conflicted Remuneration	<p>A benefit given to an AFSL holder, or a representative of an AFSL holder, who provides financial product advice to clients that, because of the nature of the benefit or the circumstances in which it is given:</p> <ul style="list-style-type: none"> • could reasonably be expected to influence the choice of financial product recommended by the licensee or representative to clients; or • could reasonably be expected to influence the financial product advice given to clients by the licensee or representative. <p>In addition, the benefit must not be excluded from being conflicted remuneration by the Corporations Act or Corporations Regulations.</p>
Constitution	The constitution of the Company.
Convertible Notes	The convertible notes outstanding at the Prospectus Date, the details of which are set out in Section 8.4.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Crowe Horwath	Crowe Horwath Corporate Finance (Aust) Ltd ABN 95 001 508 363 as the Investigating Accountant, Crowe Horwath Sydney ABN 97 895 683 573 as the Freedom's auditor, and Crowe Horwath (Aust) Pty Ltd ABN 84 006 466 351 as Freedom's tax advisor (each as the context requires).
Customers	Holders of in-force policies for Freedom Products and products distributed by Spectrum.
CY or Calendar Year	A year ending 31 December.
Direct Channel	A channel for the distribution of life insurance products directly to customers, usually by telephone and web services.
Directors	The directors of the Company.
Dollars or \$ or A\$ or AUD	The lawful currency of the Commonwealth of Australia.
EBIT	Earnings before net interest and taxation.
EBITDA	Earnings before net interest, depreciation, amortisation and taxation.
Employee Share Scheme	The Freedom EOP the details of which are set out at Section 8.6.1, which will be amended by the Board to the Freedom EIP, on the Listing of Freedom, the details of which are set out in Section 8.6.2.
Escrowed Shareholders	Those Shareholders who hold Escrowed Shares.

Term	Meaning
Escrowed Shares	Shares that are subject to voluntary escrow restrictions, the details of which are set out in Section 8.5.
Existing Shareholder	A person holding Shares as at the Prospectus Date.
Existing Shares	The Shares held by the Existing Shareholders as at the Prospectus Date.
Expiry Date	The date that is 13 months after the Prospectus Date.
Exposure Period	The period commencing on the date of lodgement of this Prospectus with ASIC and ending seven days after lodgement, subject to any extension of the period by ASIC.
Final expenses	Expenses incurred at the time of a person's death for funeral costs.
Financial Information	As defined in Section 4.1.
Finsure	Finsure Finance & Insurance Pty Ltd ACN 068 153 926.
FOFA reforms	The Future of Financial Advice package of legislation including the <i>Corporations Amendment (Future of Financial Advice) Act 2012 (Cth)</i> and the <i>Corporations Amendment (Further Future of Financial Advice Measures) Act 2012 (Cth)</i> .
Forecast Financial Information	As defined in Section 4.1.
Freedom	The Company, and where the context requires, its subsidiaries.
Freedom Administration	Freedom Insurance Administration Pty Ltd ACN 164 880 193.
Freedom EIP	Freedom Equity Incentive Plan, the terms of which are summarised at Section 8.6.2.
Freedom EOP	Freedom Employee Option Plan, referred to in section 8.6.1.
Freedom Insurance	Freedom Insurance Pty Limited ACN 138 864 543.
Freedom Investments	Freedom Insurance Investments Pty Ltd ACN 164 463 987.
Freedom Products	Insurance products distributed by Freedom Insurance pursuant to its contractual arrangements with Swiss Re under the SwissRe Distribution Agreement and NobleOak under the NobleOak Distribution Agreement.
FY or Financial Year	A year ended 30 June.
General Advice	As defined in section 2.4.1.
Historical Financial Information	As defined in Section 4.1.
IF API	Total annualised dollar amount expected to be paid by insured entities/person(s) for all current policies that have not lapsed or matured.
IFRS	International Financial Reporting Standards.
In Force	Refers to a measure determined by Plan for Life which is calculated by adding total IF API to year ending new single (non-recurring) premiums. Also referred to as "Inflows" by Plan for Life.

11. Glossary *continued*

Term	Meaning
In Force Book	Total group of policies that is current and has not lapsed or matured.
Indirect Channel	The distribution of insurance products via intermediaries, such as financial advisers.
Institutional Investor	A person to whom offers and issues of Shares may lawfully be made without the need for disclosure under Chapter 6D.2 of the Corporations Act or without any other lodgement, registration, disclosure or approval with or by a government agency (other than one with which the Company, in its absolute discretion, is willing to comply) under any applicable law.
Institutional Offer	The invitation under this Prospectus to certain Institutional Investors to apply for Shares.
Insurance Network Services Australia	Insurance Network Services Australia Pty Ltd ACN 137 632 770.
IPO	Initial Public Offering.
IPO Information Line	1300 648 169 (within Australia) 03 9415 4232 (outside Australia) Monday to Friday 8:30am – 5:00pm
Lead Managers	Baillieu Holst Ltd ACN 006 519 393 and Bell Potter Securities Limited ACN 006 390 772.
Listing	Admission of the Company to the official list of ASX.
Listing Rules	The official listing rules of the ASX.
NB API	Total annualised dollar amount expected to be paid by insured entities/person(s) for all new policies that have been issued in the relevant period.
NCCP	<i>National Consumer Credit Protection Act 2009</i> (Cth).
New Business	Refers to a measure determined by Plan for Life which is calculated by adding the new API sold as well as single (non-recurring) premiums sold for the period. Also referred to as “Inflow Sales” by Plan for Life.
No Advice	As defined in Section 2.4.1.
NobleOak	NobleOak Life Limited ACN 087 648 708.
NobleOak Administration Agreement	The Life Insurance Administration Agreement between NobleOak and Freedom Administration dated 7 April 2014.
NobleOak Distribution Agreement	The Product Development & Distribution Agreement between NobleOak and Freedom Insurance dated 6 August 2013.
NPAT	Net profit after tax.
Offer	The offer under this Prospectus of Shares for issue by the Company, but excluding the Compliance Offer.
Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Offer Price	\$0.35 per Share.

Term	Meaning
Opening Date	The date the Broker Firm Offer opens being 14 November 2016, or such other date determined by the Board.
Option	An option to acquire a Share in consideration for payment of the applicable exercise price, issued under the Freedom EOP, as described in Section 8.6.1.
Personal Advice	As defined in Section 2.4.1.
Plan for Life	Asset International Australia Pty Ltd, trading as Plan for Life.
Prospectus	This prospectus issued by the Company for the purposes of Chapter 6D of the Corporations Act, under which Shares are offered for subscription.
Prospectus Date	The date of this Prospectus, being 28 October 2016.
Responsibility Period	The period during which the Company is responsible for ensuring new policies that have been issued remain current, not lapsed and/or matured.
Ripoll Report	<i>The Inquiry into financial products and services in Australia</i> by the Parliamentary Joint Committee on Corporations and Financial Services dated November 2009.
Risk Underwriting	The risk for the issue of insurance policies and the payment of claims that is held responsible by an APRA regulated life insurer.
Senior Loan Facility	The \$3,000,000 secured loan facility advanced by Aura Funds Management Pty Ltd (ACN 163 737 326) to Insurance Network Services Australia pursuant to the Loan Agreement dated 28 November 2014, and secured by the General Security Deed dated 28 November 2014.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Shareholder	A holder of Shares from time to time.
Spectrum	Spectrum Wealth Advisers Pty Ltd ACN 134 661 706.
Staff Applicants	a Freedom employee that is eligible for participation in the Staff Offer, and has submitted an Application under the Staff Offer.
Staff Offer	an invitation to eligible Freedom employees to subscribe for Shares under this Prospectus.
Swiss Re	Swiss Re Life & Health Australia Limited ACN 000 218 306.
Swiss Re Distribution Agreement	The Product Development and Distribution Agreement between Swiss Re and Freedom Insurance dated 21 October 2016.
Trail Asset	The present value of future Trail Commissions, calculated using a discounted cashflow approach.
Trail Commission	The ongoing commissions and fees receivable for the duration of an insurance policy that include deferred income related to customer acquisition activity and associated fees.
Trowbridge Report	The report entitled 'Review of Retail Life Insurance Advice – Final Report' by John Trowbridge dated 26 March 2015.

11. Glossary *continued*

Term	Meaning
Underwriters	Baillieu Holst Ltd ACN 006 519 393 and Bell Potter Limited ACN 006 390 772.
Underwriting Agreement	The underwriting agreement dated 28 October 2016 between the Company and the Underwriters.
United States or US	United States of America.
Upfront Commission	The initial commission and fees receivable on the sale of an insurance policy in the form of a percentage of the annualised premium
US Persons	A person resident in the United States.
US Securities Act	<i>US Securities Act of 1933</i> , as amended.

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Corporate Directory

Company's registered address

Freedom Insurance Group Ltd
Level 12
20 Bond Street
Sydney NSW 2000

Directors

David Hancock (Chairman)
Keith Cohen (Chief Executive Officer)
Stephen Menzies (Non-Executive Director)
Andrew Jensen (Non-Executive Director)
Katrina Glendinning (Non-Executive Director)

Lead Managers and Underwriters

Baillieu Holst Limited
Level 26, 360 Collins Street
Melbourne VIC 3000

Bell Potter Securities Limited
Level 29, 101 Collins Street
Melbourne VIC 3000

Australian Legal Adviser

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Investigating Accountant, Auditor and Tax Adviser

Crowe Horwath
Level 15, 1 O'Connell Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
452 Johnston Street
Melbourne VIC 3067

Financial Adviser

Aura Capital
Level 24, 52 Martin Place
Sydney, NSW 2000

Freedom IPO Information Line

1300 648 169 (within Australia)
03 9415 4232 (outside Australia)
between 8.30am and 5pm (AEST), Monday to Friday
(excluding public holidays)

Offer website

www.freedominsurance.com.au

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