Austock Group

Annual Report

Year Ended 30 June 2012

Austock Group Limited
ABN 90 087 334 370

Contents

Chairman’s Report

Dear Shareholder

It is disappointing that in my first report to you as Chairman I have to announce a $16.0 million loss for the year ended 30 June 2012. Much of this loss however, included losses of $10.7 million from Austock’s Securities business (Securities) disposed in March 2012 including a number of one-off items.

The overall losses mask the very creditable performance in difficult markets of our wholly owned subsidiaries Austock Property Funds Management Pty Ltd (Property) and Austock Life Limited (Life). Property has seen the value of unit holders’ investment increase by 21% in the prior year with a solid contribution to Austock’s results. Life, on the other hand, has seen funds under management (FUM) increase to $300 million and, including Austock Services Pty Ltd (Services), has achieved an inaugural profit and added significant capital value.

On 9 February 2012, Austock announced that it had sold the assets of Securities to Intersuisse Holdings Pty Ltd and the sale was subsequently completed on 12 March 2012. Following the sale, Austock became a focused funds manager with the two core businesses, Property and Life.

The reconstitution of the Board was completed in May 2012 and it became apparent to the new Directors that there were a number of matters which needed their immediate attention. More particularly, whilst cash on hand was approximately $7.0 million most of this was required for regulatory purposes leaving “free” capital of approximately $1.5 million to $2 million. This restricted Austock’s ability to originate new investment opportunities and to support its existing investee companies.

In the case of Property, whilst it is very well managed, it faced challenges in growing its platform, either by acquisition or initiation, due to the lack of available capital. In the case of Life, the business had grown solidly in the difficult post GFC market and had increased its FUM over the last two years from $175 million to $300 million. It has achieved this result requiring only a nominal capital contribution from Austock.

Directors formed the view that whilst Property had considerable potential, Austock alone did not have the capacity to help it achieve that potential. The Directors’ view was heightened by their concern that Property, and the best interests of the unitholders of the funds that it manages, were not adequately protected from predatory action. This predatory action could potentially result in a diminution in value of the unitholders’ capital and, by association, the value of Austock shares.

Austock has therefore entered into an agreement with Folkestone Limited to sell its property interests. This sale requires the approval of shareholders at a meeting which will be held on 12 September 2012 for which shareholders have received a Notice of Meeting detailing the reasons why your Directors support the sale.

Should shareholders approve the sale of Property, Austock will be in a sound financial position when the transaction is completed. Austock will then have a cash balance of between $12 million - $13 million (with a further $3.85 million to be received in September 2013 being the final tranche of the Property sale), its investment in Life and Services and a portfolio of licences and regulatory approvals which permit it to actively engage in a broad number of financial activities. It would be very difficult, time consuming and expensive to replicate these licences and approvals and, in the Directors’ opinion they constitute value to the Company.

Life, in the opinion of Directors, holds considerable promise. Whilst it specialises in insurance bonds it holds a unique licence and is able to undertake a broad range of insurance products including annuities and risk products. With the judicious use of the resources now available to it, and with its proven track record, Life has the capacity to add significant capital value and returns to Austock. However, it must be accepted that Life is a developing business and its real value is yet to emerge but will do so with patience.

As you are aware Austock retained a number of legacy issues following the sale of Securities however, I am pleased to report that some of the issues have been satisfactorily concluded by your Directors. There are still matters to be dealt with which, in the view of Directors, are very manageable albeit distracting. I am confident that these can be resolved, hopefully in the 2013 financial year, and I am taking responsibility for the task of bringing them to a satisfactory and positive conclusion.

I can only repeat that Directors are focused on ensuring that the price of Austock’s shares reflects the underlying value of its various activities and capabilities. Not unexpectedly, some parties observing the recent turmoil in the financial markets and Austock’s recent history have sought to profit from it at our shareholders’ cost. Your board is determined that this will not happen and that Austock’s share price more appropriately reflects its activities and capabilities in the future.

As part of ensuring this objective, Directors have also sought shareholders' approval at the meeting on 12 September 2012 to undertake an on-market share buy-back. This will provide liquidity for those Shareholders that may wish to sell down their holding in Austock and will provide Directors with an important instrument for capital management.

Whilst many Shareholders will be prepared to await the next stage in Austock's future, others with a shorter time frame may wish to exit. Directors are fully mindful of this and will seek to balance the needs of both. Also, Directors have and will continue to diligently review any proposal that may see Austock aligned with other financial services groups or can enhance shareholders' value. I would urge Shareholders to continue to support the Company and Directors' efforts to bring value back to the Company.

Yours sincerely,

F. George A. Beaumont, QC
Non-Executive Chairman
30 August 2012

Summary of Results (unaudited)

Profit and Loss Summary and Discussion

Austock reported a net loss after tax of $16.0 million for the full year ended 30 June 2012 which included losses of $10.7 million from the Securities business disposed in March 2012.

To assist readers of this Annual Report, set out below is a pro-forma profit and loss which reflects the results from the remaining businesses, Property, Life and Services plus group overhead costs.

Year ended 30 June	Notes	2012	2011
		$m	$m
Revenue			
Property	1	4.7	5.4
Life / Services	2	4.1	3.2
Other income		0.3	0.4
		9.1	9.0
Expenses			
Personnel	3	8.0	9.3
Occupancy		0.5	0.6
Communication		0.3	0.4
Finance		-	0.2
Life commission		1.5	1.4
Marketing and promotional		0.4	0.3
Depreciation and amortisation		0.5	0.6
General administrative	4	2.9	2.1
		14.1	14.9
Underlying profit / (loss) before tax		(5.0)	(5.9)
Gain on sale of investments		-	6.3
Druids transfer	5	0.5	-
Impairment reversals		-	1.1
Income tax (expense) / benefit		(0.8)	0.2
Profit / (loss) after tax - continuing operations		(5.3)	1.7
Profit / (loss) after tax - discontinuing operations		(10.7)	2.8
Reported profit / (loss) after tax		(16.0)	4.5

Discussion notes:

1) Property funds management revenue showed an increase of 4% on a like for like basis after the exclusion in the prior year of income relating to a debt refinancing of Australian Education Trust.

2) Life revenue increased by 23% as a result of strong growth in FUM of $54 million or 22% to $301 million at 30 June 2012.

3) Historically Austock required a large overhead structure (principally personnel costs) to support the various businesses and this has weighed on the results for the 2012 year. A significant reduction in employee numbers subsequent to the sale of Securities will result in a reduced overhead cost in 2013 with the majority of redundancy costs being borne in the 2012 financial year.

4) General administration costs include legal costs, audit fees, tax fees, IT costs and insurance costs. These costs increased due to legal fees defending legal actions associated with Groves and the ABC liquidator and the settlement with the ABC liquidator. There will be no further legal expenses in relation to the ABC/Groves matters subsequent to 30 June 2012.

5) The Life Business acquired the endowment investment and funeral fund bond business of Druids Friendly Society Limited on 1 July 2011. A one-off contribution of $0.5 million was receivable upon transfer of this business.

Balance Sheet Summary and Discussion

As at 30 June 2012, the Group's net assets were $13.1 million compared to $27.8 million in 2011. The difference is primarily attributable to cash operating losses during the year of $6.5 million, de-recognition of deferred tax assets of $4.7 million and the loss on the sale of the Securities business of $2.9 million.

To assist readers of this Annual Report, set out below is a pro-forma balance sheet which removes the assets and liabilities relating to the Life policyholders and makes a number of adjustments which are explained in the following discussion notes:

Year ended 30 June	Notes	2012 $m
Cash	1	7.3
Receivables	2	1.7
Tax Assets	3	1.5
Property Net Assets - Held for Sale (Excluding Cash)	4	4.1
Life - Goodwill		0.6
Other Assets	5	1.1
		16.3
Payables		0.4
Provisions and Other Liabilities	6	2.8
		3.2
Net Assets		13.1
comprising:		
Tangible Assets		8.4
Intangible Assets (Prop - $4.1m; Life - $0.6m)		4.7
		13.1
Number of shares used for NTA purposes	7	117.7
NTA per share (cents)		7.1

Discussion notes:

1) Cash held within the Property Group (classified as Assets held for Sale in the Balance Sheet) of $3.1 million and a term deposit used for potential funding of a retention bonus as part of the Securities sale (classified as Financial Assets) of $0.5 million have been re-classified as cash.

2) Receivables primarily relate to an amount owing from a previous Securities transaction. The total balance outstanding is $2.2 million, however due to the ageing of this receivable and ongoing dispute with the debtor,

the directors have impaired this amount by $0.7 million to $1.5 million to reflect the uncertain timing of recovery. Austock is actively pursuing the recovery of the receivable.

3) Tax assets include income tax receivable of $1.1 million relating to Life and deferred tax assets of $0.4 million.

4) As the Property business was in the process of sale discussions at 30 June 2012, all assets and liabilities of Property are required to be classified as held for sale in the Balance Sheet. The $4.1 million represents the valuation of acquired management rights and historical goodwill. For the purposes of the pro-forma balance sheet, cash held within Property has been re-classified to cash. Other assets within Property, including receivables and other assets, are offset by an equivalent amount of liabilities within the Property business.

5) Other assets of $1.1 million primarily comprises of property, plant & equipment of $0.5 million and prepayments of $0.3 million.

6) Provisions and other liabilities of $2.8 million includes accrued expenses of $1.2 million including payroll and audit accruals, employee entitlement provisions of $0.4 million, provision for office leasehold restoration of $0.5 million and a provision of $0.4 million relating to the Druids transfer.

7) The number of shares for the NTA calculation is based on 133.9 million less the 16.2 million shares held within the Austock Employee Share Trust (AEST). Partly paid shares have been excluded from the calculation. As at 30 June 2012, 10.6 million shares in the AEST have been allocated to employees, or ex-employees, and subject to service conditions with the balance of 5.6 million shares remaining unallocated.

Impact on NTA from Sale of Property

At 30 June 2012, Property is recorded in the Balance Sheet at $7.2 million, reflecting the valuation of acquired management rights and historical goodwill of $4.1 million and cash of $3.1 million. The consideration for the sale of Property is $11 million (excluding cash and other working capital items) payable in two tranches. Assuming Property was sold at 30 June 2012, this would have the impact of increasing the net asset position of Austock by $6.9 million, being the excess of $11 million over the $4.1 million (intangible assets). Net tangible assets per share would have increased from 7.1 cents to 16.4 cents.

Carrying value of Life

In accordance with Accounting Standards, the value ascribed to Life is represented by goodwill relating to an historical transaction of $0.6 million. Based upon the existing and expected growth in FUM, the Directors believe this business has significant value over and above the $0.6 million in the Balance Sheet.

Business Review

Austock Life (Life)

Life is a leading and specialist issuer of insurance "investment" bonds. Its flagship Imputation Bond (including ChildBuilder™) offers a master fund-like menu of 29 investment options constructed under an insurance bond "Tax-Paid" and "Tax-Free" distributing structure. This enables investors to incorporate into their financial plans capital accumulations for meeting "life-event" objectives, such as home ownership, education funding, estate planning and as an accessible alternative to superannuation.

Life's strategy is to use its life office licence and structure to design and manufacture creative life insurance based investments and retirement income business. Its objective is to become Australia's leading specialist issuer of these types of products, and it has core capabilities and proven expertise in product manufacture and innovation in this area.

The company is a registered life insurance company and since commencing operations in 2003 has grown its funds under management (FUM) to over $300 million at 30 June 2012 with over 10,000 investing policy owners.

2012 Growth and Milestones

2012 was another year of strong funds growth and various milestones were achieved despite the difficult market conditions:

- A record $88.0 million of new business inflows following a record $80.0 million in 2011;
- FUM growth of $54.0 million to $301.2 million at 30 June 2012;
- Over $48.9 million being invested into the Imputation Bond's Tax-Paid Term Deposits and finishing the year at over $90 million; and
- Reached breakeven and delivered its first profit on an after tax basis although this included the one-off benefit of $0.5 million from the Druids transfer.

FUM Movement

	$m
FUM at 1 July 2011	247.2
Imputation Bond inflows	88.0
Imputation Bond investment growth	(1.5)
Withdrawals	(12.4)
Maturities	(15.4)
Redemptions from acquired businesses	(4.7)
FUM at 30 June 2012	301.2

2012's record $88.0 million inflows into the Imputation Bond (including ChildBuilder) were impacted by the subdued and often volatile market conditions. These conditions impaired the net FUM growth due to slightly higher than expected withdrawal levels ($12.4m) and the negative investment growth ($1.5 million) across the whole platform. The drivers of the negative outcome were primarily Australian and international equities. Imputation Bond death maturities of $15.4 million were in line with expectations.

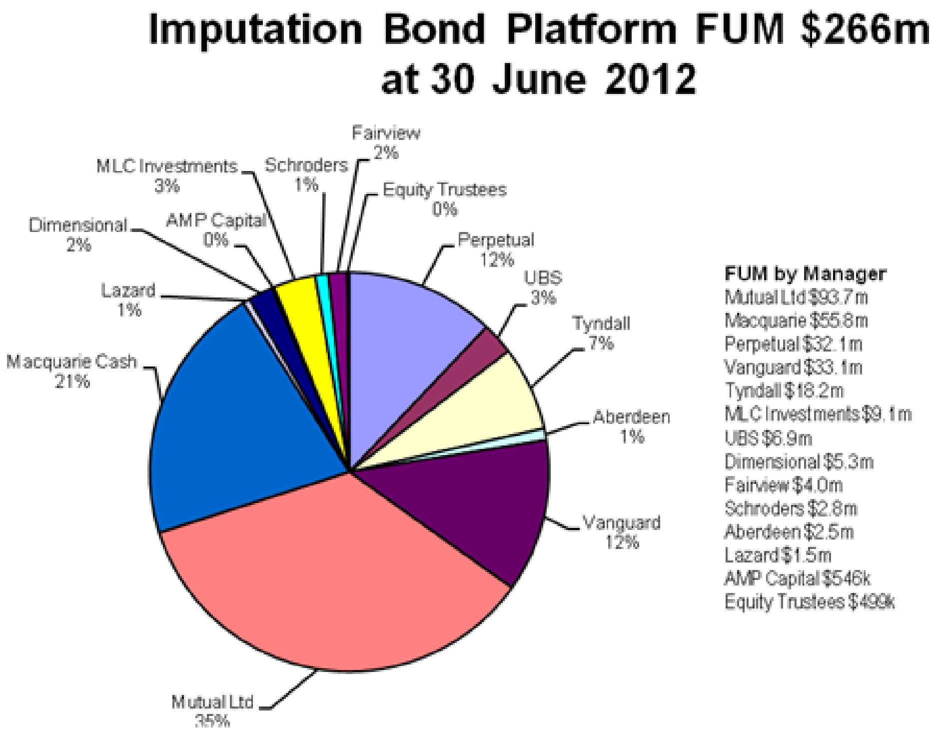
The acquired businesses (Manchester Unity, Ausdef and Druids) experienced yields in excess of 5% for all FUM and after-tax bonus rates of 3%+ were declared for distributing products. This compares favorably to similar offerings in the market. With these products in run-off mode a drop in FUM of ($4.7 million) due to maturities was in line with expectations. The acquired business has FUM of $34 million as at 30 June 2012.

Imputation Bond Master Insurance Bond Platform

The Imputation Bond is a “fund-of-funds” insurance bond master platform. It has a unique product design, whereby one insurance bond (policy) is issued to an investor with access to a master-fund like menu offering 29 investment options. This allows investors to use this tax-paid/tax-free distributing structure to invest across a menu of some of Australia’s best performed managed funds. They also gain tax-freedom to switch between the menu’s investment options without personal tax or capital gains tax implications.

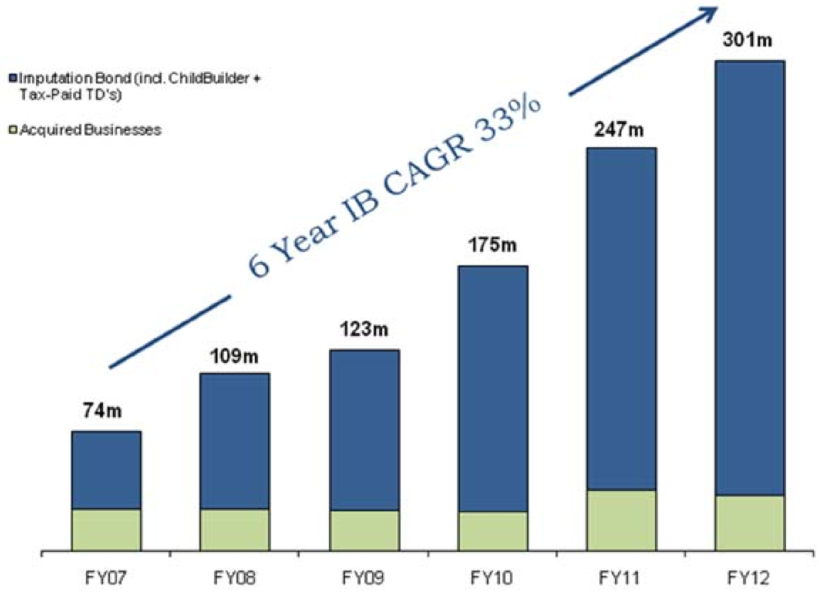
Major 2012 inflows into the Imputation Bond platform were:

- Tax-Paid Term Deposits Portfolio ($48.9 million);
- Macquarie’s Cash option ($15.5 million);
- Perpetual’s tax-paid range ($5.1 million); and
- Vanguard’s indexed funds ($8.5 million).



The Imputation Bond’s latest Zenith review in November 2011 saw retention of its Highly Recommended rating.

FUM Growth



Life's FUM have grown consistently since launching its first product, the Imputation Bond platform in August 2004 and reached $301 million at 30 June 2012.

Life is the market leader in the insurance bond market[1]. This market is showing signs of new life and great potential amidst the diminishing attraction of superannuation and for estate planning for Australia's ageing population.

Austock Services (Services)

Services is a wholly owned subsidiary of Austock and provides unit registry, unit pricing, fund valuation, distribution, investment and fund accounting and fund administration services.

It presently provides services to Life, Mutual Limited and an independent fund manager. Its strategy is to continue to provide high quality administrative services to its current clients and to ensure industry best practice standards are applied to all activities.

[1] In 2010/11 the Imputation bond became Australia's No. 1 ranked Investment Bond by net inflows. Source data at 30 June 2011 from Plan for Life Actuaries & Researchers "Investment Bonds Report".

Austock Property (Property)

Austock Property Management Limited and Austock Funds Management Limited, collectively Property, have approximately $553 million in FUM and are the Responsible Entities (RE) for three retail and one wholesale real estate funds.

The ASX listed Australian Education Trust (ASX:AEU) and The Australian Social Infrastructure Fund (ASX:AZF), in addition to the unlisted Austock Childcare Fund (ACF) and the CIB Fund collectively represent approximately 5,000 institutional and retail unitholders and own over 400 properties at 30 June 2012.

As the RE, Property manages the largest portfolio of early learning properties in Australia and New Zealand. Investing in direct property provides unitholders with a secure, growing income stream and long-term capital growth. The funds encompass simple and uncomplicated business models with long term, triple-net leases and proven underlying property values. The Government continues its support of the early learning sector with the industry exhibiting growth in demand over recent years. Best practice management and industry expertise is applied to portfolio and risk management strategies to maximise returns and operating efficiencies.

The funds are governed by a majority of independent Directors with years of proven expertise in real estate, banking and finance, financial planning and investment management. A broad and multi-dimensional approach, together with significant investment experience, particularly in the banking and finance area, ensures the Board has the necessary skills in mitigating risk and protecting unitholders' interests.

	aet	asif	acf	cibf
Assets	$358m	$103m	$26m	$66m
Properties owned by the Fund	327	51	24	11
Current rent (p.a.)	$34.3m	$8.2m	$2.5m	$6.4m
Weighted Average Lease Expiry	9.2	8.2	6.1	3.4
Gearing	38.6%	35.6%	39.2%	30.4%
ASX unit price as at 30 June 2012	$1.02	$1.79	-	-
NTA per unit as at 30 June 2012	$1.21	$2.26	$1.14	$1.77
FY12 Distribution (cpu)	10.0	14.5	7.3	11.3
Distributions	Quarterly	Quarterly	Quarterly	DRP

Key achievements completed this financial year include:

Australian Education Trust (AET) – owns early learning properties across Australia and New Zealand

- Increased distributable income by 65% to $17.8 million from the prior year;
- Unit price increased from $0.80 at 30 June 2011 to $1.02 at 30 June 2012;
- Total investor return for investors of 40% for the year ended 30 June 2012;
- Increased market capitalisation from $140 million to $180 million over the year;
- Outperformed the ASX 200 and A-REIT 2012 indices by 51% and 35% respectively; and

- Recipient of three industry awards in 2011 including PIR's A-REIT of the Year, the Commonwealth Bank's Property Trust Award and the API Victorian Property Trust Industry Award.

The Australian Social Infrastructure Fund (ASIF) - owns early learning properties across Australia, two commercial properties and a portfolio of property securities

- Increased distributable income by 17% to $4.1 million from the prior year;

- Unit price increased from $1.40 at 30 June 2011 to $1.79 at 30 June 2012;

- Total investor return for investors of 38% for the year ended 30 June 2012; and

- Renewed its existing debt facility with ANZ for 3 years plus an option for a further one year period.

Austock Childcare Fund (ACF) - owns early learning properties across Australia

- Distributable income of $1.0 million, up 25% from the prior year.

The CIB Fund (CIBF) - a wholesale fund which owns a portfolio of police stations and law courts leased to the State Government of Victoria

- The Fund's consistent performance is underpinned by a quality portfolio and long term leases to the Victorian State Government.

Corporate governance statement

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which the Company has sought to comply with these recommendations for each.

Principle 1: Lay solid foundations for management and oversight

This Principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and Management.

ASX recommendation / disclosure obligation	Company's response
1.1 Establish functions reserved to the Board and those delegated to senior executives	The Board has clear policies and processes to delineate the respective functions, roles and responsibilities of the Board and Management. The Board has adopted a charter that sets out the role, composition and responsibilities reserved by the Board, those delegated to the Chief Executive Officer, and those specific to the Chairman. The conduct of the Board is also governed by the Constitution of the Company. The Board has also adopted a Delegations Policy which formalises and discloses the functions delegated to senior management outside the Board.
1.2 Process for evaluating performance of senior executives	There are four components to evaluating the performance of senior executives. Prior to the commencement of the financial year, a budget/strategy session is held involving the Chief Executive Officer ("CEO") and all department heads and a business plan for each department for the forthcoming year is agreed with the CEO. Annual performance appraisals of each department head are conducted by the CEO in July and KPIs that have been agreed by the department head and CEO are filtered down to individual team members. Bi-annual reviews are conducted to provide formal feedback to department heads regarding their individual and team's performance and to plan for the next six months. Performance is regularly reviewed at monthly meetings between department heads and the CEO. Adopting this process, the performance of senior executives was evaluated during the financial year.
1.3 Availability of information	A copy of the Board Charter and Constitution is available on the Company's website. A copy of the Delegations Policy can be made available upon request.

Principle 2: Structure the Board to add value

This Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Board considers that individually and collectively the directors bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities and duties. All directors have extensive experience spanning a diverse range of activities and industries.

ASX recommendation / disclosure obligation	Company's response
2.1 Majority of Board should be independent directors	Until 25 October 2011, a majority of the Board were independent directors. Since that time, there have been changes to the Board composition which has resulted in the current Board being comprised of less than a majority of independent directors. The current Board comprises four directors of whom only one – Mr George Beaumont – is independent. The other members of the Board are the Chief Executive Officer, Mr Bill Bessemer, and Non-Executive Directors Mr Martin Ryan and Mr Jonathan Tooth, all of whom are not considered to be independent as they are, or are closely associated with, a substantial shareholder of the Company. Mr Bessemer is also an executive of the Company. The Board is of the opinion that there is an adequate and broad mix of skills and experience amongst the directors such that each is capable of acting in an independent manner and in the best interests of the shareholders.

ASX recommendation / disclosure obligation	Company's response
2.2 Chair should be an independent director	Mr George Beaumont assumed the position of Chairman on 9 May 2012 and is considered independent. Prior to that, Mr Steven Gregg held the role of Executive Chairman and was not considered independent. The Board determined that the interests of the Company and its shareholders were better served by having Mr Gregg in an executive role for a period of time to assist Management with stabilising the business and improving its financial performance.
2.3 Roles of Chair and Chief Executive Officer should not be exercised by the same individual	The roles of Chairman and Chief Executive Officer are not held by the same individual.
2.4 Establish a Nomination Committee	The Company does not presently have a Nomination Committee. A Remuneration and Nomination Committee was established in 2007 however its responsibilities and functions were assumed by the full Board on 24 October 2011 and it was formally abolished on 1 May 2012. Having regard to the recent downsizing of the Austock Group following the sale of the Securities business and the current size and composition of the Board, a separate Committee structure is considered to be unnecessary. Prior to the responsibilities of the Remuneration and Nomination Committee being assumed by the full Board, the members of the Committee were Mr Chris Sadler (Chairman), Mr Kevin Clarke and Mr Vic Cottren, all of whom were considered independent. No meetings of the Committee were held during the year.
2.5 Process for performance evaluation of the Board, its committees and individual directors	The Board has adopted a Board and Committee Performance Evaluation Policy. This policy outlines the process for evaluating the performance of the Board, its committees and individual directors. It is anticipated that a performance evaluation will be undertaken once the existing Board (of which all the Directors have been in office for less than one year) has been in office for some period of time.
2.6.1 Information on Directors	Details of each Director's relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors' Report. The number of meetings held and attended during the year is also set out in the Directors' Report. In determining the independence of directors, the Board has had regard to the criteria set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition). The Board also has regard to AASB 1031 Materiality to determine levels of materiality. Accordingly, a relationship is presumed immaterial when it generates less than 5%, and presumed material when it generates more than 10%, of group revenue during a 12 month period in the absence of evidence or convincing argument to the contrary. The Board takes into account the strategic value and other aspects, including non-quantitative aspects, of the relationship in question. For the purpose of assessing the materiality of relationships between a non-executive director and Austock (other than as a director), the threshold is set according to the significance of that relationship to the director in the context of their activities as a whole.
2.6.2 Independent professional advice	In fulfilling their duties, each Director and committee member may obtain independent professional advice at the expense of the Company, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.
2.6.3 Desired mix of skills and diversity in board membership	The Board seeks to evolve its membership by appointing non-executive directors with diverse and complementary skills, experience and perspectives.
2.6.4 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors	The Board has adopted a Selection and Appointment of Non-Executive Directors' Policy. This policy outlines the procedure for selecting and appointing non-executive directors and for re-appointing incumbent non-executive directors.
2.6.5 Availability of information	A copy of the Board and Committee Performance Evaluation Policy and Selection and Appointment of Non-Executive Directors' Policy is available on the Company's website.

Principle 3: Promote ethical and responsible decision making

This Principle requires that the Board should actively promote ethical and responsible decision making.

ASX recommendation / disclosure obligation	Company's response
3.1 Establish a Code of Conduct	The Board believes that the success of the Company will be enhanced by a strong ethical culture within the organisation. The need to ensure that ethical standards remain has led the Board to adopt a code of conduct to ensure that all directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.
3.2 Establish a Diversity Policy	A Diversity Policy was adopted by the Board on 30 May 2011.
3.3 Disclose measurable objectives for achieving gender diversity and progress towards achieving them	The Board has not set any measurable objectives for achieving gender diversity. As part of its focus on returning the Company to profitability and restoring shareholder wealth, the number of employees has reduced significantly and are expected to remain stable. The Board does not consider it necessary or appropriate to set measurable objectives for achieving gender diversity while employee numbers remain low. However, as Board and employee vacancies are filled, attention will be given to identifying opportunities for improving gender diversity across the organisation.
3.4 Disclose proportion of women employed in whole organisation, in senior executive positions on the board	The Company provides the following information in relation to the proportion of women employed within the Austock Group: Women in organisation 38% Women in senior executive positions 0% Women on the Board 0%
3.5 Availability of information	A copy of the Code of Conduct and Diversity Policy is available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

This Principle requires that the Company have a structure in place to independently verify and safeguard the integrity of its financial reporting.

ASX recommendation / disclosure obligation	Company's response
4.1 Establish an Audit Committee	The Company does not presently have an Audit Committee. An Audit Committee was established in 2007 however its responsibilities and functions were assumed by the full Board on 24 October 2011 and it was formally abolished on 1 May 2012. Having regard to the recent downsizing of the Austock Group following the sale of the Securities business and the current size and composition of the Board, a separate Committee structure is considered to be unnecessary. In addition, each of the Company's two main operating divisions Austock Life and Austock Property have their own audit committees which exercise financial oversight over the respective businesses. Prior to the responsibilities of the Audit Committee being assumed by the full Board, the members of the Committee were Mr Vic Cottren (Chairman), Mr Chris Sadler and Mr Kevin Clarke, all of whom were considered independent. Details of their qualifications and meetings held and attended during the year are set out in the Directors' Report.

ASX recommendation / disclosure obligation	Company's response
4.2 Structure of Audit Committee	Not applicable
4.3 Formal Charter	Not applicable
4.4.1 Information on Audit Committee members	Not applicable
4.4.2 Selection and appointment of external auditor and for rotation of external audit engagement partner	The Board is responsible for appointing the external auditor, subject to confirmation by shareholders at the Company's annual general meeting. In selecting an auditor, the Board will implement a selection and assessment process which takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost. The Board will annually review the external auditor's performance and independence. In line with current professional standards, the external auditor is required to rotate Austock audit and review partners at least once every 5 years.

Principle 5: Make timely and balanced disclosure

This Principle requires the Company to promote timely and balanced disclosure of all material aspects concerning the Company.

ASX recommendation / disclosure obligation	Company's response
5.1 Establish a Continuous Disclosure Policy	A Continuous Disclosure Policy has been adopted by the Board. This policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of the Company's securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.
5.2 Availability of information	A copy of the Continuous Disclosure Policy is available on the Company's website.

Principle 6: Respect the rights of shareholders

This Principle requires the Company to respect the rights of shareholders and facilitate the exercise of those rights.

ASX recommendation / disclosure obligation	Company's response
6.1 Design a Communications Policy	A Communications Policy has been adopted by the Board, reflecting its policy that shareholders be informed of all significant developments affecting the Company's affairs. Information is communicated by: • dispatching annual reports to shareholders who request to receive a copy; and • maintaining a dedicated investor relations section on the Company's website to which it posts copies of all ASX announcements, Annual Reports, Half Yearly Reports, details of corporate governance practices, presentations to shareholders and other information of interest to shareholders. Shareholders are encouraged to attend the annual general meeting of the Company which is held in October or November each year. Having been requested by the Company to attend, the Company's auditor will be available to answer shareholder questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.
6.2 Availability of information	A copy of the Communications Policy is available on the Company's website.

Principle 7: Recognise and manage risk

This Principle requires the Company to establish a sound system of risk oversight and management and internal control.

ASX recommendation / disclosure obligation	Company's response
7.1 Establish policies for the oversight and management of material business risks	The Company has recently upgraded its Risk Management Program to comply with the requirements of the new Australian Standard on Risk Management (AS/NZ ISO 31000) and implemented a Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806).
7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to the Board	Day to day responsibility for risk management has been delegated to Management, with review occurring at Board level. In accordance with the Risk Management Program, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. Management's risk management process is reviewed by an external consultant every two years, with the last review having been completed in 2011. Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Company's management of its material business risks.
7.3 Assurance from the Chief Executive Officer and Chief Financial Officer	The Chief Executive Officer and Chief Financial Officer have certified in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4 Availability of information	A copy of the Risk Management Plan is available on the Company's website.

Principle 8: Remunerate fairly and responsibly

This Principle requires that the Company ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

ASX recommendation / disclosure obligation	Company's response
8.1 Establish a Remuneration Committee	The Company does not presently have a Remuneration Committee. A Remuneration and Nomination Committee was established in 2007 however its responsibilities were assumed by the full Board on 24 October 2011 and it was formally abolished on 1 May 2012. Having regard to the recent downsizing of the Austock Group following the sale of the Securities business and the current size and composition of the Board, a separate Committee structure is considered to be unnecessary. Prior to the responsibilities of the Remuneration and Nomination Committee being assumed by the full Board, the members of the Committee were Mr Chris Sadler (Chairman), Mr Kevin Clarke and Mr Vic Cottren, all of whom were considered independent. No meetings of the Committee were held during the year.
8.2 Structure of Remuneration Committee	Not applicable
8.3 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives	The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash, non-cash benefits and superannuation contributions. They do not receive options or bonus payments from the Company, although they may receive shares. Non-executive directors do not normally participate in schemes designed solely for the remuneration of executives. Executive directors and senior executives' packages generally comprise fixed, performance-based and equity-based remuneration components. A Remuneration Report, which sets out information about the remuneration of the Company's directors and senior executives for the financial year, is included in the Directors' Report.

8.4.1 Information on Remuneration Committee members	Not applicable
8.4.2 Schemes for retirement benefits	The Company does not pay retirement benefits, other than superannuation, for its non-executive directors.
8.4.3 Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes	The Company's Share Trading Policy prohibits directors from entering into transactions that are designed or intended to hedge their exposure to a security in the Company that is subject to retention arrangements and/or unvested options.
8.4.4 Availability of information	A copy of the Share Trading Policy is available on the Company's website.

Directors' report

The directors of Austock Group Limited (the "Company") present the annual financial report for the Group, being the parent entity and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Frederick George Albion Beaumont QC LL.B, Dip Com

Non-Executive Chairman (appointed director on 12 April 2012)

George was appointed a director on 12 April 2012 and became Chairman on 9 May 2012. He has practised as a barrister for over 40 years. He has an extensive depth of commercial experience gained from advising financial institutions, including life companies and friendly societies, on membership, product development and regulatory matters. George's broader practice specialises in commercial law, taxation, company law, advocacy and advisory work in these areas. George has been a director of Austock Life Limited since July 2002.

Mr William Eric Bessemer MBA, B.Ec

Chief Executive Officer and Executive Director (appointed director on 9 February 2012)

Bill initially joined Austock in 1995 and became chairman of the Group in 1999 until 2010. Following a brief retirement, Bill resumed as a director on 9 February 2012 and became Chief Executive Officer on 29 May 2012. He has over 40 years experience in banking and finance, specifically in the areas of debt and equity structuring, mergers and acquisitions and business recoveries. He was a shareholder and director of a boutique corporate advisory business involved in all areas of investment banking. He also held several senior management roles and directorships with companies owned by the ANZ Banking Group. Bill is also a director of a number of subsidiaries within the Austock Group.

Mr Martin Edward Ryan B.Com

Non-Executive Director (appointed director on 20 December 2011)

Martin was appointed a director on 20 December 2011. He is a founder, former director and substantial shareholder of Austock and brings with him over 35 years industry experience in stockbroking and funds management. Martin is presently an executive director of Mutual Ltd, a specialist funds management business, and advises Austock Life Limited as its Investment Manager.

Mr Jonathan James Tooth B.Ec

Non-Executive Director (appointed director on 1 May 2012)

Jonathan was appointed a director on 1 May 2012. Jonathan has over 20 years experience in providing corporate advisory services to ASX listed and unlisted small cap companies. He is a Principal of Halcyon Corporate Pty Ltd providing specialist expertise in equity capital markets, strategy and planning, and mergers and acquisitions. Prior to that Jonathan was employed for 10 years as a director of Austock Corporate Finance. Jonathan is also a Non-Executive Director of Vita Life Sciences Ltd.

Mr Steven Gregg B.Com

Executive Chairman (appointed to executive duties on 1 June 2011 and resigned on 9 May 2012)

Steven was appointed a director and chairman on 27 November 2009 and resigned on 9 May 2012. He has over 28 years experience in investment banking and management consulting, having held senior roles with ABN Amro, McKinsey & Company and Grant Samuel Group. Steven currently serves as a director on the Boards of Goodman Fielder Limited, William Inglis & Son Limited, The Lorna Hodgkinson Sunshine Home and Tabcorp Holdings Limited.

Mr Paul Masi B.Ec

Managing Director and Chief Executive Officer (resigned as managing director on 11 March 2012 and as director on 12 April 2012)

Paul was appointed a director on 1 March 2010 and resigned on 12 April 2012. He has over 29 years experience in a distinguished international career in investment banking. He was formerly the CEO of Bank of America – Merrill Lynch Australia and prior to that held other senior roles at Merrill Lynch, BZW and ABN Amro. Paul has sat on various Australian Securities Exchange committees since 1995. In 2003 Paul was elected to the Board of the Securities and Derivatives Industry Association (SDIA) and named chairman of The Institutional Broking Committee. Paul is also a Governor of the Cerebral Palsy Alliance and a director of the Girls and Boys Brigade and Shaw Stockbroking Limited.

Mr Kevin Franklin Clarke MBA, B.Science (Civil Engineering)

Non-Executive Director (resigned on 20 December 2011)

Kevin was appointed a director of Austock Group Limited on 27 November 2009, was a member of the Remuneration and Nomination Committee and Audit Committee and resigned on 20 December 2011. He has over 29 years industry experience, with an extensive background in manufacturing and distribution of branded industrial products. Kevin has a range of directorship experience, currently acting as chairman for mining and construction services company, Jeminex, the AMP controlled Focus Property Services, and National Fire Solutions.

Mr Victor David Cottren B.Com, FCPA, FAICD

Non-Executive Director (resigned on 25 October 2011)

Vic was appointed a director of Austock Group Limited on 29 April 1999, was chairman of the Audit Committee and a member of the Remuneration and Nomination Committee and resigned on 25 October 2011. He has over 50 years industry experience, with an extensive background in share broking, financial planning, life insurance, superannuation and investment management gained with AMP, Australian Eagle Insurance Company, Norwich Union, The Investors Life Group and National Australia Bank. Since 1995, Vic has worked as a consultant to financial service companies in relation to investment, superannuation and financial planning. Within the Group he is also a director of Austock Life Limited and chairman of Austock's property companies.

Mr Christopher Alan Sadler MBA, BCA

Non-Executive Director (resigned on 9 February 2012)

Chris was appointed a director of Austock Group Limited on 18 January 2008 and was chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and a director of Austock Securities Pty Ltd. He resigned on 9 February 2012. Chris has over 20 years experience in international investment banking, having held positions with Deutsche Bank, JP Morgan, Citigroup, SG Warburg and Salomon Brothers. Externally, he is a director of New Standard Energy Limited and Jireh Group Pty Limited (owner of Gloria Jeans Coffee).

Directorships of other listed companies

Directorships of other listed companies held by directors in the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period from	Period to
J J Tooth	Vita Life Sciences Limited	26 Jul 2012	Current
S Gregg	Goodman Fielder Limited	26 Feb 2010	Current
S Gregg	Tabcorp Holdings Limited	18 Jul 2012	Current
C A Sadler	AMA Group Limited	28 Feb 2008	30 Nov 2009
C A Sadler	Eastern Star Gas Limited	15 Oct 2009	17 Nov 2011
C A Sadler	New Standard Energy Limited	20 Apr 2012	Current

Directors' shareholdings

The following table sets out the number of each director's relevant interest in shares and options over shares or interest in contracts relating to shares of the Company or a related body corporate as at the date of this report.

Director	Fully paid ordinary shares	Partly paid ordinary shares	Indirect interest in shares	Share options
F G A Beaumont	-	-	29,060	-
W E Bessemer	-	-	14,510,220	-
M E Ryan	10,892,692	-	30,000	-
J J Tooth	8,664	-	8,078,560	-

Remuneration of directors and senior management

Information about the remuneration of directors and key management personnel is set out in the remuneration report of this directors' report on page 23.

Company Secretaries

Ms Amanda Jane Gawne LLB, B.Com, Grad Dip CSP, ACIS
Company Secretary

Amanda was appointed Company Secretary in July 2003. Amanda has extensive company secretarial experience gained from working in private practice and publicly listed organisations.

Mr Adrian Seamus Hill LLB, B.Sc
General Counsel and Company Secretary

Adrian was appointed joint Company Secretary in May 2009. Adrian is a qualified solicitor with over 20 years legal experience, including 14 years at Austock Group as General Counsel. During that time he has held office as director and/or Company Secretary on various subsidiary boards.

Principal activities

The Group's principal activity in the course of the financial year was as a pooled development fund. No significant change in the nature of this activity occurred during the year. More details on the Group's principal activities are set out on pages 2 to 11 of this annual report, commencing with the Chairman's Report.

Review of operations

The consolidated operating net loss after income tax attributable to members is $16.026 million (2011: profit of $4.535 million). A review of operations for the Group is set out on pages 2 to 11 of this annual report, commencing with the Chairman's Report.

Change in the state of affairs

There has been no significant change in the state of affairs during or since the end of the financial year.

Subsequent events

Other than the subsequent events as disclosed in note 36 to the financial statements, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulation and performance

The Group's operations are not involved in any activities that have a marked influence on the environment. As such, the directors are not aware of any material issues affecting the Group or its compliance with the relevant environment agencies or regulatory authorities.

Dividends

There have been no dividends paid or provided for (2011: nil).

Indemnification and insurance of officers and auditors

During the financial year, the Company paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Group against the costs and expenses in defending claims brought against the individual while performing services for the Group. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

The Company has entered into a Deed of Indemnity, Insurance and Access with each of its directors Messrs Beaumont, Bessemer, Ryan and Tooth. The purpose of the Deed is to:

- confirm the indemnity provided by the Company in favour of Directors under the Company's Constitution;
- include an obligation upon the Company to maintain adequate Directors and Officers liability insurance; and
- confirm the right of access to certain documents under the Corporations Act 2001.

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, there were 14 Board meetings held.

Director	Eligible to attend	Attended
F G A Beaumont (a)	2	2
W E Bessemer	5	4
M E Ryan	7	7
J J Tooth	1	1
S Gregg (b)	13	13
P Masi (c)	12	12
K F Clarke (d)	7	4
V D Cottren (e)	4	3
C A Sadler (f)	9	9

(a) Mr Beaumont is Chairman of the Board of Directors.
(b) Mr Gregg resigned from the board on 9 May 2012.
(c) Mr Masi resigned from the board on 12 April 2012.
(d) Mr Clarke resigned from the board on 20 December 2011.
(e) Mr Cottren resigned from the board on 25 October 2011.
(f) Mr Sadler resigned from the board on 9 February 2012.

Audit Committee

The members of the Audit Committee during the financial year were Mr Victor Cottren (Chairman), Mr Kevin Clarke and Mr Christopher Sadler. Details of their industry experience are provided on page 19 and are not repeated here.

During the financial year, there was one Audit Committee meeting held and all members attended. The responsibilities and functions of the Audit Committee were assumed by the full board on 24 October 2011 and it was formally abolished on 1 May 2012.

Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee during the financial year were Mr Christopher Sadler (Chairman), Mr Kevin Clarke and Mr Victor Cottren. Details of their industry experience are provided on page 19 and are not repeated here.

During the year there were no meetings of the Remuneration and Nomination Committee. The responsibilities and functions of the Remuneration and Nomination Committee were assumed by the full board on 24 October 2011 and it was formally abolished on 1 May 2012.

Non-audit services

For a company of the size and complexity of Austock Group Limited, it is often in the interests of the Group to engage the services of its external auditor to assist in a range of related projects. The directors are aware of the issues relating to auditor independence and have in place policies and procedures to address actual, potential and perceived conflicts of interests in relation to the provision of non-audit related services by its external auditor.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 9 to the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 9 to the financial statements do not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 28 of the financial report and forms part of the Directors' Report for the year ended 30 June 2012.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Austock Group Limited's directors and other key management personnel for the financial year ended 30 June 2012.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company and other executives for the Group, and include the five most highly remunerated Group executives.

The prescribed details of each person covered by this report are detailed below under the following headings:

(a) Director and senior management details

(b) Remuneration policies

(c) Remuneration policies and company performance

(d) Remuneration of directors and senior management

(e) Key terms of employment contracts

a) Director and senior management details

The following persons acted as directors of the Company during and since the end of the financial year:

- Mr Frederick George Albion Beaumont, Non-Executive Director (appointed 12 April 2012). Mr Beaumont was appointed Non-Executive Chairman on 9 May 2012.
- Mr William Eric Bessemer, Non-Executive Director (appointed 9 February 2012). Mr Bessemer was later appointed Chief Executive Officer on 29 May 2012.
- Mr Martin Edward Ryan, Non-Executive Director (appointed 20 December 2011)
- Mr Jonathan James Tooth, Non-Executive Director (appointed 1 May 2012)
- Mr Steven Gregg, Executive Chairman (appointed executive duties an 1 June 2011 and resigned 9 May 2012)
- Mr Paul Masi, Managing Director and Chief Executive Officer (resigned 11 March 2012). Mr Masi continued as Non-Executive Director from 11 March 2012 and later resigned on 12 April 2012.
- Mr Kevin Franklin Clarke, Non-Executive Director (resigned 20 December 2011)
- Mr Victor David Cottren, Non-Executive Director (resigned 25 October 2011)
- Mr Christopher Alan Sadler, Non-Executive Director (resigned 9 February 2012)

In addition to the directors noted above, the following persons represent the senior management of the Group during or since the end of the year:

- Mr Travis Scott Butcher, Chief Financial Officer (appointed 30 April 2012)
- Mr Craig Thompson, Chief Financial Officer (resigned 30 April 2012)
- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Nick James Anagnostou, Head of Austock Property

b) Remuneration policies

The performance of the Group depends upon the quality of its directors and executives. During the year, as a result of the sale of the Austock Securities business, a review of reward structures was conducted and as a result, a number of changes have been incorporated into the remuneration arrangements for existing directors and executives.

The Board of Directors accepts responsibility for determining and reviewing compensation arrangements for the directors, chief executive officer (CEO) and the senior management team. The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

As part of assessing these remuneration arrangements, the Board has in place agreed KPIs (financial and non-financial) for each member of the executive team that is duly considered during the performance evaluation process. The KPIs may differ amongst team members based on their area of expertise and the degree to which they have direct control over the outcomes. All KPIs are strategically aligned to advance the Group's business and are tailored to individual executive team members to ensure they each remain motivated and are rewarded within a performance based environment.

Remuneration structure

In line with good corporate governance principles, non-executive directors do not receive performance based pay.

i) Non-Executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on the directors in fulfilling their responsibilities. Non-executive director fees are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Constitution of the Company provides that the non-executive directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in general meeting. The maximum amount for non-executive directors is $500,000 per annum.

ii) Senior management and executive director remuneration

The executive remuneration program comprises the following components:

- Fixed remuneration component
- Variable remuneration component including short term incentive (STI) and long term incentive (LTI)

Fixed remuneration

Fixed compensation consists of base compensation as well as employer contributions to superannuation. Compensation levels are reviewed annually through a process that considers individual performance and that of the overall Group.

Variable remuneration – short term incentive (STI)

A short term incentive (STI) pool is available to executives who achieve revenue and/or profit targets. The Board is responsible for determining who is eligible to participate in STI arrangements as well as the structure of those arrangements. The aggregate of annual STI payments available for executives is usually delivered in the form of a combination of cash and shares. The quantum of STI arrangements is determined with reference to prevailing market conditions for comparable executives. Cash bonuses are payable throughout the next financial year. The vesting period for any shares granted is generally 3 years.

Variable remuneration – long term incentive (LTI)

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of shares.

In 2012, a total of 208,334 (2011: 839,286) shares have been allocated under the LTI program to key management personnel.

c) Remuneration policies and company performance

The table below sets out the summary information about the Group's performance on shareholder wealth.

Financial year	Net result after tax	Closing share price	Audited net assets
30 June 2012	loss of $16.026 million	$0.11	$13.059 million
30 June 2011	profit of $4.535 million	$0.11	$27.789 million
30 June 2010	loss of $5.846 million	$0.15	$26.495 million
30 June 2009	loss of $20.931 million	$0.30	$26.510 million
30 June 2008	profit of $0.119 million	$0.47	$49.272 million

Following the 2011 AGM results and the sale of the Austock Securities business in March 2012, the Group's remuneration policies have been significantly adjusted to reflect the reduced scale of the Group with a significant focus on cost reduction.

2011 Annual General Meeting (AGM)

At the Company's last AGM in October 2011, comments were made by shareholders on the 2011 Remuneration Report and 46% of the votes cast at the meeting were against its adoption. In response, the following action has been taken by the Board:

- The entire Board has been reconstituted and a new fee structure for directors has been implemented. Each director, including the Chief Executive Officer, receives a base fee of $25,000 per annum with an additional $50,000 paid to the Chairman. The current level of fees paid to Board members is well below the non-executive directors' cap of $500,000 as provided for in the Company's constitution.
- Since the 2011 AGM, no new shares have been issued or allocated within the Austock Employee Share Trust, other than according to pre-existing contractual arrangements.

d) Remuneration of directors and senior management

Remuneration shown below relates to the period in which the director or executive was a member of key management personnel.

	Short term employee benefits			Post employment benefits	Termination benefits	Share based payments			Total	Performance based proportion	Option value as a percent of total
	Salary & fees	Cash bonus	Other benefits	Super-annuation		Shares	Options	Rights			
	$	$	$	$	$	$	$	$	$	%	%
2012											
Director											
F G A Beaumont	19,944	-	-	6,518	-	-	-	-	26,462	-	-
W E Bessemer	9,776	-	-	880	-	-	-	-	10,656	-	-
M E Ryan	13,365	-	-	1,203	-	-	-	-	14,568	-	-
J J Tooth	4,167	-	-	-	-	-	-	-	4,167	-	-
Sub total	**47,252**	**-**	**-**	**8,601**	**-**	**-**	**-**	**-**	**55,853**		**-**
S Gregg	279,583	-	-	13,934	35,385	81,389	-	-	410,291	19.8%	-
P Masi	286,446	-	2,045	10,931	-	266,667	-	-	566,089	47.1%	-
K F Clarke	38,259	-	-	-	-	-	-	-	38,259	-	-
V D Cottren	18,590	-	-	14,218	-	-	-	-	32,808	-	-
C A Sadler	61,282	-	-	5,515	-	-	-	-	66,797	-	-
Sub total	**684,160**	**-**	**2,045**	**44,598**	**35,385**	**348,056**	**-**	**-**	**1,114,244**	**29.7%**	**-**
Sub total - Director	**731,412**	**-**	**2,045**	**53,199**	**35,385**	**348,056**	**-**	**-**	**1,170,097**	**29.7%**	**-**
Senior Executive											
C Thompson	242,293	-	-	20,853	229,350	111,293	-	-	603,789	18.4%	-
T S Butcher	37,500	40,000	-	2,629	-	3,870	-	-	83,999	52.2%	-
R J Higgins	348,385	110,000	1,615	15,775	-	16,487	-	-	492,262	25.7%	-
N J Anagnostou	341,667	110,000	-	15,775	-	42,659	-	-	510,101	30.5%	-
Sub total	**969,845**	**260,000**	**1,615**	**55,032**	**229,350**	**174,309**	**-**	**-**	**1,690,151**	**25.7%**	**-**
Total	**1,701,257**	**260,000**	**3,660**	**108,231**	**264,735**	**522,365**	**-**	**-**	**2,860,248**	**27.4%**	**-**

	Short term employee benefits			Post employment benefits	Termination benefits	Share based payments			Total	Performance based proportion	Option value as a percent of total
	Salary & fees	Cash bonus	Other benefits	Super-annuation		Shares	Options (a)	Rights			
	$	$	$	$	$	$	$	$	$	%	%
2011											
Director											
S Gregg	187,500	-	-	15,199	-	145,833	-	-	348,532	41.8%	-
P Masi	432,574	-	2,226	15,199	-	400,000	-	-	849,999	47.1%	-
K F Clarke	83,300	-	-	-	-	-	-	-	83,300	-	-
V D Cottren	56,319	-	-	41,961	-		-	-	98,280	-	-
C A Sadler	110,250	-	-	8,820	-	-	-	-	119,070	-	-
Sub total	**869,943**	**-**	**2,226**	**81,179**	**-**	**545,833**	**-**	**-**	**1,499,181**	**36.4%**	**-**
Senior Executive											
C Thompson	289,575	84,000	625	24,999	-	83,823	-	-	483,022	34.7%	-
R J Higgins	332,105	-	395	15,199	-	2,836	-	-	350,535	0.8%	-
N J Anagnostou	262,917	-	-	15,199	-	31,592	-	-	309,708	10.2%	-
Sub total	**884,597**	**84,000**	**1,020**	**55,397**	**-**	**118,251**	**-**	**-**	**1,143,265**	**17.7%**	**-**
Total	**1,754,540**	**84,000**	**3,246**	**136,576**	**-**	**664,084**	**-**	**-**	**2,642,446**	**28.3%**	**-**

Bonus and share based payments granted as compensation

In 2012, compensation has been paid to senior executives both in the form of cash bonuses and equity performance incentives. Where appropriate, the cash component is disclosed in the above 2012 table with the equity component to be disclosed as a share based payment in future years over the vesting period.

During the year, terms of a retention bonus paid to Messrs R J Higgins and N J Anagnostou were amended so that the determination time of the form of consideration to be given for the retention bonus was brought forward from just prior to 1 October 2012 to 29 November 2011. On this date, the individuals elected to take all of the first tranche of their retention bonus in the form of shares. The shares do not vest until 1 October 2012 and are subject to continued employment. The shares were issued at a price of $0.12 per share.

e) Key terms of employment contracts

The Company has entered into service contracts with each key management person, excluding the chief executive officer and non-executive directors, that are capable of termination with a notice period of between 3 to 6 months. The Company retains the right to terminate a contract immediately by making payment equal to the relevant 3 to 6 month period pay in lieu of notice. The key management personnel are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified from year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

The directors' report is signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Mr George Beaumont

Chairman

Melbourne, 30 August 2012

Auditor's independence declaration

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

To: the directors of Austock Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

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

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

KPMG

KPMG

Darren Scammell

Darren Scammell
Partner

Melbourne

30 August 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent audit report

Independent auditor's report to the members of Austock Group Limited

Report on the financial report

We have audited the accompanying financial report of Austock Group Limited (the Company), which comprises the statements of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent audit report (continued)

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 23 to 27 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Austock Group Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Darren Scammell
Partner

Melbourne

30 August 2012

Directors' declaration

1. In the opinion of the directors of Austock Group Limited (the "Company"):
   a) the consolidated financial statements and notes that are set out on pages 32 to 92 and the Remuneration report on pages 23 to 27 in the Directors' report, are in accordance with the Corporations Act 2001, including:
      – giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
      – complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2012.
3. The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

On behalf of the Directors

Mr George Beaumont

Chairman

Melbourne, 30 August 2012

Statement of comprehensive income for the financial year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Continuing operations:			
Revenue	5	9,565	15,264
Personnel expenses	6(a)	(7,975)	(9,260)
Occupancy expenses	6(b)	(541)	(588)
Communication expenses	6(c)	(347)	(425)
Finance expenses	6(d)	(34)	(178)
Dealing and settlement expenses	6(e)	(1,498)	(1,394)
Marketing and promotional expenses	6(f)	(369)	(345)
Depreciation and amortisation expenses	6(g)	(477)	(616)
General administrative expenses	6(h)	(2,849)	(2,105)
Impairment reversals/(charges)	6(j)	-	1,082
Result attributable to policyholders, net of tax	20	6,462	10,475
Profit/(loss) before income tax expense		1,937	11,910
Income tax (expense)/benefit	7(a)	(820)	248
Profit/(loss) after income tax		**1,117**	**12,158**
Discontinued operations:			
(Loss)/profit from discontinued operations, net of tax	34	(10,681)	2,852
Profit/(loss) for the year		**(9,564)**	**15,010**
Profit attributable to policyholders	20	(6,462)	(10,475)
Net profit/(loss) attributable to members of the company		**(16,026)**	**4,535**
Other comprehensive income			
Net change in fair value of financial assets transferred to profit or loss, net of tax		-	(4,517)
Other comprehensive income for the year (net of tax)		**-**	**(4,517)**
Total comprehensive income attributable to members of the company		**(16,026)**	**18**
Earnings per share			
Continuing and discontinued operations:			
Basic (cents per share)	25	(14.17)	4.02
Diluted (cents per share)	25	(14.17)	4.02
Continuing operations:			
Basic (cents per share)	25	(4.72)	1.49
Diluted (cents per share)	25	(4.72)	1.49

The accompanying notes 1 to 37 form part of these financial statements.

Statement of financial position as at 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Assets			
Cash and cash equivalents	32(a)	3,686	14,401
Trade and other receivables	11	1,747	4,076
Income tax receivable	7(d)	1,074	574
Other assets	12	377	504
Financial assets	13	635	2,452
Assets held for sale	35	8,222	-
Property, plant and equipment	15	504	1,007
Deferred tax assets	7(d)	369	6,353
Intangible assets	16	688	7,193
Policyholder assets	20	304,372	235,954
Total assets		**321,674**	**272,514**
Liabilities			
Trade and other payables	17	449	1,351
Borrowings	21	146	185
Other liabilities	19	1,314	4,344
Liabilities held for sale	35	972	-
Provisions	18	1,362	2,891
Policyholder liabilities	20	304,360	235,944
Total liabilities		**308,603**	**244,715**
Net assets		**13,071**	**27,799**
Equity			
Issued capital	22	44,508	45,069
Reserves	23	(4,293)	(6,293)
Retained earnings	24	(27,156)	(10,987)
Other reserves	20	12	10
Total equity		**13,071**	**27,799**

The accompanying notes 1 to 37 form part of these financial statements.

Statement of changes in equity
for the financial year ended 30 June 2012

	Issued capital $'000	Reserves $'000	Retained earnings $'000	Other reserves $'000	Total $'000
Year end 30 Jun 2012					
Balance at 1 Jul 2011	45,069	(6,293)	(10,987)	10	27,799
Total comprehensive income for the year					
Net profit/(loss) for the year	-	-	(16,026)	-	(16,026)
Total comprehensive income for the year	**-**	**-**	**(16,026)**	**-**	**(16,026)**
Transfer from policyholder liabilities	-	-	-	2	2
Equity settled benefits	1,360	-	-	-	1,360
Transfer from treasury shares reserve	(1,921)	1,921	-	-	-
Transfer from reserves	-	143	(143)	-	-
Acquisition of treasury shares	-	(64)	-	-	(64)
Total transactions with owners	**(561)**	**2,000**	**(143)**	**2**	**1,298**
Balance at 30 Jun 2012	**44,508**	**(4,293)**	**(27,156)**	**12**	**13,071**
Year end 30 Jun 2011					
Balance at 1 Jul 2010	43,926	(1,746)	(15,685)	10	26,505
Total comprehensive income for the year					
Net profit/(loss) for the year	-	-	4,535	-	4,535
Net change in fair value of financial assets, net of tax	-	(4,517)	-	-	(4,517)
Total comprehensive income for the year	**-**	**(4,517)**	**4,535**	**-**	**18**
Transactions with owners, recorded directly in equity					
Policyholder net profit for the year	-	-	-	10	10
Transfer to policyholder liabilities	-	-	-	(10)	(10)
Equity settled benefits	1,143	585	-	-	1,728
Transfer from reserves		(163)	163	-	-
Acquisition of treasury shares	-	(452)	-	-	(452)
Total transactions with owners	**1,143**	**(30)**	**163**	**-**	**1,276**
Balance at 30 Jun 2011	**45,069**	**(6,293)**	**(10,987)**	**10**	**27,799**

The accompanying notes 1 to 37 form part of these financial statements.

Statement of cash flows
for the financial year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Receipts from customers		23,394	32,182
Payments to suppliers and employees		(31,625)	(37,562)
Proceeds from sale of trading shares		1,787	4,995
Payments for acquisition of trading shares		(346)	(5,050)
Finance and borrowing costs		(205)	(272)
Income tax received		498	534
Net cash flows used in operating activities	32(d)	(6,497)	(5,173)
Cash flows from investing activities			
Interest received		614	685
Dividends received		112	599
Payment for property, plant and equipment		(281)	(431)
Payment for intangibles		(65)	(42)
Payment for treasury shares		(64)	(440)
Payment for business acquisition		(250)	(333)
Payment for business disposal		(1,373)	-
Net proceeds from transfer of assets and liabilities		229	-
Proceeds from sale of assets		-	7,382
Repayments from related entities		-	98
Net cash flows (used in) / from investing activities		(1,078)	7,518
Cash flows from financing activities			
Proceeds from borrowings		712	254
Repayment of borrowings		(751)	(2,669)
Net cash flows used in financing activities		(39)	(2,415)
Net decrease in cash held		(7,614)	(70)
Cash at beginning of the year		14,401	14,471
Cash at end of the year		**6,787**	**14,401**
Cash represented by:			
Cash at bank	32(a)	3,686	14,401
Cash at bank classified as held for sale	35	3,101	-
Total cash balance		**6,787**	**14,401**

The accompanying notes 1 to 37 form part of these financial statements.

Notes to the financial statements

Note	Contents
1	Summary of significant accounting policies
2	Use of estimates and judgement
3	Financial risk management
4	Operating segments
5	Revenue
6	Expenses and losses/(gains) included in profit/(loss)
7	Income tax
8	Key management personnel
9	Remuneration of auditors
10	Share based payments
11	Trade and other receivables
12	Other assets
13	Financial assets
14	Investments accounted for using equity method
15	Property, plant and equipment
16	Intangible assets
17	Trade and other payables
18	Provisions
19	Other liabilities
20	Policyholder balances
21	Borrowings
22	Issued capital
23	Reserves
24	Retained earnings
25	Earnings per share
26	Dividends
27	Capital and leasing commitments
28	Contingent liabilities
29	Controlled entities
30	Related parties
31	Business acquisition and disposal
32	Notes to the statement of cash flows
33	Financial instruments
34	Discontinued operations
35	Disposal group held for sale
36	Subsequent events
37	Parent entity disclosures

1. Summary of significant accounting policies

This financial report for the year ended 30 June 2012 was authorised for issue by the directors on 30 August 2012.

Austock Group Limited (the "Company") is a public company listed on the Australian Securities Exchange (ASX: ACK) incorporated in Australia. The Company's registered office and principal place of business is Level 12, 15 William Street, Melbourne, Victoria, Australia, 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

In 2011, the Group adopted the amendment to the Corporations Act 2001 introduced by the Corporations Amendments (Corporate Reporting Reform) Bill 2010 and only prepares a consolidated financial report.

Basis of accounting

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise stated, all amounts are presented in Australian dollars, which is the Group's functional currency.

Use of estimates and judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods. Refer to note 2 for a discussion of critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period. Details of these new accounting standards that impacted the Group's financial report are included within the individual accounting policy notes set out below.

Standards and Interpretations issued but not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but have a mandatory effective date for annual periods beginning after 30 June 2012. These have not been applied in preparing these consolidated financial statements and none of these are expected to have a significant effect on the consolidated financial statements. The Group does not plan to early adopt any of these new standards, amendments to standards and interpretations.

1. Summary of significant accounting policies (continued)

Comparatives

Comparative information has been reclassified to ensure relevance in understanding the current year financial statements.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial report.

The following significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Austock Group Limited (the "Company") and the entities controlled by the Company (referred to as the "Group" in these financial statements).

Control is achieved where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of control or up to the effective date of disposal, as appropriate.

A list of controlled entities appears in note 29 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. This involves identifying the acquirer, which is the entity that obtains control of the other combining entities or businesses.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. Transaction costs incurred by the Group in connection with a business combination, such as finders' fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Any intra-group business combinations ("common control transactions") are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

1. Summary of significant accounting policies (continued)

(a) Principles of consolidation (continued)

Consolidation of benefit funds

Under Accounting Standard AASB 1038 Life Insurance Contracts, the consolidated financial statements of the Group, which include a life insurer, are required to recognise all the assets, liabilities, income and expenses of that life insurer, being Austock Life Limited. As AASB 1038 is an aggregation standard rather than a consolidation standard, some transactions between the management fund and the benefit funds are presented on the face of the financial statements, rather than being eliminated as would be expected on consolidation.

To ensure the financial statements continue to give a fair presentation and promote greater relevance to the Group's shareholders, the assets, liabilities, income and expenses of the benefit funds are disclosed as separate line items on the face of the financial statements:

- statement of comprehensive income: the net result attributable to policyholders (net of tax) is presented as one line item with an additional line item of an equal amount that attributes this net result to policyholders. Additional details on the individual line items are disclosed in note 20.
- statement of financial position: the total policyholder assets and policyholder liabilities are presented as separate one line items, respectively, in total assets and total liabilities. Additional details on the individual line items are disclosed in note 20.

The presentation of the Austock Life benefit funds in this manner commenced in the 2011 annual report. Previously, the results of the benefit funds were aggregated with those of the Group on a line by line basis throughout the complete set of financial statements. This presentation led to a less meaningful set of financial statements to the Group's shareholders who have a primary interest in the financial position and performance of the Group that excludes the benefit funds.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks (net of outstanding bank overdrafts) that are short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(c) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a specific provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Receivables from related parties are recognised and carried at the nominal amount due.

(d) Impairment (excluding goodwill)

Financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment 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. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the financial asset reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

1. Summary of significant accounting policies (continued)

(d) Impairment (excluding goodwill) (continued)

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security not related objectively to an event is recognised in other comprehensive income. The carrying amount of the financial asset including uncollectable trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Non financial assets

At each reporting date, the Group reviews the carrying amounts of its non financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, Group assets are also allocated to individual cash-generating units. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is provided on property, plant and equipment and is calculated on either a straight line or diminishing value basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis. The rates used in the calculation of depreciation for the current and comparative period are as follows:

Category	Rate
Leasehold improvements	14% to 16%
Land and buildings	0% to 5%
Computer equipment	30% to 40%
Plant and equipment	12% to 40%
Office equipment	12% to 40%

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1. Summary of significant accounting policies (continued)

(f) Financial instruments

Financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. Settlement date accounting is adopted within the Securities business for all trading related financial assets, and all other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following financial asset categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as 'financial assets at fair value through profit or loss' where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- is a derivative that is not designated effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 33.

(ii) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables include trade and other receivables.

1. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Certain investments held by the Group are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (as determined in the manner described in note 33) and changes in fair value are recognised in other comprehensive income with the exception of impairment losses and foreign exchange gains and losses on monetary assets. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Settlement date accounting is adopted within the Securities business for all trading related financial liabilities, and all other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

- Financial liabilities 'at fair value through profit or loss'

  Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in profit or loss. The net gain or loss in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 33.

- Other financial liabilities

  Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

1. Summary of significant accounting policies (continued)

(g) Goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU (or group of CGUs). An impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(h) Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Management rights

Management rights recognised by the Group are assessed to determine their useful life to the Group. Where management rights have a finite life, they are amortised over that life. Where management rights have been assessed to have an indefinite useful life, they are not amortised. Management rights that have been assessed to have an indefinite life have been assessed that way on the basis that they are not attributable to amounts invested in closed funds and are expected to continue in operation with no foreseeable limit to the period with which they are expected to generate future net cash flows for the Group.

Each period, management rights (both those with finite and indefinite useful lives) are reviewed to determine whether events and circumstances continue to support this assessment of useful life. Management rights are tested for impairment in accordance with the accounting policy stated in note 1(d) above. Their value is based on fair value in use and a multiple of funds under management and is consistent with externally sourced information. Any reasonably possible changes to assumptions used in management's assessment will not result in impairment.

Software

Software is capitalised by the Group and amortised over its useful life. It is recorded at cost less accumulated amortisation and impairment. Generally, a period of 3-5 years has been used in the calculation of amortisation for software for both the current and comparative periods.

1. Summary of significant accounting policies (continued)

(i) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held For Sale and Discontinued Operations. Under the equity method, investments in associates are carried on the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

(j) Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods or services.

(k) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(l) Issued capital

Ordinary issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity (in the Treasury Shares Reserve). When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of services is recognised in the statement of comprehensive income when the service is performed and there are no unfulfilled service obligations that will restrict the entitlement to receive the sales consideration.

1. Summary of significant accounting policies (continued)

(m) Revenue (continued)

Dividend revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(n) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributable to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

1. Summary of significant accounting policies (continued)

(o) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(p) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred. Finance lease assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(q) Share based payments

Equity-settled share based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. With respect to options, fair value is measured by use of the black-scholes option pricing model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to equity.

Equity-settled share based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

1. Summary of significant accounting policies (continued)

(r) Goods and service tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(s) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Austock Group Limited and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1. Summary of significant accounting policies (continued)

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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 reporting date, taking into account the risks and uncertainties surrounding the obligation, its carrying amount and the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be recovered and the amount of the receivable can be measured reliably.

(v) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been discontinued. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(w) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted by excluding shares held by the Group's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding (adjusted for shares held by the Company's sponsored employee share plan trust) for the effects of all dilutive potential ordinary shares. There are currently no potential ordinary shares in existence.

(x) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(y) Assets held for sale

Assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets or disposal group are measured at the lower of their carrying value amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity accounted investee is no longer equity accounted.

2. Use of estimates and judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following are the significant areas of estimation uncertainty and critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Intangible assets

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated in note 1(d). The recoverable amounts have been determined based on fair value less costs to sell. In the absence of a binding sale agreement or an active market, fair value less costs to sell has been based on an assessment of the best information available to reflect the amount that the entity could obtain from the disposal of these intangible assets in an arm's length transaction between a knowledgeable and willing buyer and seller. As disclosed in notes 16 and 35, the carrying amount of such intangible assets is $4.743 million (2011: $7.193 million).

Employee benefits

The liability for employee benefits (annual leave and long service leave) is recognised and measured as the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account. A discount rate equal to the 10 year government bond rate has been used in determining the present value of the obligation.

Share based payments

The Group calculates the value of share based payments in accordance with the accounting policy stated in note 1(q). The value of the share based payment is measured at fair value of the equity instrument at the grant date. In determining fair value, these calculations require the use of assumptions to estimate future economic conditions and management judgement to determine key variables. Further details on share based payments are included in note 10.

Deferred tax assets

Management uses their judgement in determining the value of carry forward tax losses. Reference is made to forecasts and budgets to ensure the recoverability of tax losses remains probable over the foreseeable future. Tax losses have only been recognised as deferred tax assets to the extent that management considers it is probable that there will be future taxable profit available against which the tax losses can be utilised.

3. Financial risk management

The Group has exposure to the following risks from the use of financial instruments: Credit risk; Liquidity risk; Market risk; and Insurance risk. This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further qualitative disclosures are included throughout this financial report.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has adopted a Risk Management Plan, developed in accordance with the Australian Standard on Risk Management (AS/NZS 4360:2400). The policy reflects the Board's commitment to identifying, monitoring and mitigating risks as well as capturing opportunities.

Day to day responsibility for risk management has been delegated to executive management, with review occurring at Board level. The Chief Executive Officer and Chief Financial Officer are required to provide to the Board an annual certification that the Group's risk management system is operating efficiently and effectively in all material respects.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The credit risk for trade receivables for the Group is the risk that financial assets recognised on the statement of financial position exceed their carrying amount, net of any provisions for doubtful debts.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group prepares rolling cash projections which assists in monitoring cash flow requirements and optimising its cash return on investments. To further reduce liquidity risk, the Group maintains the following additional finance facilities:

- Bank guarantee facility of $1,855,106 (2011: $1,855,106) primarily in respect of the lease of the Company's business premises;
- Bank guarantee facility totalling $nil (2011: $2,000,000) in respect of a third party clearer for Austock Securities;
- Direct debit facility of $50,000 (2011: $50,000) to be used for client's accounts as part of the Austock Life business; and
- Direct debit facility of $nil (2011: direct debit facility totalling $1,000,000) to be used for client's accounts as part of the Austock Securities business.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

3. Financial risk management (continued)

Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to have an adverse effect on the net earnings of the Group. The Group's earnings are affected by movements in market interest rates due to funds borrowed and/or held in high interest deposit accounts. Interest on borrowings is based on a margin above the negotiated bank base rate. The Group is subject to changes to interest rates to the extent that they impact the bank base rate. The Group monitors the movements in interest rates and is in regular communication with borrowers whenever there is a change in the Company's rate of interest charged.

Equity price risk

The Group is exposed to equity price risk arising from movements in equity investments. Other than equity investments held at fair value through profit or loss, equity investments are generally held for strategic rather than trading purposes. The Group monitors equity price movements to ensure there is no material impact on the Group's activities.

Insurance risk

Insurance risk is the risk that inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose the Group to financial loss and consequent inability to meet its liabilities.

The Group's objective is to satisfactorily manage these risks in line with the Risk Management Statement approved by the board. In addition, the Group receives advice from the Appointed Actuary, in accordance with APRA Prudential Standard LPS 310.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital structure consists of debt, which comprises borrowings as disclosed in note 21, cash and cash equivalents as disclosed in note 32, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22, 23 and 24 respectively.

4. Operating segments

The Group operates in a number of business areas that are aggregated and reported upon as operating segments. These operating segments form the basis of decision making within the Group for the allocation of resources and assessing performance. These operating segments have been determined based on the information that is internally provided to the CEO, who is the Group's chief operating decision maker. The principal products and services within each segment are as follows:

(a) Corporate and Securities

This operating segment provides an integrated range of stockbroking, research and corporate advisory services in the equity capital markets for emerging growth enterprises. The focus on emerging companies in both a listed and unlisted corporate environment allows this operating segment to grow with their client base by providing a specifically tailored service approach to solving client needs.

(b) Investment Management

This operating segment provides specialised investment management services in direct and indirect property funds management; and life insurance based products within a tax paid investment environment. The focus of this operating segment is to build a platform of funds under management as the basis for solid and sustainable returns using innovative and proven management investment strategies.

(c) Unallocated services

This operating segment represents those operations within the Group that do not belong to any of the above key business segments.

For the year ended 30 June 2012	Corporate & Securities $'000	Investment Management $'000	Unallocated services $'000	Eliminations $'000	Consolidated total $'000	Discontinued operations $'000	Continuing operations $'000
Revenue							
External revenue	14,266	8,962	603	-	23,831	14,266	9,565
Inter-segment revenue	-	-	5,677	(5,677)	-	-	-
Segment revenue	14,266	8,962	6,280	(5,677)	23,831	14,266	9,565
Result							
Segment result	(10,728)	449	(928)	-	(11,207)	(10,728)	(479)
Income tax expense					(4,819)	(3,999)	(820)
Net profit/(loss) after tax					(16,026)	(14,727)	(1,299)
Assets and liabilities							
Segment total assets	2,437	11,998	2,867	-	17,302	2,437	14,865
Segment total liabilities	(902)	(2,147)	(1,194)	-	(4,243)	(902)	(3,341)
Segment net assets/(deficiency)	1,535	9,851	1,673	-	13,059	1,535	11,524
Other segment information							
Depreciation and amortisation	-	110	367	-	477	-	477
Realised gains/(losses)	(496)	-	-	-	(496)	(496)	-
Impairment expense	684	-	-	-	684	684	-
Loss on disposal of assets	2,920	-	-	-	2,920	2,920	-
Equity settled benefits	713	86	518	-	1,317	713	604

The net loss after tax of $14,727 thousand from the discontinued operations of the corporate and securities segment contains an inter-segment charge of $4,046 thousand from the unallocated services segment. This result differs from the amount disclosed in note 34 due to the elimination of inter entity transactions upon the presentation of consolidated financial information.

4. Operating segments (continued)

For the year ended 30 June 2011	Corporate & Securities $'000	Investment Management $'000	Unallocated services $'000	Eliminations $'000	Consolidated total $'000	Discontinued operations $'000	Continuing operations $'000
Revenue							
External revenue	25,547	8,444	6,820	-	40,811	25,547	15,264
Inter-segment revenue	-	-	6,187	(6,187)	-	-	-
Segment revenue	25,547	8,444	13,007	(6,187)	40,811	25,547	15,264
Result							
Segment result	(2,093)	2,113	3,882	-	3,902	(2,093)	5,995
Income tax benefit					633	385	248
Net profit/(loss) after tax					4,535	(1,708)	6,243
Assets and liabilities							
Segment total assets	15,493	12,655	8,412	-	36,560	15,493	21,067
Segment total liabilities	(4,452)	(962)	(3,357)	-	(8,771)	(4,452)	(4,319)
Segment net assets	11,041	11,693	5,055	-	27,789	11,041	16,748
Other segment information							
Depreciation and amortisation	-	58	558	-	616	-	616
Realised gains/(losses)	(131)	(2)	4,894	-	4,761	(131)	4,892
Impairment loss reversals	-	1,082	-	-	1,082	-	1,082
Equity settled benefits	824	57	674	-	1,555	824	731

The net loss after tax of $1,708 thousand from the discontinued operations of the corporate and securities segment contains an inter-segment charge of $4,560 thousand from the unallocated services segment. This result differs from the amount disclosed in note 34 due to the elimination of inter entity transactions upon the presentation of consolidated financial information.

5. Revenue

	Consolidated	
	2012	2011
	$'000	$'000
Revenue		
Operating activities		
Rendering of services		
Corporate activities	3,929	10,670
Brokerage and commission	9,854	14,057
Property management	4,464	4,954
Fund management	262	229
Life office	3,698	2,980
	22,207	32,890
Interest revenue		
Interest income on bank deposits	610	681
Interest income from other related parties	4	4
Other revenue		
Dividend income	112	599
Revaluation increase of investments	-	194
Gain on sale of investments	-	4,813
Gain on sale of subsidiary	-	81
Other income	898	1,549
Total revenue	**23,831**	**40,811**
Attributable to:		
Continuing operations	9,565	15,264
Discontinued operations	14,266	25,547
	23,831	**40,811**

6. Expenses and losses/(gains) included in profit/(loss)

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Personnel expenses		
Staffing costs	16,951	22,784
Defined contribution superannuation expense	946	1,204
Equity settled share based payments	1,317	1,555
	19,214	25,543
Attributable to:		
Continuing operations	7,975	9,260
Discontinued operations	11,239	16,283
	19,214	25,543
(b) Occupancy expenses		
Occupancy costs	1,408	1,683
Attributable to:		
Continuing operations	541	588
Discontinued operations	867	1,095
	1,408	1,683
(c) Communication expenses		
Communication costs	654	754
Attributable to:		
Continuing operations	347	425
Discontinued operations	307	329
	654	754
(d) Finance expenses		
Interest paid	5	76
Bank and other financing expenses	112	196
	117	272
Attributable to:		
Continuing operations	34	178
Discontinued operations	83	94
	117	272
(e) Dealing and settlement expenses		
Dealing and settlement costs	3,537	4,267
Attributable to:		
Continuing operations	1,498	1,394
Discontinued operations	2,039	2,873
	3,537	4,267

6. Expenses and losses/(gains) included in profit/(loss) (continued)

	Consolidated	
	2012 $'000	2011 $'000
(f) Marketing and promotional expenses		
Marketing and promotional costs	850	1,286
Attributable to:		
Continuing operations	369	345
Discontinued operations	481	941
	850	1,286
(g) Depreciation and amortisation		
Depreciation of non current assets		
Computer equipment	35	191
Furniture and fittings	5	63
Office equipment	8	16
Leasehold improvements	284	145
	332	415
Amortisation of non current assets		
Software intangibles	35	143
Management rights	110	58
	145	201
	477	616
Attributable to:		
Continuing operations	477	616
Discontinued operations	-	-
	477	616
(h) General administrative expenses		
General administrative costs	4,681	3,439
Attributable to:		
Continuing operations	2,849	2,105
Discontinued operations	1,832	1,334
	4,681	3,439

6. Expenses and losses/(gains) included in profit/(loss) (continued)

	Consolidated 2012 $'000	2011 $'000
(i) Loss on assets at fair value through profit or loss		
Realised losses	496	131
	496	131
Attributable to:		
Continuing operations	-	-
Discontinued operations	496	131
	496	131
(j) Impairment charges/(reversals)		
Trade and other receivables	684	-
Intangible assets	-	(1,027)
Loan to other related entities	-	(55)
	684	(1,082)
Attributable to:		
Continuing operations	-	(1,082)
Discontinued operations	684	-
	684	(1,082)

Impairment

During the year, the Group conducted a review of the carrying amounts of its assets to determine whether there was any indication that the assets have suffered an impairment loss, or whether there have been any reversals of impairment losses recorded in prior years.

The recoverable amount of an asset has been determined as the higher of its fair value less cost to sell and its value in use.

In the absence of a binding sale agreement or an active market, fair value less costs to sell has been based on an assessment of the best information available to reflect the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between a knowledgeable and willing buyer and seller.

During the year a provision for impairment of $752 thousand has been recorded against the recovery of one trade receivable. The effect on the statement of comprehensive income is an impairment charge of $684 thousand, the difference of $68 thousand representing the GST portion.

In the prior year, the following impairment reversals were recorded.

(i) Intangible assets

The Group reviewed the recoverable amount of its property management rights to equal $3,019 thousand as at 30 June 2011, resulting in an impairment reversal of $1,027 thousand. This reversal of impairment is reflected in the Investment Management segment in note 4. The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of determining the appropriate valuation technique involving FUM multiples used within the property funds management industry and further considering any recent transactions for similar assets.

(iii) Loans to other related entities

The Group reviewed all loans made to other related entities and concluded there to be an impairment reversal of $55 thousand as at 30 June 2011. The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of assessing the value of the underlying assets of the other related entity.

7. Income tax

	Consolidated	
	2012 $'000	2011 $'000
(a) Income tax recognised in profit or loss		
Income tax expense/(benefit) comprises:		
Current tax		
Current income tax expense/(benefit)	(906)	(360)
Deferred tax		
Origination and reversal of temporary differences	5,725	(273)
Total tax expense/(benefit) in the statement of comprehensive income	4,819	(633)
Attributable to:		
Continuing operations	820	(248)
Discontinued operations	3,999	(385)
	4,819	(633)

7. Income tax (continued)

	Consolidated	
	2012	2011
	$'000	$'000
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(loss) from continuing operations	(4,525)	1,435
Profit/(loss) from discontinued operations	(6,682)	2,467
Profit/(loss) from operations	(11,207)	3,902
Income tax expense/(benefit) calculated at 30% (2011: 30%)	(3,362)	1,171
Non deductible expenses	1,923	483
Non assessable income	(758)	(2,252)
Assessable income	17	1,439
Deductible items	(757)	-
Utilisation of franking credits	(17)	(1,439)
Tax losses not recognised as deferred tax assets	8,808	(103)
Effect of reduced tax rates	(1,035)	68
Income tax expense/(benefit)	4,819	(633)

(c) Income tax recognised directly in equity

Financial assets	-	(797)
Total tax expense/(benefit) recognised in equity	-	(797)

As at 30 June 2012, neither Austock Group Limited nor any of its controlled entities are members of a tax consolidated group.

(d) Tax assets

	Consolidated	
	2012	2011
	$'000	$'000
Current tax assets comprise:		
Income tax receivable	**1,074**	**574**
Deferred tax assets comprise:		
Fair value adjustment	-	54
Provisions	253	853
Accrued expenses	91	274
Tax losses	179	4,921
Intangibles	68	152
Other	37	99
Sub total	**628**	**6,353**
less deferred tax assets classified as held for sale	(259)	-
Total	**369**	**6,353**

7. Income tax (continued)

The movement in deferred tax assets for each temporary difference is as follows:

	Consolidated				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Other $'000	Closing balance $'000
2012					
Fair value adjustment	54	(54)	-	-	-
Provisions	853	(600)	-	-	253
Accrued expenses	274	(183)	-	-	91
Tax losses	4,921	(4,742)	-	-	179
Intangibles	152	(84)	-	-	68
Other	99	(62)	-	-	37
	6,353	**(5,725)**			**628**
2011					
Fair value adjustment	97	(43)	-	-	54
Provisions	803	60	-	(10)	853
Accrued expenses	936	(662)	-	-	274
Tax losses	3,938	1,002	-	(19)	4,921
Intangibles	194	(42)	-	-	152
Other	141	(42)	-	-	99
	6,109	**273**	**-**	**(29)**	**6,353**

(e) Tax liabilities

	Consolidated	
	2012 $'000	2011 $'000
Deferred tax liabilities comprise:		
Unrealised fair value gains	-	-
	-	**-**

The movement in deferred tax liabilities for each temporary difference is as follows:

	Consolidated			
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
2012				
Fair value gain	-	-	-	-
	-	**-**	**-**	**-**
2011				
Fair value gain	797	-	(797)	-
	797	**-**	**(797)**	**-**

8. Key management personnel

The directors and other members of key management personnel of the Group during the 2012 year were as follows.

Directors

- Mr Frederick George Albion Beaumont, Non-Executive Director (appointed 12 April 2012). Mr Beaumont was appointed Non-Executive Chairman on 9 May 2012.
- Mr William Eric Bessemer, Non-Executive Director (appointed 9 February 2012). Mr Bessemer was later appointed Chief Executive Officer on 29 May 2012.
- Mr Martin Edward Ryan, Non-Executive Director (appointed 20 December 2011)
- Mr Jonathan James Tooth, Non-Executive Director (appointed 1 May 2012)
- Mr Steven Gregg, Executive Chairman (resigned 9 May 2012)
- Mr Paul Masi, Managing Director and Chief Executive Officer (resigned 11 March 2012). Mr Masi continued as Non-Executive Director from 11 March 2012 and later resigned on 12 April 2012.
- Mr Kevin Franklin Clarke, Non-Executive Director (resigned 20 December 2011)
- Mr Victor David Cottren, Non-Executive Director (resigned 25 October 2011)
- Mr Christopher Alan Sadler, Non-Executive Director (resigned 9 February 2012)

Key Management Personnel

- Mr Travis Scott Butcher, Chief Financial Officer (appointed 30 April 2012)
- Mr Craig Thompson, Chief Financial Officer (resigned 30 April 2012)
- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Nick James Anagnostou, Head of Austock Property

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

	Consolidated	
	2012 **$**	**2011** **$**
Short term employee benefits	1,964,917	1,887,468
Post employment benefits	108,231	139,449
Termination benefits	264,735	-
Equity settled benefits	522,365	664,084
	2,860,248	**2,691,001**

The compensation of each member of the Group's 2012 key management personnel for the current and prior year is as set out in the Remuneration Report on page 23 as part of the Director's Report.

Group totals in respect of the year ended 30 June 2011 do not necessarily equal the sums of amounts disclosed in this year's Remuneration Report on page 23 as there were different individuals that comprised key management personnel.

9. Remuneration of auditors

	Consolidated 2012 $	Consolidated 2011 $
Auditor of the parent company		
Remuneration of the auditor for:		
Audit services		
Audit of financial report of the Group	240,000	220,000
Other services		
Other assurance services	11,250	-
	251,250	**220,000**

The auditor of the Group is KPMG (2011: KPMG).

10. Share based payments

The Group has an ownership based compensation scheme for executives and senior employees. In accordance with the provisions of the scheme, the following share based payments were made during the year. These largely related to executives and senior employees of the Securities business or Group executives who are no longer employed by the Group.

Fully paid ordinary shares

- On 19 July 2011, a total number of 250,000 fully paid ordinary shares were granted to one employee representing an entitlement awarded in accordance with his employment contract. The ordinary shares have an effective 36 month vesting period to 19 July 2014. The fair value of the shares has been determined based on the ASX closing price on grant date, being $0.12 per ordinary share. The shares have service conditions attached.
- On 1 September 2011, a total number of 500,000 fully paid ordinary shares were granted to one employee representing an entitlement awarded in accordance with his employment contract. The ordinary shares vest in three equal tranches on 12, 24 and 36 months from grant date. The fair value of the shares has been determined based on the ASX closing price on grant date, being $0.095 per ordinary share. The shares have service conditions attached.
- On 13 September 2011, a total number of 4,354,167 fully paid ordinary shares were granted to 19 employees representing the first tranche retention bonus for a total dollar value of $522,500. These were accounted for as an equity settled share based payment under AASB2 Share Based Payment, as modified on 29 November 2011. The ordinary shares vest over a 12 month period to 1 October 2012 and have service conditions attached.
- Furthermore, the second tranche retention bonus for a total dollar value of $522,500 is accounted for as an equity settled share based payment as required under AASB2 Share Based Payment. This second tranche vests over a 24 month period to 1 October 2013 and have service conditions attached.
- On 22 December 2011, a total number of 1,000,000 fully paid shares were granted to one employee representing an entitlement awarded in accordance with his employment contract. The ordinary shares vested immediately and the ASX closing price on the grant date was $0.15 per ordinary share.

Included under personnel expenses in the statement of comprehensive income is $1,316,633 (2011: $1,554,683) relating to equity settled share based payment transactions in the form of ordinary shares.

11. Trade and other receivables

	Consolidated 2012 $'000	Consolidated 2011 $'000
Trade receivables	2,273	4,302
Less provision for impairment	(752)	(429)
Net trade receivables	1,521	3,873
Other receivables	23	50
Amounts receivable from other related parties	203	153
	1,747	**4,076**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 33.

12. Other assets

	Consolidated 2012 $'000	Consolidated 2011 $'000
Accrued income	91	70
Prepaid expenses	286	434
	377	**504**

13. Financial assets

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Financial assets at fair value through profit or loss		
House position	107	2,452
Fixed term deposit	528	-
	635	2,452
(b) Loans and receivables		
Loans to other related entities	-	774
Provision for impairment loss on loans to other related entities	-	(774)
	-	-
Total financial assets at fair value through profit or loss	635	2,452
Total loans and receivables	-	-
Total financial assets	**635**	**2,452**
Current	635	2,452
Non current	-	-
Total financial assets	**635**	**2,452**

14. Investments accounted for using equity method

Name of entity	Principal activity	Country of incorporation	Ownership interest 2012 %	2011 %	Investment book value 2012 $'000	2011 $'000
AG Fund Pty Ltd (i)	Investment services	Australia	-	50%	-	-
Pemeca Pty Ltd (ii)	Investment services	Australia	-	25%	-	-
Pemeca No. 2 Pty Ltd (ii)	Holding company	Australia	-	20%	-	-

(i) Company has been deregistered effective 5 June 2012
(ii) Companies have been deregistered effective 4 July 2012

(a) Movements during the year in equity accounted investment in associated companies

There were no movements in equity accounted investments during the year (2011: $nil).

(b) Equity accounted associates profits/(losses) are broken down as follows

There was no share of equity accounted profit/(loss) in the current year (2011: $nil).

(c) Summarised presentation of aggregate assets, liabilities and performance of associates

	Consolidated 2012 $'000	2011 $'000
Financial position		
Current assets	-	13
Non current assets	-	-
Total assets	-	13
Current liabilities	-	-
Non current liabilities	-	-
Total liabilities	-	-
Net assets	-	13
Financial performance		
Total revenue	-	2,300
Net loss after income tax expense	(13)	(1,888)

15. Property, plant and equipment

	Consolidated					
	Computer equipment $'000	**Furniture and fittings $'000**	**Office equipment $'000**	**Leasehold improvement $'000**	**Land and buildings $'000**	**Total $'000**
Gross carrying amount						
Balance at 1 Jul 2010	**1,888**	**1,456**	**263**	**602**	**-**	**4,209**
Additions	153	22	3	468	-	646
Business combination	5	-	-	-	-	5
Disposals	(147)	(1,185)	(170)	(400)	-	(1,902)
Balance at 30 Jun 2011	**1,899**	**293**	**96**	**670**	**-**	**2,958**
Additions	78	10	-	274	267	629
Disposals	(1,755)	(296)	(96)	(465)	-	(2,612)
Balance at 30 Jun 2012	**222**	**7**	**-**	**479**	**267**	**975**
Accumulated depreciation						
Balance at 1 Jul 2010	**(1,394)**	**(1,191)**	**(211)**	**(467)**	**-**	**(3,263)**
Depreciation expense	(191)	(63)	(16)	(145)	-	(415)
Disposals	121	1,048	155	403	-	1,727
Balance at 30 Jun 2011	**(1,464)**	**(206)**	**(72)**	**(209)**	**-**	**(1,951)**
Depreciation expense	(35)	(5)	(8)	(284)	-	(332)
Disposals	1,329	209	80	194	-	1,812
Balance at 30 Jun 2012	**(170)**	**(2)**	**-**	**(299)**	**-**	**(471)**
Net book value						
As at 30 Jun 2011	**435**	**87**	**24**	**461**	**-**	**1,007**
As at 30 Jun 2012	**52**	**5**	**-**	**180**	**267**	**504**

16. Intangible assets

	Notes	Consolidated Software $'000	Goodwill $'000	Management rights $'000	Total $'000
Gross carrying amount					
Balance at 1 Jul 2010		**1,559**	**2,962**	**2,411**	**6,932**
Additions		42	934	-	976
Disposals		(76)	-	-	(76)
Impairment reversal	6(j)	-	-	1,027	1,027
Balance at 30 Jun 2011		**1,525**	**3,896**	**3,438**	**8,859**
Additions		65	-	-	65
Disposals		(1,097)	(2,203)	-	(3,300)
Reclassification to assets held for sale	35	-	(1,146)	(3,438)	(4,584)
Balance at 30 Jun 2012		**493**	**547**	**-**	**1,040**
Accumulated amortisation					
Balance at 1 Jul 2010		**(1,180)**	**-**	**(361)**	**(1,541)**
Amortisation expense		(143)	-	(58)	(201)
Disposals		76	-	-	76
Balance at 30 Jun 2011		**(1,247)**	**-**	**(419)**	**(1,666)**
Amortisation expense		(35)	-	(110)	(145)
Disposals		930	-	-	930
Reclassification to assets held for sale	35	-	-	529	529
Balance at 30 Jun 2012		**(352)**	**-**	**-**	**(352)**
Net book value					
As at 30 Jun 2011		**278**	**3,896**	**3,019**	**7,193**
As at 30 Jun 2012		**141**	**547**	**-**	**688**

17. Trade and other payables

	Consolidated 2012 $'000	Consolidated 2011 $'000
Trade payables	449	1,351
	449	**1,351**

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 33.

18. Provisions

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee entitlements	448	2,449
Claims	42	47
Office leasehold restoration	479	395
Transfer of assets and liabilities	393	-
	1,362	**2,891**

Employee entitlements
The provision for employee entitlements represents the total benefits accrued to employees for annual leave and long service leave. The calculation of this provision has been performed in accordance with accounting policy note 1(o).

Claims
The provision for claims relates to the acquisition by Austock Life Limited of Manchester Unity Limited in the 2006 financial year. When Austock Life acquired Manchester Unity, Manchester Unity members were entitled to a $330 once off demutualisation benefit. The provision represents the estimated amounts owing to members who have not claimed their demutualisation benefit at balance date, as calculated by the independent appointed actuary.

Office leasehold restoration
The provision for office restoration represents the estimated cost to vacate and return the leased office premises to the property landlord in satisfaction of its lease agreement. It is expected that the provision will be utilised at lease expiry.

Transfer of assets and liabilities
The provision for transfer of assets and liabilities relates to the transfer of Druids Friendly Society benefit funds and management fund on 1 July 2011. Included in this balance is an amount of $267 thousand relating to property, plant and equipment. As per the Heads of Agreement, this is required to be sold at the end of the five year period with the proceeds to be distributed to the members of the Funeral Benefit Fund.

18. Provisions (continued)

	Consolidated				
	Employee entitlements $'000	Claims $'000	Office restoration $'000	Transfer of assets/liabilities $'000	Total $'000
2012					
Balance at 1 Jul 2011	2,449	47	395	-	2,891
Made during the year	1,195	-	84	5,335	6,614
Used during the year	(2,281)	(5)	-	(4,942)	(7,228)
Written back during the year	(655)	-	-	-	(655)
Balance at 30 Jun 2012	**708**	**42**	**479**	**393**	**1,622**
Current	600	10	40	8	658
Non current	108	32	439	385	964
Total provisions	**708**	**42**	**479**	**393**	**1,622**
less current provisions classified as held for sale	(215)	-	-	-	(215)
less non current provisions classified as held for sale	(45)	-	-	-	(45)
	448	**42**	**479**	**393**	**1,362**
2011					
Balance at 1 Jul 2010	2,288	57	522	-	2,867
Made during the year	1,511	-	242	-	1,753
Used during the year	(1,267)	(10)	(314)	-	(1,591)
Written back during the year	(83)	-	(55)	-	(138)
Balance at 30 Jun 2011	**2,449**	**47**	**395**	**-**	**2,891**
Current	2,086	10	40	-	2,136
Non current	363	37	355	-	755
	2,449	**47**	**395**	**-**	**2,891**

19. Other liabilities

	Consolidated	
	2012 $'000	2011 $'000
Accrued expenses	1,202	3,235
GST liability	112	609
Deferred and contingent purchase consideration	-	500
	1,314	**4,344**

20. Policyholder balances

	2012 $'000	2011 $'000
Assets		
Cash and cash equivalents	4,726	3,395
Other assets	6,669	4,493
Financial assets	291,143	226,422
Deferred tax assets	1,834	1,644
Total assets	**304,372**	**235,954**
Liabilities		
Trade and other payables	242	194
Tax liabilities	893	496
Other liabilities	22	28
Deferred tax liabilities	800	388
Policyholder liabilities	302,403	234,838
Total liabilities	**304,360**	**235,944**
Net assets	**12**	**10**
Other reserves		
Policyholder equity	12	10
Other reserves	**12**	**10**
Revenue		
Interest income	2,145	1,487
Distribution income & contribution	13,206	10,500
Revaluation increase of investments	-	5,503
Member contributions	3	3
Other revenue	1	1
Distribution as a result of the transfer of business	2,031	-
Total revenue	**17,386**	**17,494**
Expenses		
Finance expenses	2	1
Dealing and settlement expenses	530	579
General administrative expenses	75	85
Management fees paid by benefit funds	2,114	1,524
Revaluation decrement	1,516	145
Realised losses	4,824	1,705
Member withdrawals	165	141
Total expenses	**9,226**	**4,180**
Net profit before tax	8,160	13,314
Income tax expense	(1,698)	(2,839)
Profit attributable to policyholders	**6,462**	**10,475**

21. Borrowings

	Consolidated 2012 $'000	Consolidated 2011 $'000
Hire purchase liabilities	146	185
	146	**185**

22. Issued capital

	Consolidated 2012		Consolidated 2011	
	Number	$'000	Number	$'000
Issued and paid up capital				
Fully paid ordinary shares (a)	133,928,412	44,166	133,928,412	44,727
Partly paid ordinary shares (b)	5,153,580	342	5,153,580	342
		44,508		**45,069**

Changes in the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Consolidated 2012		Consolidated 2011	
	Number	$'000	Number	$'000
(a) Fully paid ordinary shares				
Balance at beginning of financial year	133,928,412	44,727	133,928,412	43,584
Equity settled benefits	-	1,360	-	1,143
Transfer from treasury shares reserve	-	(1,921)	-	-
Balance at end of the financial year	**133,928,412**	**44,166**	**133,928,412**	**44,727**

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated 2012		Consolidated 2011	
	Number	$'000	Number	$'000
(b) Partly paid ordinary shares				
Balance at beginning of financial year	5,153,580	342	5,153,580	342
Balance at end of the financial year	**5,153,580**	**342**	**5,153,580**	**342**

Partly paid ordinary shares carry one vote per share and have rights to dividends in the same proportion as to the amounts paid up on the ordinary share. The call on the partly paid shares is due on 30 June 2013.

23. Reserves

	Consolidated 2012 $'000	Consolidated 2011 $'000
Financial asset reserve (a)	-	-
Share buy back reserve (b)	(4,325)	(4,325)
Treasury shares reserve (c)	(273)	(2,130)
Share based payments reserve (d)	305	162
Balance at end of the financial year	**(4,293)**	**(6,293)**

(a) Financial asset reserve

Balance at beginning of financial year	-	4,517
Net change in fair value of financial assets, net of tax	-	(4,517)
Balance at end of financial year	-	-

The financial asset reserve recorded revaluations of financial assets classified as available for sale.

	Consolidated 2012 $'000	Consolidated 2011 $'000
(b) Share buy back reserve		
Balance at beginning of financial year	(4,325)	(4,325)
Movement during the financial year	-	-
Balance at end of financial year	(4,325)	(4,325)

The share buy back reserve records the portion of share buy back payments not funded from retained earnings.

(c) Treasury shares reserve

Balance at beginning of financial year	(2,130)	(1,678)
Acquired during financial year	(64)	(452)
Transfer to issued capital	1,921	-
Balance at end of financial year	(273)	(2,130)

The treasury shares reserve represents the cost of shares held by the trustee of an equity compensation plan that the Group is required to include in the consolidated financial statements. At 30 June 2012 the Group held 16,208,441 fully paid (2011: 24,004,553) and 1,280,160 partly paid (2011: 1,280,160) shares in the Company. During the year 495,147 (2011: 3,426,619) fully paid and nil (2011: nil) partly paid shares were acquired and 8,291,259 (2011: nil) fully paid shares were released as share based payments. This reserve will be reversed with any surplus or deficit on sale shown as an adjustment to share capital when the underlying shares are no longer held. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

23. Reserves (continued)

	Consolidated 2012 $'000	Consolidated 2011 $'000
(d) Share based payments reserve		
Balance at beginning of financial year	162	(260)
Transfer to retained earnings	143	(163)
Equity settled benefits	-	585
Balance at end of financial year	305	162

The share based payments reserve represents the cumulative difference between the total share based payment expense in the statement of comprehensive income and the cash outflow made to acquire the underlying equity instruments. Once the equity instruments have been fully vested and are released from the equity compensation plans, any difference remaining is transferred to retained earnings.

24. Retained earnings

	Consolidated 2012 $'000	Consolidated 2011 $'000
Opening accumulated losses	(10,987)	(15,685)
Net profit/(loss) attributable to members of the company	(16,026)	4,535
Transfer from issued capital and reserves	(143)	163
Closing accumulated losses	**(27,156)**	**(10,987)**

25. Earnings per share

	Consolidated 2012	Consolidated 2011
	Cents per share	**Cents per share**
Basic earnings per share		
Continuing operations	(4.72)	1.49
Discontinued operations	(9.45)	2.53
Total basic earnings per share	(14.17)	4.02
Diluted earnings per share		
Continuing operations	(4.72)	1.49
Discontinued operations	(9.45)	2.53
Total diluted earnings per share	(14.17)	4.02

Basic earnings per share
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2012	2011
	$'000	**$'000**
Earnings used in basic EPS calculation		
Earnings used for basic earnings per share calculation	(16,026)	4,535
Exclude the (profit)/loss for the period from discontinued operations	10,681	(2,852)
Earnings for the period from continuing operations	(5,345)	1,683
	Number '000	**Number '000**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic EPS	113,129	112,689

Diluted earnings per share
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2012	2011
	$'000	**$'000**
Earnings used in diluted EPS calculation		
Earnings used for basic earnings per share calculation	(16,026)	4,535
Exclude the loss for the period from discontinued operations	10,681	(2,852)
Earnings for the period from continuing operations	(5,345)	1,683
	Number '000	**Number '000**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic EPS	113,129	112,689
Adjustments to the weighted average number of ordinary shares	-	-
Weighted average number of ordinary shares for the purposes of diluted EPS	113,129	112,689

26. Dividends

	Consolidated 2012 $'000	Consolidated 2011 $'000
Recognised amounts		
No dividend has been declared or paid.	-	-
	-	**-**

27. Capital and leasing commitments

(a) Leased premises

	Consolidated 2012 $'000	Consolidated 2011 $'000
Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable not later than 1 year	1,498	1,872
Payable later than 1 year but not later than 5 years	2,578	4,553
Payable later than 5 years	-	18
Subtotal	**4,076**	**6,443**
less amount recoverable not later than 1 year	(1,122)	-
less amount recoverable later than 1 year but not later than 5 years	(1,681)	-
	1,273	**6,443**

The property lease in respect of the Group's Melbourne premises is a non cancellable lease with a term of 5 years and 8 months and expiry on 31 May 2016. Part of this lease was sub let to Intersuisse Holdings Pty Ltd on 12 March 2012 and this lease entitlement is reflected above.

The property lease in respect of the Group's Sydney premises is a non cancellable lease with a 5 year term expiring on 14 March 2013. This lease was sub let to Intersuisse Holdings Pty Ltd on 23 July 2012 and this lease entitlement is reflected above.

The property lease in respect of the Group's Perth premises was reassigned entirely to Intersuisse Holdings Pty Ltd on 12 March 2012.

27. Capital and leasing commitments (continued)

(b) Hire purchase liabilities

	Consolidated	
	2012 $'000	2011 $'000
Payable not later than 1 year	150	99
Payable later than 1 year but not later than 5 years	-	96
	150	**195**

(c) Investment commitments

Austock Group Limited has an investment commitment with one of its controlled entities, Austock Securities Pty Limited (formerly Austock Securities Limited). Part of the Company's investment in its 100% owned subsidiary, Austock Securities Pty Limited, are 432,090 partly paid shares that are paid up to $0.01 per share. The issue of the partly paid shares is governed by an investment agreement between the Company and the investee company such that any calls made on the uncalled capital must be by mutual agreement and consent. The amount of the uncalled capital is $29.996 million (2011: $29.996 million) that is payable at a time that is mutually agreeable between the parent entity and investee company.

Based on the sale of the Securities business, this investment commitment will be dissolved.

(d) ASX capital commitments

Austock Securities Pty Limited is a market participant of the Australian Securities Exchange ("ASX"). Market participants are subject to the market integrity rules. These rules require Austock Securities Pty Limited to maintain minimum core liquid capital of $100,000 at all times.

The market integrity rules define core liquid capital as the sum of:

- (i) all ordinary issued shares to the extent they are paid up;
- (ii) all non cumulative preference shares;
- (iii) all reserves excluding revaluation reserves; and
- (iv) opening retained profits/losses adjusted for all current year movements.

On 1 August 2011 ASIC took over supervision of non-clearing market participants, of which Austock Securities Pty Limited is one. The above requirements remain the same under ASIC supervision.

Austock Securities Pty Limited discontinued its operations on 12 March 2012 when the assets of the business were acquired by Intersuisse Holdings Pty Ltd. Following the sale of assets, Austock Securities Pty Limited was inadvertently in breach of the core liquid capital requirements. We have voluntarily lodged with ASIC a significant breach report and outlined the action to be taken to rectify this breach.

The breach occurred after Austock Securities Pty Limited ceased trading and no clients have suffered, or were likely to suffer, any financial risk or loss.

28. Contingent liabilities

Banking facilities

A registered mortgage debenture has been given to National Australia Bank Limited over the whole of the assets and undertakings of the Company. The registered mortgage secures the following financing facilities:

- Bank guarantee facility of $1,855,106 (2011: $1,855,106) in respect of the lease of the Company's business premises;
- Bank guarantee facility totalling $nil (2011: $2,000,000) in respect of a third party clearer for Austock Securities;
- Direct debit facility of $50,000 (2011: $50,000) to be used for client's accounts as part of the Austock Life business; and
- Direct debit facility of $nil (2011: direct debit facility of $1,000,000) to be used for client's accounts as part of the Austock Securities business.

Litigation claims

During the ordinary course of business the Group receives claims from third parties. All existing claims have been denied and will be vigorously defended.

29. Controlled entities

Name of entity	Country of incorporation	2012 Ownership interest	2011 Ownership interest
Parent entity			
Austock Group Limited	Australia		
Controlled entities			
ACN 101 074 015 Pty Limited (a)	Australia	100%	100%
Austock Capital Management Pty Limited (b)	Australia	100%	100%
Austock Employee Share Custodian Pty Limited	Australia	100%	100%
Austock Employee Share Trust (c)	Australia	-	-
Austock Funds Management Limited	Australia	100%	100%
Austock GET Management Pty Limited	Australia	100%	100%
Austock GET USA Management Pty Limited	Australia	100%	100%
Austock Insurance Brokers Pty Limited	Australia	100%	100%
Austock Life Limited	Australia	100%	100%
Austock Nominees Pty Limited	Australia	100%	100%
Austock Private Equity Pty Limited	Australia	100%	100%
Austock Property Funds Management Pty Limited	Australia	100%	100%
Austock Property Investment Management Pty Limited	Australia	100%	100%
Austock Property Management Limited	Australia	100%	100%
Austock Property Services Pty Limited	Australia	100%	100%
Austock RE Pty Limited	Australia	100%	100%
Austock Real Estate Management Pty Limited	Australia	100%	100%
Austock Securities Pty Limited (e)	Australia	100%	100%
Austock Services Pty Limited	Australia	100%	100%
Millennium Wealth Limited (b) (d)	Australia	100%	100%

(a) Change of name from Austock Corporate Finance Pty Limited on 6 July 2011
(b) Effective control from 31 May 2011
(c) The Company has effective control of this trust entity
(d) Deregistered on 13 May 2012
(e) Converted from public company on 10 May 2012

30. Related parties

(a) Equity interests in related entities

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 29 to the financial statements.

Details of the percentage of ordinary shares held in associated entities are disclosed in note 14 to the financial statements.

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 8 to the financial statements.

Directors and their family members have invested in the Imputation Bonds Benefit Funds controlled by Austock Life Limited. These transactions are at arm's length. The value of these investments is $175,531 (2011: $76,907).

A director of a company that provides investment management services to Austock Life Limited became a director of Austock Group Limited on 20 December 2011. These transactions are at arm's length. The amount paid by Austock Life Limited from 20 December 2011 to 30 June 2012 amounted to $109,849.

A director of a company that utilises administration services of Austock Services Pty Ltd became a director of Austock Group Limited on 20 December 2011. These transactions are at arm's length. The amount received by Austock Services Pty Ltd from 20 December 2011 to 30 June 2012 amounted to $113,941.

(c) Transactions within the wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly owned group; and
- Wholly owned controlled entities.

The ultimate parent company in the wholly owned group is Austock Group Limited. Amounts receivable from and payable to entities in the wholly owned group are included in the amounts in note 37 to the financial statements.

During the financial year, the following transactions occurred between the parent entity and its controlled entities:

- The parent entity has provided general management assistance to its controlled entities on normal commercial terms and conditions no more favourable than those available to other parties dealing on an arm's length basis. The total value of the management assistance services provided was $3,101,142 (2011: $7,663,292).
- The parent entity has made new investments of $nil (2011: $250,001) in controlled entities.
- The parent entity has not sold any investments in controlled entities during the current year. In the prior 2011 year, the parent entity sold a controlled entity for $40,000.
- The parent entity advanced a subordinated loan to Austock Securities Pty Limited for $2,300,000 (2011: $nil). This loan was approved by the Australian Securities and Investments Commission (ASIC) and remains outstanding.
- The parent entity has advanced amounts to controlled entities totalling $2,792,500 (2011: $8,087,226) and has received repayment of advanced amounts totalling $3,652,500 (2011: $7,097,226). As at 30 June 2012, the amount owing to the parent entity from controlled entities is $6,075,230 (2011: $6,935,080).
- The parent entity has received advanced amounts from controlled entities totalling $2,141,500 (2011: $1,029,750) and has repaid advanced amounts totalling $22,500 (2011: $5,401,750). As at 30 June 2012, the amount owed by the parent entity to controlled entities is $2,298,886 (2011: $179,886).

30. Related parties (continued)

(d) Transactions with other related parties

Other related parties include:

- associates
- joint ventures in which the entity is a venturer
- director related entities
- other related parties

(i) Transaction between Austock Group Limited and its associates

During the financial year, the following transactions occurred between Austock Group Limited and its associates:

- Austock Group Limited has provided general management assistance to an associate on normal commercial terms and conditions no more favourable than those available to other parties dealing on an arm's length basis. The total value of the management assistance services provided was $11,926 (2011: $nil).
- Austock Group Limited did not execute any debt forgiveness deeds for the year ending 30 June 2012 (2011: $4,102,625).
- Austock Group Limited advanced amounts totalling $nil (2011: $150) to associates and has received repayment of $150 (2011: $nil) from associates. Amounts owed to Austock Group Limited from associates is $nil (2011: $150).

(ii) Transactions with director related entities

There were no transactions with director related entities during the current or prior financial year.

(iii) Transactions with other related parties

During the financial year, the following transactions occurred with other related parties:

- The parent received a dividend of $nil (2011: $500,000) from a related entity.
- The parent did not dispose of any investment in related entities (2011: the parent disposed of a related entity for $7,333,333).

31. Business acquisition and disposal

(a) Business acquisition

Nature of business	Principal activity	Date of combination	Proportion of shares issued	Cost of investment
2012				
Not applicable				
2011				
Austock Capital Management Pty Ltd ("ACMPL")	Investment manager	31 May 2011	100%	$934,000

There were no new business acquisitions during the year. However, it is noted that a payment was made during 2012 relating to cash consideration deferred at 30 June 2011 in relation to the ACMPL business acquisition. Further details are disclosed in note 32(b). This formed part of the sale of the Securities business.

In the prior year on 31 May 2011, the Group acquired a 100% controlling interest in the business of Austock Capital Management Pty Ltd (previously named Minc Wealth Management Pty Ltd). The purchase consideration consists of cash which the Group has funded from its existing cash reserves that is paid in two instalments and contingent consideration in the form of equity in the Group. The first cash instalment of $434,000 was paid at the time of the business acquisition and the cash balance of $250,000 is payable after six months from completion date. The contingent consideration comprises of equity in Austock Group Limited to the value of $250,000 subject to the ACMPL business achieving certain financial objectives within the first 12 months of operation.

Goodwill arises in this business combination because the cost of the combination reflects a number of benefits that include a control premium, expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the prior year is revenue of $44,000 and a net profit after tax of $1,000 representing the contribution of ACMPL to the Group covering the period from acquisition date to year end. Had the business combination of ACMPL been effected at 1 July 2010, the revenue of the Group would be $41.3 million and net profit after tax would be $4.5 million. The directors of the Group consider these 'proforma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

	ACMPL $'000
Fair value of net assets acquired	
Cash and cash equivalents	101
Receivables	31
Property, plant and equipment	5
Payables and other	(137)
Net assets acquired	**-**
Goodwill on acquisition	934
Business combination value	**934**
Cost of the combination	
Cash paid	434
Cash payable	250
Total cash consideration	**684**
Contingent consideration	250
Cost of business combination	**934**
Cash outflow on acquisition	
Cash acquired	101
Cash paid	(434)
Consolidated net cash outflow	**(333)**

Further details of the business acquisition during the year are disclosed in note 32(b).

31. Business acquisition and disposal (continued)

(b) Business disposal

Austock Securities

On 9 February 2012, the Group announced the sale of the Austock Securities business to Intersuisse Holdings Pty Ltd. Completion of the transaction occurred effective 12 March 2012 and the combined Intersuisse/Austock Securities business has since been renamed as Octa Phillip. The proceeds on disposal were only of a nominal value resulting in the Group reporting a consolidated loss of $2,920 thousand on the disposal of business assets. The business disposal represents discontinued operations of the Group and further details are disclosed in note 34.

The following were the results of the Austock Securities disposed business.

	From 1 Jul 2011 To 30 Jun 2012 $'000	From 1 Jul 2010 To 30 Jun 2011 $'000
Income Statement		
Revenue	14,266	25,547
Expenses	(20,948)	(23,080)
(Loss)/profit before income tax	**(6,682)**	**2,467**
Income tax benefit/(expense)	(3,999)	385
Net (loss)/profit after income tax	**(10,681)**	**2,852**

	Securities $'000
Loss on disposal	
Fair value of net assets disposed	2,920
Consideration received	-
Loss on disposal	**2,920**
Cash flow on disposal	
Cash disposed	-
Cash paid	1,373
Consolidated net cash outflow	**(1,373)**

Included in the $1,373 thousand cash outflow is an amount of $528 thousand that has been placed on term deposit for potential funding of a retention bonus as part of the Securities business sale as disclosed in note 13.

Further cash flow details of the business disposal during the year are disclosed in note 32(c).

31. Business acquisition and disposal (continued)

(b) Business disposal (continued)

Austock Financial Planning

In the prior year on 30 September 2010, the Group disposed of its 100% interest in Austock Financial Planning Pty Ltd ("AFPPL"). The proceeds on disposal of $40 thousand were received in cash resulting in the Group reporting a consolidated gain on disposal of $81 thousand.

The following were the results of AFPPL for the period:

	From 1 Jul 2010 To 30 Sep 2010 $'000	From 1 Jul 2009 To 30 Jun 2010 $'000
Income Statement		
Revenue	108	463
Expenses	(164)	(837)
Loss before income tax	**(56)**	**(374)**
Income tax benefit/(expense)	19	(341)
Net loss after income tax	**(37)**	**(715)**

	AFPPL $'000
Gain on disposal	
Fair value of net liabilities disposed	41
Consideration received	40
Gain on disposal	**81**
Cash flow on disposal	
Cash disposed	-
Cash received	40
Consolidated net cash inflow	**40**

A gain of $81 thousand was recognised in revenue on the disposal of AFPPL. No tax charge or credit arose on the transaction.

Further details of the business disposal during the year are disclosed in note 32(c).

32. Notes to the statement of cash flows

	Consolidated 2012 $'000	2011 $'000
(a) Reconciliation of cash		
Cash balance comprises:		
- cash at bank	3,597	14,364
- cash held on trust	89	37
Closing cash balance	**3,686**	**14,401**

(b) Business acquisition

There were no new business acquisitions during the year, however a payment was made in relation to the business acquisition from the prior year. Details of the business acquisition in the prior year are as follows:

	2012 $'000	2011 $'000
Fair value of net assets acquired		
Cash and cash equivalents	-	101
Receivables	-	31
Property, plant and equipment	-	5
Payables and other	-	(137)
Net assets acquired	**-**	**-**
Goodwill on acquisition	-	934
Total cash consideration	**-**	**934**
Net cash flow on acquisition		
Cash and cash equivalent consideration	-	684
Less cash and cash equivalent acquired	-	(101)
Net payment for business combination	**-**	**583**
Less cash consideration payable	250	(250)
Net cash paid for business combination	**250**	**333**

(c) Business disposal

Details of the business disposal that occurred during the year are as follows:

	2012 $'000	2011 $'000
Fair value of net assets disposed		
Net assets/(liabilities) disposed	1,547	(41)
(Loss)/Gain on disposal	(2,920)	81
Total cash (payment)/consideration	**(1,373)**	**40**
Net cash flow on disposal		
Cash and cash equivalent (paid)/received	(1,373)	40
Less cash and cash equivalent disposed	-	-
Net cash (paid)/received for business disposal	**(1,373)**	**40**

32. Notes to the statement of cash flows (continued)

	Consolidated 2012 $'000	Consolidated 2011 $'000
(d) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations		
Profit/(Loss) from ordinary activities after tax	(16,026)	4,535
Depreciation and amortisation	477	616
Net payments from trading shares	-	(55)
Equity settled share based payments	1,317	1,555
Impairment charges/(reversals)	684	(1,082)
Interest and dividend income	(726)	(1,284)
Loss/(Profit) on sale of assets	2,920	(4,753)
Change in assets and liabilities		
(Increase)/Decrease in receivables	902	(1,970)
(Increase)/Decrease in other assets	120	712
(Increase)/Decrease in financial assets	2,286	(606)
(Increase)/Decrease in income tax asset	(361)	175
(Increase)/Decrease in deferred tax assets	5,727	(244)
(Decrease)/Increase in payables	(953)	(745)
(Decrease)/Increase in provisions	(636)	(166)
(Decrease)/Increase in other liabilities	(2,228)	(1,861)
Net cash flow used in operating activities	**(6,497)**	**(5,173)**

	Consolidated 2012 $'000	Consolidated 2011 $'000
(e) Financing facilities		
Secured bank guarantee facility:		
• Amount used	1,601	1,699
• Amount unused	254	156
	1,855	**1,855**

33. Financial instruments

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Exposure to Credit Risk

The carrying amount of the Group's financial assets (net of impairment provisions) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2012 $'000	2011 $'000
Cash and cash equivalents	3,686	14,401
Trade and other receivables	1,747	4,076
Financial assets	528	-
Cash and cash equivalents classified as held for sale	3,101	-
Trade and other receivables classified as held for sale	743	-
Total	**9,805**	**18,477**

The credit risk on liquid cash funds is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by reputable credit-rating agencies. Included in the Group's year end receivables is $2.2 million that is due from one counterparty. Due to the ageing of this receivable and the ongoing dispute with the debtor, the directors have impaired this receivable by $0.7 million to $1.5 million to reflect the uncertain timing of recovery. The Group is still pursuing the recovery of the debt.

Impairment losses

The aging of the Group's trade and other receivables and loan assets (net of impairment provisions) at reporting date was:

	Consolidated	
	2012 $'000	2011 $'000
Not past due	988	1,672
Past due 1 to 30 days	-	2,404
Past due 31 to 90 days	2	-
Past due more than 91 days	1,500	-
Total	**2,490**	**4,076**

In determining the recoverability of receivables, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date.

A reconciliation of the movement in the provision for impairment of loans and other receivables is presented below:

	Consolidated	
	2012 $'000	2011 $'000
Opening balance	1,202	3,574
Impairment	752	-
Reversal of impairment	-	(55)
Write off	(1,202)	(2,317)
Total	**752**	**1,202**

33. Financial instruments (continued)

(b) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 3 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments, at reporting date:

Consolidated	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
2012							
Hire purchase liabilities	146	(150)	(150)	-	-	-	-
Trade and other payables	1,763	(1,763)	(1,763)	-	-	-	-
Trade and other payables classified as held for sale	712	(712)	(712)	-	-	-	-
Total	**2,621**	**(2,625)**	**(2,625)**	**-**	**-**	**-**	**-**
2011							
Finance lease liabilities	185	(195)	(54)	(44)	(83)	(14)	-
Trade and other payables	5,278	(5,278)	(5,278)	-	-	-	-
Total	**5,463**	**(5,473)**	**(5,332)**	**(44)**	**(83)**	**(14)**	**-**

(c) Market risk

The Group's exposure is the financial risk of changes with respect to interest rates and equity prices. The Group manages market risks through sensitivity analysis.

33. Financial instruments (continued)

(i) Interest rate risk

The Group is exposed to interest rate risk as entities in the Group invest and borrow at both fixed and floating interest rates.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Fixed rate instruments		
Financial assets	1,573	5,060
Financial liabilities	(146)	(185)
Net asset/(liability)	1,427	4,875
Variable rate instruments		
Financial assets	2,641	9,341
Financial assets classified as held for sale	3,101	-
Financial liabilities	-	-
Net asset/(liability)	5,742	9,341

Cash flow sensitivity analysis for variable and fixed rate instruments

A change of +/- 1% in interest rates would have increased/(decreased) profit by the amounts shown below:

	Consolidated	
	1% increase $'000	**1% decrease $'000**
30 June 2012		
Variable rate instruments	74	(74)
Fixed rate instruments	(33)	33
	41	(41)
30 June 2011		
Variable rate instruments	94	(94)
Fixed rate instruments	(9)	9
	85	(85)

(iii) Equity price risk

The Group is exposed to equity price risks arising from equity investments.

At the reporting date the carrying amount of the Group's assets exposed to equity price risk was:

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Financial assets at fair value through profit or loss		
House positions	107	2,452
House positions classified as held for sale	57	-
	164	2,452

33. Financial instruments (continued)

(iii) Equity price risk (continued)

Equity price sensitivity analysis

A change of +/- 10% in equity prices would have the following impact on the statement of comprehensive income:

	Consolidated	
	Equity price 10% increase $'000	**Equity price 10% decrease $'000**
Financial assets at fair value through profit or loss		
30 June 2012		
House positions	16	(16)
	16	(16)
30 June 2011		
House positions	245	(245)
	245	(245)

(d) Fair values

(i) Fair values versus carrying amounts

The directors consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair value.

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

33. Financial instruments (continued)

(ii) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: fair value is calculated using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: fair value is estimated using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Consolidated

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2012				
Financial assets at fair value through profit or loss				
House positions	107	-	-	107
House positions classified as held for sale	57	-	-	57
Fixed term deposit	528	-	-	528
	692	-	-	692
30 June 2011				
Financial assets at fair value through profit or loss				
House positions	2,452	-	-	2,452
	2,452	-	-	2,452

Level 1

- House positions are valued using quoted market prices, excluding transaction costs.

Level 2

- Investments in other related entities are valued based on prices observable in a sales contract.

Transfer between categories

There were no transfers between Level 1 and Level 2 during the current or prior year.

34. Discontinued operations

On 9 February 2012, the Group announced the sale of the Austock Securities business to Intersuisse Holdings Pty Ltd. Completion of the transaction occurred effective 12 March 2012 and the combined Intersuisse/Austock Securities business has since been renamed as Octa Phillip. The proceeds on disposal were only of a nominal value resulting in the Group reporting a consolidated loss of $2,920 thousand on the disposal of business assets.

Disposal of assets

	Consolidated	
	2012 $'000	**2011 $'000**
Property, plant and equipment	800	-
Intangible assets	2,120	-
	2,920	**-**

The combined results of the discontinued operations which have been included in the statement of comprehensive income are as follows. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations as discontinued in the current period.

	Notes	**2012 $'000**	**2011 $'000**
Revenue	5	14,266	25,547
Expenses			
Personnel expenses	6(a)	(11,239)	(16,283)
Occupancy expenses	6(b)	(867)	(1,095)
Communication expenses	6(c)	(307)	(329)
Finance expenses	6(d)	(83)	(94)
Dealing and settlement	6(e)	(2,039)	(2,873)
Marketing and promotional	6(f)	(481)	(941)
Depreciation	6(g)	-	-
General administrative expenses	6(h)	(1,832)	(1,334)
Loss on assets at fair value through profit & loss	6(i)	(496)	(131)
Loss on disposal of assets		(2,920)	-
Impairment charges	6(j)	(684)	-
Profit/(loss) before income tax		**(6,682)**	**2,467**
Income tax (expense) / benefit	7(a)	(3,999)	385
Profit/(loss) after income tax		**(10,681)**	**2,852**

Cash flow from discontinued operations:

Net cash flows from operating activities	(3,797)	(1,988)
Net cash flows from investing activities	(1,309)	2,967
Net cash flows from financing activities	2,300	(1,585)
Net cash flows	**(2,806)**	**(606)**
Earnings per share		
Basic (cents per share)	(9.45)	2.53
Diluted (cents per share)	(9.45)	2.53

35. Disposal group held for sale

Following the sale of the securities business in March 2012, the Group's management has formed the view that whilst the Property business has considerable potential, Austock alone does not have the capacity to help the business achieve that potential. Accordingly, the Group's management has sought to identify a party with a common approach and the financial capability to achieve this. On 9 July 2012, the Group announced the sale of the Property business to Folkestone Limited and the sale is subject to approval at a general meeting of shareholders to be held on 12 September 2012. The Property business is a part of the Investment Management operating segment as referred to note 4.

The Property business assets and liabilities are classified as held for sale as their carrying amount as at 30 June 2012 will be recovered principally through a sale transaction rather than through continuing use.

At 30 June 2012, the disposal group comprised the following assets and liabilities:

	2012 $'000
Cash and cash equivalents	3,101
Trade and other receivables	743
Financial assets	57
Other assets	7
Intangible management rights: at cost	3,438
Intangible management rights: accumulated amortisation	(529)
Intangible goodwill	1,146
Deferred tax assets	259
	8,222
Trade and other payables	43
Income tax payable	139
Other liabilities	530
Provisions	260
	972

36. Subsequent events

The following events have occurred subsequent to balance date:

- On 9 July 2012, the Group announced that it had entered into an agreement with Folkestone Limited to sell the Austock Property business. The sale is subject to a number of conditions precedent including approval by the Group's shareholders with a meeting scheduled for 12 September 2012.

  The sale will be affected by the transfer of all shares in the Austock Property businesses to Folkestone Limited. The purchase price is $11 million cash payable in two tranches. The first tranche of $7.15 million (65% share sale) is payable on completion, which assuming the shareholder meeting is successful will be mid-September 2012. The second tranche of $3.85 million (35%) is payable on 30 September 2013 unless accelerated. Austock is entitled to a 35% share of profits from the Property business whilst it retains that equity share.

  Furthermore, the Group has announced an on-market share buy-back which will utilise proceeds from the sale of the Austock Property business. The Group proposes to buy-back up to 27 million shares, or approximately 20% of its shares on issue. The commencement of the share buy-back is conditional upon Group shareholder approval at the meeting scheduled for 12 September 2012.

- On 25 August 2012, the claim made by Edmund Groves was settled. The claim, which was disputed by Austock, was settled without admission of liability. The settlement amount will not impact the financial position of the Group.

- Other than those events discussed above, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

37. Parent entity disclosures

As at and throughout the financial year ended 30 June 2012 the parent company of the Group was Austock Group Limited.

	Company	
	2012	**2011**
	$'000	**$'000**
Result of the parent entity		
Profit/(loss) for the period	(17,162)	4,333
Other comprehensive income	-	2,884
Total comprehensive income for the period	**(17,162)**	**7,217**
Financial position of the parent entity at year end		
Current assets	3,028	6,356
Total assets (a)	**38,208**	**53,784**
Current liabilities	1,824	2,487
Total liabilities	**8,377**	**6,801**
Total equity of the parent entity comprising of:		
Share capital	46,593	45,232
Reserves	20,755	22,634
Accumulated losses	(37,517)	(20,883)
Total equity	**29,831**	**46,983**

(a) Total assets include the value of investments in subsidiaries which are classified as available-for-sale financial assets.

Parent entity contingencies

Other than the relevant contingent liabilities disclosed in note 28 to the financial statements, the parent entity does not have any contingencies at 30 June 2012 (2011: nil).

Parent entity capital commitments for acquisition of property plant and equipment

The parent entity does not have any capital commitments to acquire property plant and equipment at 30 June 2012 (2011: nil).

Parent entity guarantees in respect of its subsidiaries

The parent entity does not have any guarantees in respect of its subsidiaries at 30 June 2012 (2011: nil).

Additional stock exchange information as at 28 August 2012 (unaudited)

Number of holders of equity securities

Fully paid ordinary share capital
133,928,412 fully paid ordinary shares are held by 663 shareholders
Fully paid ordinary shares carry one vote per share and carry the right to dividends

Partly paid ordinary share capital
5,153,580 partly paid ordinary shares are held by 25 shareholders
Partly paid ordinary shares carry voting and dividend entitlements on a pro-rata basis according to the amount paid up on each share (as a proportion of $0.95)

Distribution of holders of equity securities

Number of shares held	*Fully paid ordinary shares*	*Partly paid ordinary shares*
1 - 1,000	131	-
1,001 - 5,000	225	-
5,001 - 10,000	72	-
10,001 - 100,000	138	17
100,001 and over	97	8
Total	663	25
Holdings less than a marketable parcel	295	n/a

Substantial shareholders

Substantial shareholders	*Number of fully paid shares*	*Number of partly paid shares*
Smith Peaco Nominees Pty Ltd	14,510,220	-
Austock Employee Share Custodian Pty Ltd<Austock Employee Share A/C>	12,861,775	1,280,160
Mr Martin Edward Ryan	10,922,692	-
Mr John David Wheeler	10,000,000	-
Mrs Patricia Mary Tooth	8,078,560	-
Mr Goh Geok Khim	7,999,600	-

Twenty largest holders of quoted equity securities

Ordinary shareholders	*Number*	*Fully paid percentage*
Austock Employee Share Custodian Pty Ltd<Austock Employee Share A/C>	12,861,775	9.603
Mr Martin Edward Ryan	10,892,692	8.133
Mrs Patricia Mary Tooth	8,078,560	6.032
Smith Peaco Nominees Pty Ltd <The Bessemer Property A/C>	6,639,100	4.957
Mr John David Wheeler	6,000,000	4.480
Mr Frank Gerard Zullo	5,000,000	3.733
Mr Don Lazzaro & Mrs Ann Lazzaro <Super Fund A/C>	4,663,854	3.482
Candoora No 31 Pty Ltd <Bessemer Super Fund A/C>	4,500,000	3.360
Mr Peter Geoffrey Hollick	4,025,140	3.005
M F Custodians Ltd	3,844,721	2.871
Solanum Investment Pte Ltd	3,500,000	2.613
Onever Pty Ltd	3,371,120	2.517
Mr Paul Masi	3,141,666	2.346
Mr Alexander Llewellyn Smith	3,053,200	2.280
Future Equity Investments Limited	2,500,000	1.867
Mr John David Wheeler and Mr Glen Robert Wheeler <Wheelsup S/F A/C>	2,500,000	1.867
Mr Ryan James Whitelegg	2,000,460	1.494
Robcharta Nominees (NSW) Pty Ltd	2,000,400	1.494
Mr Goh Geok Khim	1,999,600	1.493
J P Morgan Nominees Australia Limited	1,644,353	1.228
	92,216,641	68.855

Securities subject to voluntary escrow

Escrow release date	Number of escrowed shares
Pursuant to rules of partly paid share plan	5,153,580
	5,153,580

On market buy back

Austock announced on 6 August 2012 its intention to conduct an on-market buy-back of up to 27 million fully paid ordinary shares in the Company. The proposed buy-back is conditional on Austock shareholders approving the following at a duly convened meeting of shareholders (scheduled for 12 September 2012):

- the proposed sale of the Austock property funds management business to Folkestone Limited (and completion of the sale); and
- the proposed on-market share buy-back.

Corporate information

Company Directors

Mr Frederick George Albion Beaumont	Non-Executive Chairman
Mr William Eric Bessemer	Chief Executive Officer
Mr Martin Edward Ryan	Non-Executive Director
Mr Jonathan James Tooth	Non-Executive Director

Company Secretaries

Ms Amanda Jane Gawne
Mr Adrian Seamus Hill

Registered Office

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Facsimile: +61 3 9200 2270

Share Register

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Banker

National Australia Bank
330 Collins Street
Melbourne VIC 3000

Auditor

KPMG
147 Collins Street
Melbourne VIC 3000

Appointed Actuary for Austock Life

Allen L Truslove
Actuary and Statistician
570 Bourke Street
Melbourne VIC 3000