

2017

Austock Group Annual Report

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Chairman's Report

Austock Group

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I joined the Board of Austock Group as Executive Chairman on the 18th July 2017 and as such the credit for the performance of the business in 2017 rests primarily with the previous Chair and the Managing Director of Austock Life, Ross Higgins.

It is however an opportunity for me to reflect on the performance of the business in the 2017 financial year and to share with shareholders some of my thinking about the way forward.

In relation to 2017, the performance of the business was solid, as reflected in the key performance metrics for the business on page 7.

Having finished the year with \$720 million under management and \$1,482 million under administration, the Group has reached a point where economies of scale should start to kick into the business. Effectively this means that revenue should be now growing at a much faster rate than costs.

This has been the medium term goal of the business and management should be commended for reaching this point in the 2017 year.

So what should we expect going forward?

This is an area that I have put a lot of thought into because as well as joining the Board, I have invested in the company and its products.

Firstly, I think there will be a lot more interest in investment bonds off the back of more changes in superannuation which are effective from 1 July 2017. One of these changes limits further contributions altogether once the balance of an individual's super account is over \$1.6m. It has been estimated that the effect of this cap alone will mean that there will be approximately \$18 billion per annum available to be captured outside of super.

I believe that investment bonds are well placed to capture some of these additional flows as the products remain a very attractive tax vehicle for high net worth individuals to save for the future. In addition bonds have little of the restrictions that are imposed by saving through the superannuation system and much less regulatory uncertainty. As Austock has shown over the past number of years, it is competitively very well placed and I would expect this to result in the business continuing to win market share.

However we will not be the only ones seeing this opportunity, so it's the intention of the business in 2018 to step up marketing and distribution efforts to increase awareness of the attractiveness of our products. Part of this will be a "relaunch" of the life business that will encompass a rebranding of the life company to a name and brand identity that will be more representative of our aspirations to be a leader in life event financial solutions.

In 2018 we will also explore other areas to expand the business. There is no doubt that with the aging of the Australian population we will see an increase in demand for retirement income streams and there will be heightened concerns around longevity risk, and in particular, the risk of outliving one's savings. These two areas are natural places for us to be positioned and we will build out our strategy here over the course of the year.

I'm very much looking forward to rolling up my sleeves to help the business grow and look forward to 2018 with lots of optimism for the prospects of the business.

Rob Coombe



Executive Chairman Austock Group Limited
22 August 2017

Summary Of Results (Unaudited)

Austock Group

The Summary of Results excludes the statutory Benefit Funds of Austock Life Limited to reflect only the shareholders' interest.

Austock reported a statutory after tax profit of \$200 thousand for the financial year ended 30 June 2017.

	Note	Full Year End 30 June 2017 Total \$'000	Full Year End 30 June 2016 Total \$'000	Movement \$'000
Life and Services		8 213	7 339	874
Other income		194	307	(113)
Total revenue		8 407	7 646	761
Personnel		(4 515)	(4 472)	(43)
Occupancy		(522)	(353)	(169)
Communication		(89)	(83)	(6)
Finance		(16)	(10)	(6)
Dealing and settlement		(2 263)	(2 072)	(191)
Marketing and promotional		(300)	(319)	19
Depreciation and amortisation		(133)	(134)	1
Administration expenses		(2 056)	(1 964)	(92)
Total expenses		(9 894)	(9 407)	(487)
Loss before income tax		(1 487)	(1 761)	274
Austock Life management fund benefit	1	2 319	2 307	12
Underlying profit after tax		832	546	286
Impact of deferred tax asset	2	(632)	1 592	(2 224)
Statutory profit after tax		200	2 138	(1 938)

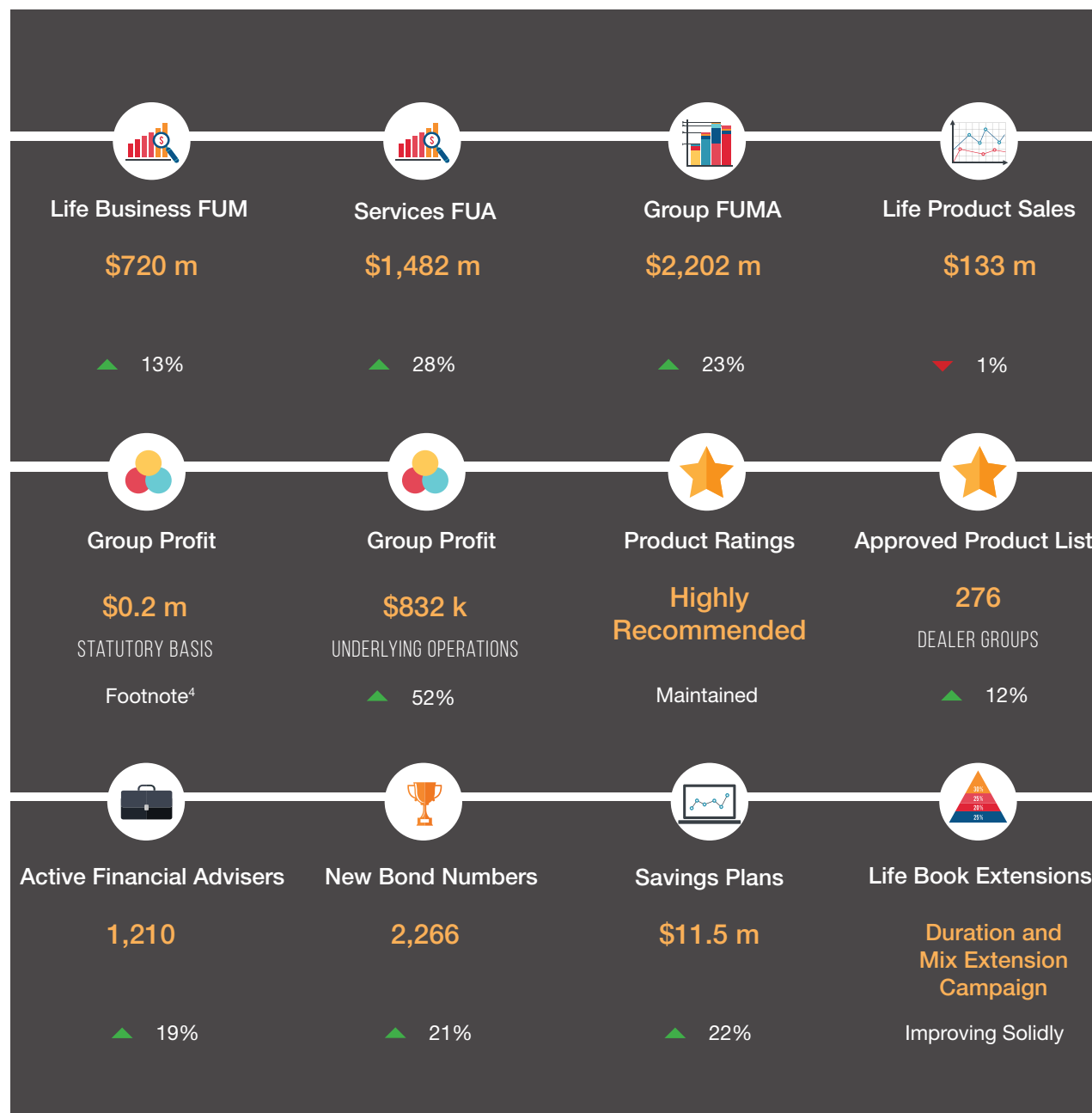
- For income taxation purposes Austock Life Limited is a single taxpayer comprising policyholder Benefit Funds and a central management or shareholder fund with all the Company's assessable income, allowable deductions and other tax offsets being pooled. The net tax receivable position of the management fund gives rise to this benefit.
- Primarily recognition of past tax losses are determined using forward financial projections. The reduced benefit recorded in the current year is attributable to the adoption of a more conservative set of projections. Refer also notes 1(k) and 8 of the financial statements.

Balance Sheet Summary

	2017 \$'000	2016 \$'000
Cash, cash equivalents and investments - term deposits	9 293	5 179
Income tax receivable	602	1 835
Trade and other receivables	542	521
Property, plant and equipment and software	404	144
Austock Life - goodwill	547	547
Deferred tax asset	1 093	1 727
Other assets	198	182
Total assets	12 679	10 135
Trade and other payables	(120)	(159)
Provisions and other liabilities	(1 398)	(1 427)
Total liabilities	(1 518)	(1 586)
Net assets	11 161	8 549
<i>Comprising:</i>		
Tangible assets	10 517	7 889
Intangible assets	644	660
	11 161	8 549
Weighted average number of share used for NTA purposes	104 010 339	103 188 421
NTA per share (cents)	10.1	7.6

Key Performance Measures

2016/17



⁴ Includes Deferred Tax Benefit recognition

Business and Operations Report

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This year's review begins with the overall picture of Austock Group's businesses from a Funds Under Management and Administration (FUMA) perspective. At 30 June 2017, this comprised:

- Austock Life's Funds Under Management (FUM) being the assets of the Life business, which increased to \$720 million for the year - growing by \$81.9 million (up 12.8%); and
- Austock Financial Services, which aside from being Life's administration and service entity, also administers funds for clients external to Austock Group. Its Funds Under Administration (FUA) for these external institutional clients reached \$1,482 million at 30 June - growing by \$326 million (up 28%).

Austock Group FUMA	2016/17 \$m	2015/16 \$m	2014/15 \$m
Opening FUMA	1,794.9	1 306.3	1 080.8
Austock Life FUM Growth	81.9	52.5	107.3
Austock Services FUA Growth	326.3	437.7	119.5
Acquired Business FUM Movement	(1.5)	(1.5)	(1.5)
Closing FUMA	2 201.6	1 794.9	1 306.3

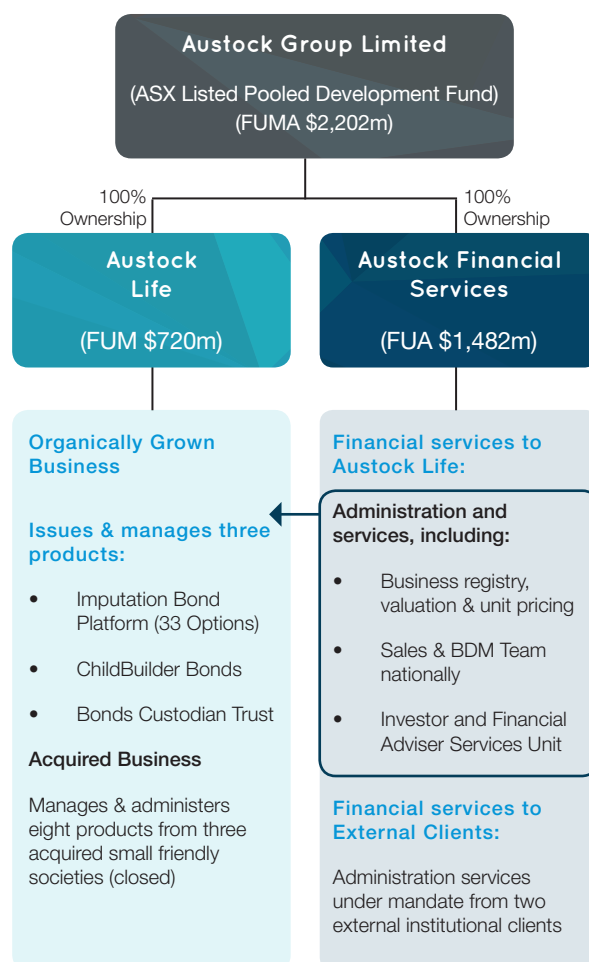
Whilst this is an impressive \$2,202 billion FUMA number, it should be viewed in the context that it is the Life business that is generating the high value, high margin "retail" business accounting for around 97% of Group revenue. The Service's FUA arises from large, external mandates and is much lower margin business.

Turning to the Group's financials, FY 17 produced an underlying profit of \$831,527 (up 52% on last year) with revenue increasing 10% to \$8,407 million.

The higher revenues reflect the consistent trajectory of the Life business's FUM growth, which over the last five years has a compound growth rate of over 21% p.a.

The Group's revenue is largely reliant on a predictable multiple of FUM/FUA. Despite a change from negative to positive growth in the Life business' market sector over recent years, pressure on fee margins is not yet evident. Fee contraction pressure is something we are keenly watching with expected market-wide growth escalation and potential for new entrants.

Total Group expenses increased from \$9.4 million to \$9.9 million. This modest 5% uplift reflects the Group over the year keeping strong cost control culture across our operations with cost management of the marketing and distribution model attuned to a modest expansionary setting.



Austock Life

FY 17 marked Austock Life's 13th consecutive year of positive asset growth with our FUM assets increasing by \$81.9 million to close out the year at \$719.7 million (up 12.8%).

Austock Life's FUM Movement

Sales inflows of \$132.8 million were the major contributor to FUM growth and in line with last year's \$134.2 million.

This year's platform investment growth of \$27.9 million (which depends on investment markets) was up considerably against last year's \$5.2 million. This was reflective of pleasing turnaround performances of Australian and international equities.

	\$ m
Opening FUM at 1 July 2016	637.8
Sales Inflows	132.8
Investment Growth	27.9
Acquired Businesses FUM movement	(1.5)
Withdrawals (Voluntary)	(30.6)
Maturities (Death)	(46.7)
Closing FUM at 30 June 2017	719.7
FUM asset growth	81.9

The Acquired Businesses - which comprises closed legacy books is in its natural "run-off" mode - experienced its expected FUM drop of \$1.5 million, mainly due to death maturities. (FY16 \$1.5 million).

Life experienced about the same level of voluntary withdrawals as last year - \$30.6 million against FY16's \$29.5 million. Voluntary withdrawals can be a somewhat random result impacted by economic and investment conditions, and FY17 was broadly in line with expectations based on the historical average.

Pleasingly, Imputation Bond death maturities fell sharply to \$46.7 million (FY16 \$57.4 million). The improving trend for the Bond's death maturity profile is due to the escalating run-off of our shorter term Aged Care book and is a major reason for improvement in the duration of the Bond portfolio as noted later.

Total new Bond investments taken out in FY17 were a record 2,266 against 1,864 last year. This comprised 1,146 Imputation Bonds (up 10%) and impressive ChildBuilder numbers of 1,120 (up 37% for the year).

The increasing demand for ChildBuilder is a significant new business contributor with an escalating presence in our business mix. Last year ChildBuilder represented 44% of our new business by product type, and it grew to be 49% at year end.

Savings Plans (especially for ChildBuilder) grew very strongly with regular contributions now exceeding \$1 million per month. For FY17, \$11.5 million of Savings Plan business was written and notably up 22% on the \$9.4 last year. Together, Savings Plans and 125% Add-On business represented around 16% of the year's inflows.

Over FY17, we also significantly increased the number of Financial Advisers using our **new era** investment bonds for a myriad of life-events and financial planning objectives. At year end we had over 1200 active Financial Advisers (up 19%) and our Dealer Group Approved Product List grew by 12% to 276.

This year also saw us write increased levels of longer-term FUM with an improving quality, both in terms of its longevity and recurring inflows. Across Austock Life's total "book of business", the average (actuary estimated) Bond duration (including Childbuilder) for FY17 was 13 years. This figure was 12 years in FY16.

We also built on past year's successes with our Retention and Extensions campaign directed to Bond Owners with approaching term maturities. Over 75% of otherwise term maturing Bonds extended, and most for 10 years or more.

The Group's strategy of recent years applied in FY17 to organically grow Austock Life in hand with a policy of reinvesting most profits. This reinvestment was again directed to product development, maintaining at scale the sales and distribution team, expansion and additional resourcing of our Investor and Financial Adviser Service Unit, and upgrading our administration platform to accommodate new product features.

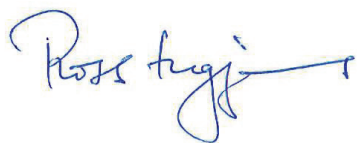
Significant changes occurred over FY17 to Australia's superannuation system that have positioned investment bonds as an attractive, uncapped and flexible alternative. The "New Super" regime (which only came into full effect on 1 July 2017) significantly lessens super's concessions, and thereby its attractions to high income and wealthier investors.

Important to our business, the New Super changes also bring certain stated non-objectives of super “not being a vehicle for estate planning or for intergenerational wealth transfers” translating to enhanced attractions for using Bonds in financial and estate planning. As the full impact of these changes unfurl, our business is being positioned to be at the forefront to take advantage of the expanded opportunities for our sector, including the Government’s current legislative program aimed at facilitating Life companies to develop new “growth style” or investment linked annuities.

Also favourable to us in FY17 were pension asset test changes and regulatory reforms that enable access for our Industry best products to previously “tied” or closed financial advice channels owned by large institutions.

To Austock Group shareholders, your support to us in the creation of a strong, and valuable Life business with a quality recurring revenue base is greatly appreciated. It underpins the foundations of mutually rewarding relationships – augmenting our overarching objectives to create long-term value and delivering attractive returns to shareholders.

In closing, special recognition must again go to our dedicated and passionate staff. This has been another year of considerable accomplishment with high quality service given to our investing Bond Owners and supporting Financial Advisers.



Ross Higgins
Executive Director Austock Group Limited
and Managing Director Austock Life
22 August 2017

Directors' Report

Austock Group

The directors of Austock Group Limited (the "Company") present the annual financial report for the Group, being the Company and its subsidiaries for the financial year ended 30 June 2017. 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 Robert Neil Coombe
LLB (Hons)

Executive Chairman

Rob was appointed Executive Chairman of Austock Group on 18 July 2017. He is also Chairman of Craveable Brands, the largest Australian owned Quick Service Restaurant business. He was the CEO of Craveable Brands between 2013 and 2017.

Before joining Craveable Brands, Rob was responsible for all of Westpac's Retail, Business and Agri banking operations throughout Australia. Prior to this role, Rob spent six years as the CEO of BT Financial Group, responsible for all of Westpac's funds management, financial planning, insurance, private banking, broking, platform and superannuation businesses in Australia. In total, he has over 35 years corporate experience in both Australia and Asia.

Rob is a founding Director and Deputy Chair of the Australian Indigenous Education Foundation (AIEF), a member of the Advisory Boards of both the UTS Faculty of Law and 5V Capital Investors and a Director of CIMB Group, one of the largest universal banks in the ASEAN region.

In 2011, Rob was awarded the prestigious UTS Alumni of the Year for Excellence in recognition of his achievements in the business community and social sector.

Mr William Eric Bessemer
MBA, B.Ec

Chief Executive Officer and Executive Director

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.

Mr Ross James Higgins
LL.M LL.B B Ec.

Executive Director and Managing Director of Austock Life

Ross founded Austock Life in 2002 and has been instrumental in establishing the life office's business, systems and its marketing and distribution capabilities. He also originated the Imputation Bond and ChildBuilder products. Ross has over 30 years financial services experience at senior executive levels, including 12 years with IOOF.

He has specialist experience with product development, distribution, marketing, taxation and the regulation of life insurance, superannuation and managed funds. His career also includes over 10 years as a financial services lawyer and he has considerable ongoing involvement in legislative reviews and government lobbying relevant to financial services.

Ross is an Executive Member of the Friendly Societies of Australia Association (since 2003), is a former Chairman of investment manager Mutual Limited (2009 to 2015) and he also sits on the APRA CEO's forum.

Mr Jonathan James Tooth
B.Ec

Non-Executive Director

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 Henslow 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 Limited and Sensera Limited.

Mr John David Wheeler

Non-Executive Director

John was appointed a non-executive director of Austock Group in March 2017. He has over 40 years' experience in stockbroking, commencing his career in London before moving to Australia in 1985 with AC Goode and Co. as head of Global Trading. In 1989 John set up his own client management business trading in options and futures. John then joined Austock Group in 1996, becoming its CEO in 1998 until retiring in 2007. He was involved in the Corporate Finance area predominantly in capital raisings and marketing on behalf of major clients. Since then, he has been active in a number of private equity transactions involving capital raisings, deal structures and sale of businesses, which he is currently in the process of winding back.

Mr (James) Eric Barr

CA

Independent Non-Executive Director

Eric was appointed a Director and Chairman on 7 March 2017. He resigned as Chairman on 18 July 2017 but continues as a Director. He is a Chartered Accountant who retired from PricewaterhouseCoopers in 2000 after 20 years' service as a tax partner providing multi-disciplinary services to numerous clients. He is experienced in providing tax-expert forensic reports for litigation matters. He has been a director of public and private companies in the United States and Australia and is currently Deputy Chairman of Beacon Lighting Group Ltd and Chairman of Sydney Stock Exchange Limited. Eric has been a director of Austock Life since March 2015 and is Chairman of its Risk and Compliance Committee, Audit Committee and Remuneration Committee.

Mr Frederick George Albion Beaumont

QC LL.B, Dip Com

Independent Non-Executive Chairman

George was appointed a director on 12 April 2012 and became Chairman on 9 May 2012. He resigned as Chairman on 7 March 2017. 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 was a director of Austock Life Limited from July 2002 - March 2017.

Directorships of Other Listed Companies

Directorships of other listed companies held by directors in the last three 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
	Sensera Limited	6 July 2016	Current
J E Barr	Beacon Lighting Group Limited	2014	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	Indirect interest in shares
R N Coombe	4 800 000	2 800 000
W E Bessemer	-	13 144 220
R J Higgins	3 047 156	-
J E Barr	445 409	-
J J Tooth	8 684	8 578 560
J D Wheeler	7 634 000	3 000 000

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 from page 16.

Chief Financial Officer and Company Secretary

Mr Enzo Silverii CPA, F Fin, ANZIIF (Fellow)

Enzo was appointed Chief Financial Officer on 22 September 2012 and as Company Secretary on 23 April 2013. Enzo has extensive company secretarial experience gained in a range of organisations.

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 4 to 10 of this annual report, commencing with the Chairman's Report.

Review of operations

The consolidated operating net profit attributable to members is \$200 thousand (2016: \$2,138 thousand). A review of operations for the Group is set out on pages 4 to 10 of this annual report, commencing with the Chairman's Report. For key risk affecting the Group, refer to notes 3, 12 and 22.

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 those disclosed in note 24 to the financial statements, 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.

Future developments

The Group's future developments will be underpinned by seeking continued growth in Funds Under Management and Administration while expanding the Group's product suite.

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

The company paid a fully franked final 2016 dividend of \$0.01 per ordinary share on 29 September 2016 and a fully franked 2017 interim dividend of \$0.01 per ordinary share on 20 April 2017.

On the 22 August 2017, the company declared a final 2017 dividend of \$0.01 per ordinary share fully franked to be paid on 11 October 2017.

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 directors, officers, employees or auditor of the Company or of any related body corporate against a liability incurred.

The Company has entered into a Deed of Indemnity, Insurance and Access with each of its directors Messrs Coombe, Bessemer, Higgins, Tooth, Wheeler and Barr. 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 fourteen Board meetings held.

Director	Eligible to attend	Attended
F G A Beaumont (a)	8	8
J E Barr (b)	6	6
W E Bessemer	14	14
R J Higgins	14	14
J J Tooth	14	14
J D Wheeler	6	6

(a) Mr Beaumont was Chairman of the Board of Directors during the financial year until 7 March 2017.

(b) Mr Barr was Chairman of the Board of Directors during the financial year from 7 March 2017.

Corporate Governance Statement

Austock's Corporate Governance Statement together with the Appendix 4G, can be viewed at <https://www.austock.com/governance> and has been lodged with the ASX.

Audit Committee

The Audit Committee was formally abolished on 1 May 2012. Refer to the Corporate Governance Statement for further information.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was formally abolished on 1 May 2012. Refer to the Corporate Governance Statement for further information.

Non-audit services

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.

No non-audit services were provided in either the current or prior year.

Auditor's independence declaration

The auditor's independence declaration is included on page 24 of the financial report and forms part of the Directors' Report for the year ended 30 June 2017.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, 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)

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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 2017.

At the Company's last Annual General Meeting in October 2016, more than 75% of votes cast on the resolution to adopt the Remuneration Report were in favour of its adoption.

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 most highly remunerated Group executives.

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

- a. Key Management Personnel Details
- b. Remuneration Policies
- c. Equity Holdings of Key Management Personnel
- d. Remuneration of Key Management Personnel
- e. Key Terms of Employment Contracts

A Key Management Personnel Details

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

- Mr. Robert Neil Coombe, Executive Chairman (Appointed 18 July 2017).
- Mr James Eric Barr, Chairman and Non-Executive Director. (Appointed 7 March 2017, Resigned as Chairman 18 July 2017).
- Mr William Eric Bessemer, Chief Executive Officer and Executive Director.
- Mr Jonathan James Tooth, Non-Executive Director.
- Mr. John David Wheeler, Non-Executive Director (Appointed 7 March 2017).
- Mr Ross James Higgins, Executive Director and Managing Director, Austock Life Limited.
- Mr Frederick George Albion Beaumont QC, Chairman and Non-Executive Director (Resigned 7 March 2017).

The following persons represent the senior management of the Group during or since the end of the year:

- Mr. Robert Neil Coombe, Executive Chairman (Appointed 18 July 2017).
- Mr William Eric Bessemer, Chief Executive Officer and Executive Director.
- Mr Ross James Higgins, Managing Director, Austock Life.
- Mr Enzo Silverii, Chief Financial Officer and Company Secretary.

Subsequent to the end of financial year, Mr Robert Neil Coombe was appointed to the Board and elected Executive Chairman on 18 July 2017. Mr Coombe has forfeited director fees effective from this date.

Pursuant to a subscription agreement dated 1 May 2017 between Mr Coombe and Austock Group Limited, 10,000,000 ordinary shares at 40 cents per share were issued to Mr Coombe and his nominees on 17 August 2017. This was approved by a meeting of shareholders on 18 July 2017. Of the 10,000,000 ordinary shares, 7,600,000 was taken up by Mr Coombe and the balance 2,400,000 was taken up by the nominees. The 7,600,000 will be accounted for as a share based payment in the year ending 30 June 2018.

B Remuneration Policies

The performance of the Group is highly dependent upon the quality of its directors and executives.

The Board 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 key performance indicators (KPIs), both 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 a general meeting. The maximum amount for non-executive directors is \$500,000 per annum.

ii. Senior management and executive director remuneration

Group Executives are subject to the Group's executive remuneration program which comprises the following components:

- Fixed remuneration component; and
- Variable remuneration component including both short term incentives (STI) and long term incentives (LTI)

In addition to this program, as Managing Director of Austock Life Limited, Mr Higgins is subject to that company's remuneration policy which is overseen by its Remuneration Committee.

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.

B Remuneration Policies (Continued)

Variable remuneration – short term incentive (STI)

A short term incentive (STI) is available to executives who achieve both financial and non financial targets as determined by the Board of Directors. The Board of the employing company is responsible for determining who is eligible to participate in STI arrangements as well as the structure of those arrangements. The quantum of available STI arrangements is determined with reference to prevailing market conditions for comparable executives. Short term incentives are payable in cash in the next financial year.

Variable remuneration – long term incentive (LTI)

The objective of the LTI plan is to reward senior executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI entitlements 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.

The only LTI award in place is in favour of Mr Ross Higgins and during the financial year ending 30 June 2017, no changes were made to the LTI plan and no additional awards were made under it.

Details of the LTI award in place are as follows:

- On 11 May 2015 the company granted Mr Ross Higgins 4,000,000 ordinary shares. This grant was made in consideration Mr Higgins agreeing to the cancellation of a non share proprietary interest held by a deed dated 9 October 2012 between Mr Higgins and the Company.
- The shares were issued at 40 cents each, a 2.5% discount of the prevailing share price at the time of grant. They rank equally with existing ordinary shares, are fully vested and subject to escrow with one third to be released on each of 11 May 2017, 11 May 2018 and 11 May 2019. In the event Mr Higgins leaves the company he is entitled to the entire shares held in escrow.

The value of the benefit of \$1,600,000 was fully recognised in the financial statements during the year ended 30 June 2015. There was no further expense in the years to 30 June 2016 and 2017.

Consequences of performance on shareholder wealth:

In considering the Austock Group's performance and benefits for shareholders wealth, the Board have regard to the following indices in respect of the current financial year and the previous five financial years.

	FY-12	FY-13	FY-14	FY-15	FY-16	FY-17
FUM (\$m)	301	374	481	587	636	717
Share price at start of year (\$ per share)	0.11	0.11	0.17	0.23	0.43	0.46
Share price at end of year (\$ per share)	0.10	0.17	0.23	0.43	0.46	0.66
Change in share price (\$ per share)	(0.01)	0.06	0.06	0.20	0.03	0.20
Dividends paid (\$'000s)	-	992	1 982	1 983	2 064	2 064
Profit attributable to owners of the Company (\$'000s)	(16 026)	5 196	(434)	(731)	2 138	200
Basic EPS (cents per share)	(14.17)	4.75	(0.44)	(0.73)	2.07	0.19

C Equity Holdings of Key Management Personnel

Details of shareholdings of KMP (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below.

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Directors	Class	Balance 1 July 2016	Shares Acquired	Shares Disposed	Balance 30 June 2017
2017					
J E Barr	Ordinary	445 409	-	-	445 409
W E Bessemer	Ordinary	14 510 220	-	-	14 510 220
J J Tooth	Ordinary	8 587 244	-	-	8 587 244
R J Higgins	Ordinary	4 147 851	-	100 695	4 047 156
J D Wheeler	Ordinary	10 000 000	2 000 000	-	12 000 000
F G A Beaumont	Ordinary	273 180	-	-	273 180
Directors	Class	Balance 1 July 2015	Shares Acquired	Shares Disposed	Balance 30 June 2016
2016					
F G A Beaumont	Ordinary	255 680	17 500	-	273 180
W E Bessemer	Ordinary	14 510 220	-	-	14 510 220
M E Ryan	Ordinary	10 922 692	-	-	10 922 692
J J Tooth	Ordinary	8 587 244	-	-	8 587 244
R J Higgins	Ordinary	4 147 851	-	-	4 147 851

D Remuneration of Key Management Personnel

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

	Short-Term Employee Benefits Salary & Fees	Employee Benefits Cash Bonus	Employment Benefits Superannuation	Termination Benefits	Total	Performance Based Proportion	Annual Leave Entitlements	Long Service Leave Entitlements
2017								
Director								
J E Barr*	48 530	-	4 610	-	53 140	-	-	-
W E Bessemer**	17 167	-	1 631	-	18 798	-	-	-
J J Tooth**	25 500	-	2 422	-	27 922	-	-	-
R J Higgins	543 410	-	19 616	-	563 026	-	72 877	155 305
F G A Beaumont***	93 255	-	8 859	75 000	177 114	-	-	-
J D Wheeler****	-	-	-	-	-	-	-	-
Sub total	727 862		37 138	75 000	840 000		72 877	155 305
* Appointed Chairman 7 March 2017 ** Forfeited Director fees effective 1 March 2017 *** Resigned 7 March 2017 **** Appointed Director 7 March 2017 and forfeited Director fees								
Other Senior Executive								
E Silverii	168 000	5 000*	15 960	-	188 960	2.6%	8 255	11 834
Sub total	168 000	5 000	15 960	-	188 960	2.6%	8 255	11 834
Total	895 862	5 000	53 098	75 000	1 028 960	0.5%	81 132	167 139

* Payment made on 14 July.

D Remuneration of Key Management Personnel

	Short-Term Employee Benefits		Employment Benefits		Performance Based	Annual Leave	Long Service
	Salary & Fees	Cash Bonus	Superannuation	Total	Proportion	Entitlements	Leave Entitlements
2016							
Director							
F G A Beaumont	132 000	-	12 540	144 540	-	-	-
W E Bessemer	25 000	-	2 375	27 375	-	-	-
M E Ryan*	10 417	-	990	11 407	-	-	-
J J Tooth	25 000	-	2 375	27 375	-	-	-
R J Higgins**	505 701	68 493	25 815	600 009	12.5%	91 444	148 685
Sub total	698 118	68 493	44 095	810 706	9.3%	91 444	148 685
* Resigned on 23 November 2015							
** Appointed as Director of Austock Group Limited on 24 March 2016. Mr Ross Higgins was a member of Key Management Personnel for the full year ending 30 June 2016.							
Other Senior Executive							
E Silverii	156 000	9 132	15 688	180 820	5.5%	9 965	8 225
Sub total	156 000	9 132	15 688	180 820	5.5%	9 965	8 225
Total	854 118	77 625	59 783	991 526	8.6%	101 409	156 910

E Key Terms of Employment Contracts

The Group has entered into service contracts with each senior executive, excluding the CEO and non-executive directors, that are capable of termination with a notice period of between 1 to 12 months. The Group retains the right to terminate a contract immediately by making payment equal to the relevant 1 to 12 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



Robert Neil Coombe
Executive Chairman
22 August 2017

Auditor's Independence Declaration

KPMG

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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 of Austock Group Limited for the financial year ended 30 June 2017 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.

A stylized, handwritten-style signature of the KPMG logo in blue ink.

KPMG

A handwritten signature in blue ink that reads 'Rachel Milum'.

Rachel Milum
Partner

Melbourne
22 August 2017

Independent Audit Report

KPMG



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Independent Auditor's Report

To the shareholders of Austock Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of the Austock Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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

The Financial Report comprises the:

- consolidated statement of financial position as at 30 June 2017,
- consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended,
- notes 1 to 24 including a summary of significant accounting policies
- Directors' declaration.

Basis for opinion

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

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

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

Independent Audit Report (Continued)

KPMG



Key Audit Matters

The Key Audit Matters we identified are:

- Recoverability of deferred tax assets
- Valuation of goodwill

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

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

Recoverability of deferred tax assets – \$1,093k

Refer to note 8(c) of the financial report

The key audit matter

The recoverability of deferred tax assets is a key audit matter due to the degree of judgment required by us in assessing management's estimates of future taxable profits, particularly when this extends beyond the normal business planning cycle.

The Group has recognised deferred tax assets in accordance with *AASB 112 Income Taxes*. These are primarily attributable to historic losses in a subsidiary, Austock Financial Services Pty Ltd, and other temporary differences across the Group. An assessment is required as to whether sufficient future taxable profits are likely to be generated to enable the assets to be realised.

How the matter was addressed in our audit

Our procedures included:

- examining the nature and timing of the temporary differences and losses having regard to the relevant tax legislation to challenge management's recognition of an asset;
- challenging the basis for management's assessment of recoverability of deferred tax assets generated from tax losses, including management's projected earnings growth against historic performance;
- testing the consistency of projections used in making the recoverability assessments with those used for other impairment testing; and
- checking the disclosures against the requirements of *AASB 112 Income Taxes*.

Independent Audit Report (Continued)

KPMG



Valuation of goodwill - \$547k	
Refer to note 10 of the financial report	
The key audit matter	How the matter was addressed in our audit
<p>Valuation of goodwill is a key audit matter owing to the high level of judgement required by us in assessing the valuation models prepared by management.</p> <p>The recoverability of the carrying value of goodwill is based on management's assessment of the value-in-use ('VIU') of the cash generating unit (CGU) to which it belongs, being Austock Life Limited, the Group's primary operating subsidiary.</p> <p>The VIU is required to be higher than the current carrying value of the CGU with sufficient headroom to support the carrying value of the goodwill.</p> <p>The most significant judgments incorporated in management's assessment of the carrying value of goodwill include the:</p> <ul style="list-style-type: none">• discount rate;• terminal growth rate; and• assumptions underlying forecast earnings, in particular, expected earnings growth derived from the projected growth in policyholder assets under management.	<p>Our procedures included:</p> <ul style="list-style-type: none">• Challenging the Group's key judgments used in the VIU model. This included:<ul style="list-style-type: none">• comparing the discount rate utilised against the Group's weighted average cost of capital and other available market data for comparable organisations;• comparing the terminal growth rate assumptions and those underlying forecast earnings to external economic data where available, such as GDP growth projections; and• challenging projected growth in policyholder assets under management relative to historic performance.• Testing the sensitivity of these key inputs to the VIU model to assess the impact of each of these inputs on the headroom available to support the carrying value of the goodwill.

Independent Audit Report (Continued)

KPMG



Other Information

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

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

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

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Independent Audit Report (Continued)

KPMG



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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Austock Group Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Director's responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 16 to 23 of the Director's report for the year ended 30 June 2017.

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

KPMG

Rachel Milum
Partner

Melbourne
22 August 2017

Directors' Declaration

Austock Group

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1. In the opinion of the directors of Austock Group Limited (the "Company"):

the consolidated financial statements and notes that are set out on pages 31 to 65 and the Remuneration report on pages 16 to 23 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 2017 and of its performance for the financial year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001; and

there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 2017.
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



Robert Neil Coombe
Executive Chairman
22 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue	5	8 407	7 646
Personnel expenses	6 (a)	(4 515)	(4 472)
Occupancy expenses		(522)	(353)
Communication expenses		(89)	(83)
Finance expenses	6 (b)	(16)	(10)
Dealing and settlement expenses		(2 263)	(2 072)
Marketing and promotional expenses		(300)	(319)
Depreciation and amortisation expenses	6 (c)	(133)	(134)
Administration expenses		(2 056)	(1 964)
Profit attributable to policyholders, net of tax	12	29 899	7 114
Profit before income tax expense		28 412	5 353
Income tax benefit	8 (a)	1 687	3 899
Profit after income tax		30 099	9 252
Profit attributable to policyholders	12	(29 899)	(7 114)
Total comprehensive income attributable to shareholders of the company		200	2 138
Earnings Per Share			
Basic (cents per share)	15	0.19	2.07
Diluted (cents per share)	15	0.19	2.07

Consolidated Statement of Financial Position as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents		5 728	3 125
Investments - term deposits		3 565	2 054
Income tax receivable	8 (c)	602	1 835
Trade and other receivables	9	542	521
Other assets		198	182
Plant and equipment		307	31
Deferred tax assets	8 (c)	1 093	1 727
Intangible assets	10	644	660
Policyholder assets	12	729 330	645 750
Total assets		742 009	655 885
Liabilities:			
Trade and other payables		120	159
Other liabilities		566	629
Provisions	11	832	798
Policyholder liabilities	12	729 330	645 750
Total liabilities		730 848	647 336
Net assets		11 161	8 549
Equity:			
Issued capital	13	39 192	34 716
Retained earnings	14	(28 031)	(26 167)
Total equity		11 161	8 549

The accompanying notes 1 to 24 form part of these financial statements

Consolidated Statement of Changes in Equity For the Financial Year Ended 30 June 2017

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Year End 30 June 2017:			
Balance at 1 July 2016	34 716	(26 167)	8 549
Total Comprehensive Income for the Year:			
Net profit for the year	-	200	200
Total comprehensive income for the year	-	200	200
Issue of ordinary shares	4 500	-	4 500
Shares issue cost	(24)	-	(24)
Dividend paid	-	(2 064)	(2 064)
Total transactions with owners	4 476	(2 064)	2 412
Balance at 30 June 2017	39 192	(28 031)	11 161
Year End 30 June 2016:			
Balance at 1 July 2015	34 716	(26 241)	8 475
Total comprehensive income for the year:			
Net profit for the year	-	2 138	2 138
Total comprehensive income for the year	-	2 138	2 138
Dividends paid	-	(2 064)	(2 064)
Total transactions with owners	-	(2 064)	(2 064)
Balance at 30 June 2016	34 716	(26 167)	8 549

The accompanying notes 1 to 24 form part of these financial statements

Consolidated Statement of Cash Flows for The Financial Year Ended 30 June 2017

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	Notes	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities:			
Receipts from customers		6 033	5 462
Payments to suppliers and employees		(7 584)	(7 326)
Finance and borrowing costs		(16)	(10)
Income tax benefit net of deferred tax		3 552	1 382
Generated from / (used in) operating activities	21	1 985	(492)
Cash Flows from Investing Activities:			
Interest received		107	246
Payment for property, plant and equipment		(390)	(22)
Proceeds / (payments) from investments - term deposits		(1 511)	3 304
Generated from / (used in) investing activities		(1 794)	3 528
Cash Flows from Financing Activities:			
Dividends paid		(2 064)	(2 064)
Proceeds from share issue, net of transaction costs		4 476	-
Generated from / (used in) financing activities		2 412	(2 064)
Net increase in cash held		2 603	972
Cash and cash equivalents at beginning of the year		3 125	2 153
Cash and cash equivalents at end of the year		5 728	3 125

The accompanying notes 1 to 24 form part of these financial statements

Notes To The Consolidated Financial Statements

Austock Group

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Summary of Significant Accounting Policies

This consolidated financial report for the year ended 30 June 2017 was authorised for issue by the directors on 22 August 2017.

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Note
1

Austock Group Limited (the "Company") is a for profit public company listed on the Australian Securities Exchange (ASX: ACK) incorporated in Australia. The Company operates as a Pooled Development Fund. 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 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is involved in the provision of Life investment services within the Australian Life Insurance sector.

Statement of compliance

The consolidated financial report is a general purpose financial report (Tier 1) 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).

Basis of preparation

The consolidated financial report has been prepared on the basis of historical cost, except for assets recognised and measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. The Statement of Financial Position is presented in order of liquidity. All amounts have been rounded to the nearest thousand in accordance with ASIC Corporations Instrument 2016/191. Unless otherwise stated, all amounts are presented in Australian dollars, which is the functional currency of the Company and its subsidiaries.

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. Refer to note 2 for a discussion of critical estimates and 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 published but are not mandatory for the financial statements for the year ended 30 June 2017, and have not been applied by the Group in preparing these financial statements. The Group has identified four standards which will be relevant to the Group and further details are set out below. These standards are available for early adoption.

AASB 15 Revenue from Contracts with Customers

This standard was issued in December 2014 and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations, replacing AASB 118 Revenue (and related interpretations). This standard will become mandatory for the Group's 30 June 2019 financial statements. The standard will potentially impact the timing and recognition of fees earned by the Group from the management of the Austock Life Limited Benefit Funds which are disclosed in note 5. The potential effects on adoption of the standard are currently being assessed and the Group is not yet able to reasonably estimate the impact on its financial statements.

AASB 16 Leases

This standard was issued in February 2016 and replaces the operating/finance lease distinction and accounting requirements prescribed in AASB 117 Leases for the Group as a lessee. This standard will become mandatory for the Group's 30 June 2020 financial statements. It requires a lessee to recognise a right-of-use asset representing its rights to use the underlying leased asset and a corresponding lease liability representing its obligations to make lease payments. This will impact the accounting treatment of the Group's operating leases for its premises disclosed as leasing commitments in note 17 of these financial statements. The potential effects on adoption of the standard are currently being assessed and the Group is not yet able to reasonably estimate the impact on its financial statements.

AASB 17 Insurance Contracts

This standard was issued in July 2017 and replaces AASB 1038 Life Insurance Contracts. This standard will become mandatory for the Group's 30 June 2022 financial statements. Under AASB 17, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. This will impact the Group's estimation of policyholder liabilities in the Austock Life Limited Benefit Funds, shown in note 12 of these financial statements. The potential effects on adoption of the standard are currently being assessed and the Group is not yet able to reasonably estimate the impact on its financial statements.

AASB 9 Financial Instruments

AASB 9 was issued in December 2014 and introduces changes to certain classification and measurement requirements for financial assets and financial liabilities, impairment assessment for financial assets, and changes to hedge accounting requirements. This standard becomes mandatory for the Group's 30 June 2019 financial statements. The potential effects on adoption of the standard are currently being assessed and the Group is not yet able to reasonably estimate the impact on its 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 consolidated 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.

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.

A list of controlled entities appears in note 19 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.

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.

Austock Life Limited Benefit Funds

A subsidiary of the Company, Austock Life Limited, is a Friendly Society in accordance with the Life Insurance Act 1995.

The consolidated financial statements of the Group, which includes Austock Life Limited, recognises all the assets, liabilities, income and expenses of that insurer. This includes policyholder, assets and liabilities held in separate statutory Benefit Funds, which are not attributable to shareholders of Austock Group Limited.

To ensure the consolidated financial statements of the Group 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 profit or loss and other comprehensive income: the net result attributable to policyholders is presented as one line item with an additional line item of an equal amount that attributes this net result fully to policyholders. Additional details on the items contributing to the results are disclosed in note 12.
- Statement of financial position: policyholder assets and policyholder liabilities are presented as separate line items, respectively, within total assets and total liabilities. Additional details on the items comprising the policyholder assets and liabilities are disclosed in note 12.

(a) Cash and cash equivalents

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

(b) 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.

(c) Impairment of non financial assets (excluding goodwill)

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. The 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.

(d) 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	20%
Computer equipment	33%
Computer software	20%
Furniture and fittings	20%

(e) Financial instruments

The Group initially recognises trade receivables and term deposits on the date that they are originated as loans and receivables. These are subsequently measured at amortised cost.

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.

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.

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 the assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(f) *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 not amortised and subsequently measured at its cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to the Group's cash generating unit (CGU) Austock Life. The CGU to which goodwill has been allocated is 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 is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in subsequent periods.

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.

(g) *Software assets*

Software is capitalised by the Group and amortised over its useful life. It is recorded at cost less accumulated amortisation and impairment. A period of three to five years is used in the calculation of amortisation.

(h) *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. The carrying value of payables are assumed to approximate their fair values due to their short term nature.

(i) *Issued capital*

Ordinary shares are classified as equity. 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.

(j) *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.

Interest income

Interest income is recognised on an accrual 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.

(k) *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 recognised in respect of temporary 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 taxation 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 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 Company 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 Company 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.

(l) *Employee benefits*

Provisions are 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.

(m) *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.

(n) 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 and borrowing costs are recognised in profit or loss in the period in which they arise.

(o) 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.

(p) 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. The equity instruments provided in these arrangements are equity instruments of the ultimate parent entity, Austock Group Limited.

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 Company's estimate of shares that will eventually vest. At each reporting date, the Company 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 the equity-settled employee benefits reserve.

(q) 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There are currently no potential ordinary shares in existence.

(r) Segment reporting

The Group operates only in the life insurance sector in Australia.

(s) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Use Of Estimates and Judgement

The preparation of consolidated 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(c) and note 1(f).

(a) *Goodwill*

For the purpose of impairment testing, all goodwill is allocated to the Austock Life business, which is designated as the cash generating unit for the purposes of assessing any potential impairment. The recoverable amount of the cash generating unit was estimated based on the present value of the future cash flows expected to be derived from using the value in use, using a pre-tax discount rate. The recoverable amount of the cash generating unit was estimated to be higher than its carrying amount. Refer to note 10 for further details.

(b) *Software*

The recoverable amounts have been determined based on the higher of the value in use and 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.

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 high quality corporate bond rate has been used in determining the present value of the obligation.

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 are only 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.

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Financial Risk Management

The Group has exposure to Credit risk, Liquidity risk and Market risk from the use of financial instruments. This note presents information about the Group's objectives, policies and processes for measuring and managing risk, and the management of capital. The Group has exposure to Insurance risk for the management of insurance contract liabilities in the Benefit Funds of Austock Life Limited. Further disclosures are included in note 12 and 22.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has adopted an approved Risk Management Plan, which 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.

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 cash, cash equivalents, investments and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed in notes 13 and 14 respectively.

A subsidiary of the Group, Austock Life Limited is a life insurer under the Life Insurance Act 1995 and is therefore regulated by the Australian Prudential Regulation Authority (APRA). Austock Life Limited has complied with all regulatory capital requirements during the current and prior financial year.

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Key Management Personnel

The Directors and other Key Management Personnel of the Group during 2017 were as follows.

Directors

- Mr James Eric Barr, Chairman and Non-Executive Director. (Appointed 7 March 2017, Resigned as Chairman 18 July 2017)
- Mr William Eric Bessemer, Executive Director and Chief Executive Officer.
- Mr Jonathan James Tooth, Non-Executive Director.
- Mr John David Wheeler, Non-Executive Director. (Appointed 7 March 2017)
- Mr Ross James Higgins, Executive Director and Managing Director, Austock Life Limited.
- Mr Frederick George Albion Beaumont QC, Independent Non-Executive Chairman. (Resigned 7 March 2017)

Key Management Personnel

- Mr Enzo Silverii, Chief Financial Officer and Company Secretary.

The aggregate compensation made to Directors and other Key Management Personnel of the Group is set out below:

	Consolidated	
	2017 \$	2016 \$
Short term employee benefits	900 862	931 743
Post employment benefits	128 098	59 783
	1 028 960	991 526

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Revenue

	2017 \$'000	2016 \$'000
Revenue:		
<i>Operating activities</i>		
Fee income - Fund administration	383	352
Fee income - Life	7 830	6 987
	8 213	7 339
<i>Interest Revenue</i>		
Interest income	141	187
Other income	53	120
Total revenue	8 407	7 646

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Expenses

	2017 \$'000	2016 \$'000
(a) Personnel Expenses:		
Staffing cost	4 200	4 172
Defined contribution superannuation expense	315	300
	4 515	4 472
(b) Finance Expenses:		
Bank and other financing expenses	16	10
	16	10
(c) Depreciation and Amortisation Expenses:		
Computer equipment	48	63
Office equipment	-	22
Furniture and fittings	35	-
Capitalised software	50	49
Total	133	134

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Remuneration of Auditors

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	Consolidated	
	2017 \$	2016 \$
Remuneration of the auditor for:		
<i>Audit services</i>		
Auditor and review of financial reports of the Group and Controlled Entities	162 582	158 000
<i>Other Audit - Related Services</i>		
Assurance services	43 218	42 000
	205 800	200 000

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Income Tax

At 30 June 2017 neither Austock Group Limited nor any of its controlled entities were members of a tax consolidated group

	Consolidated	
	2017 \$'000	2016 \$'000
(a) Income Tax Recognised in Profit and Loss:		
Income tax benefit / (expense) comprises:		
<i>Current Tax</i>		
Current income tax benefit	2 319	2 307
<i>Deferred Tax benefit / (expense)</i>		
Recognition / (derecognition) of tax losses	(602)	1 592
Origination and reversal of temporary differences	(30)	-
Total Income tax benefit	1 687	3 899

	Consolidated	
	2017 \$'000	2016 \$'000
(b) Reconciliation of the prima facie income tax expense as pre-tax profit with the income tax expense charged to the income statement:		
Loss before income tax attributable to shareholders	(1 487)	(1 761)
Income tax benefit calculated at 30% (2016: 30%)	446	528
Non deductible expenses	(564)	(566)
Non assessable income	1 666	1 488
Deductible expenses	796	1 072
Tax losses recognised / (derecognised) as deferred tax assets	(602)	1 592
Tax losses utilised and not recognised as deferred tax assets	(55)	(215)
Income tax benefit recognised in Profit and Loss	1 687	3 899

(c) Tax Assets:*Current tax assets comprise:*

Income tax receivable	602	1 835
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Deferred tax assets comprise:

Provision	103	135
Tax losses	990	1 592
Total	1 093	1 727

	Opening Balance \$'000	Consolidated Charged to Income \$'000	Closing Balance \$'000
2017			
Provision	135	(32)	103
Tax losses	1 592	(602)	990
Accrued expenses	-	-	-
	1 727	(634)	1 093
2016			
Provision	127	8	135
Tax losses	-	1 592	1 592
Accrued expenses	8	(8)	-
	135	1 592	1 727

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Trade and Other Receivables

	Consolidated	
	2017 \$'000	2016 \$'000
Trade receivables	37	130
Amounts receivable from related parties	505	391
	542	521

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Intangible Assets

	Consolidated		
	Software \$'000	Goodwill \$'000	Total \$'000
Gross Carrying Amount:			
Balance at 30 Jun 2015	274	547	821
Additions	6	-	6
Balance at 30 Jun 2016	280	547	827
Additions	33	-	33
Written off not in use	(24)	-	(24)
Balance at 30 Jun 2017	289	547	836
Accumulated Amortisation:			
Balance at 30 Jun 2015	(116)	-	(116)
Amortisation expense	(51)	-	(51)
Balance at 30 Jun 2016	(167)	-	(167)
Amortisation expense	(49)	-	(49)
Amortisation reversal on write-offs	24	-	24
Balance at 30 Jun 2017	(192)	-	(192)
Carrying Amount:			
As at 30 Jun 2017	97	547	644

Impairment testing for cash - generating units containing goodwill

For the purpose of impairment testing, all goodwill is allocated to the Austock Life business, which is designated as the Cash Generating Unit for the purposes of evaluating any potential impairment (the “CGU”). The recoverable amounts for the CGU have been calculated based on the value in use, determined by discounting the forecasted future cash flows to be generated from the continuing use of the CGU, covering a period of five years.

Cash flows were projected assuming the continuation of the present cost structure.

The key assumptions used in the calculation of the value in use were the discount rate and the terminal value growth rate.

A pre-tax discount rate of 9.4% (2016: 9.2%) was adopted based on the Group’s weighted average cost of capital. The terminal growth rate was based on management’s estimate of the long term compound annual growth rate of 0.1% (2016: 0.5%). This is compared to an external GDP growth rate of 1.7% at 30 June 2017.

Changes in the assumptions on which the valuation is based could impact the assessments of the recoverable amount of the CGU. As at 30 June 2017, the impairment testing performed did not result in any impairment as the recoverable amount was estimated to be higher than its carrying amount.

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Provisions

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(l).

Claims

The provisions 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 \$300 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. This was released in the prior year and no further expenses were incurred relating to this matter in the year to 30 June 2017.

	Employee Entitlements \$'000	Claims \$'000	Consolidated Office Restoration \$'000	Transfer of Assets / Liabilities \$'000	Total \$'000
2017:					
Balance at 1 Jul 2016	644	29	125	-	798
Made during the year	366	-	-	-	366
Used / released during the year	(327)	(5)	-	-	(332)
Total provisions at 30 Jun 2017	683	24	125	-	832
2016:					
Balance at 1 Jul 2015	510	32	125	113	780
Made during the year	370	-	-	-	370
Used / released during the year	(236)	(3)	-	(113)	(352)
Total provisions at 30 Jun 2016	644	29	125	-	798

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Policyholder Balances

Assets backing Policyholder Liabilities

The policyholder assets of Austock Life Limited are assessed under AASB 1038 Life Insurance Contracts to be assets that are held to back life insurance policy liabilities and assets that represent owners' funds.

All financial assets held within its statutory Benefit Funds are assets backing policy liabilities. The assets of one Benefit Fund cannot be used to support the liabilities of another. These financial assets include investment securities that are designated as fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy.

Restrictions on Use

Assets held in the Benefit Funds are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995. Monies held in the Benefit Funds and controlled trusts are held for the benefit of the Policyholders of those funds, and are subject to the constitution and rules of those funds.

Restrictions on the use of assets invested for policyholders in statutory funds include:

- Benefit Fund rules;
- Life Insurance Act 1995 requirements;
- Prudential Standards;
- Actuarial Standards; and
- Company policies and procedures.

Classification of Benefit Funds

The 44 Benefit Funds are classified as either Life Insurance or Life Investment contracts according to the Benefit Fund rules. Criteria considered in the classification process include the level of insurance risk accepted under the contract and the existence of discretionary participation features (such as discretion by the board over the level of bonus).

	2017 \$'000	2016 \$'000
Assets:		
Cash and cash equivalents	11 413	5 540
Other assets	19 547	19 251
Financial assets	695 897	616 842
Deferred tax assets	2 473	4 117
Total Assets	729 330	645 750
Liabilities:		
Trade and other payables	528	400
Current tax liabilities	2 415	5 267
Other liabilities	2 844	19
Deferred tax liabilities	5 810	4 130
Policyholder liabilities	717 733	635 934
Total Liabilities	729 330	645 750
Net Assets	-	-

	2017 \$'000	2016 \$'000
Revenue:		
Interest income	4 394	5 627
Distribution income	24 812	24 986
Unrealised gain / (losses) on assets designated at fair value through profit / (loss)	18 628	(15 803)
Realised gains / (losses) on sale of investments	(3 195)	2 498
Revaluation of policyholder liabilities	119	123
Premium revenue for Life insurance contracts	4	1
Other revenue	316	322
Total policyholder revenue	45 078	17 754
Expenses:		
Finance expenses	1	1
Dealing and settlement expenses	292	292
Other expenses - Benefit Funds	33	57
Management fees paid by Benefit Funds	5 577	4 868
Policyholder withdrawals - insurance	163	178
Total policyholder expenses	6 066	5 396
Net profit before tax	39 012	12 358
Income tax expense	(9 113)	(5 244)
Profit attributable to policyholders	29 899	7 114

Insurance risk and policyholder liabilities

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 its Appointed Actuary, in accordance with APRA Prudential Standard LPS 310.

For life investment contracts, the policy liability is the accumulation of amounts invested by less fees specified in the policy plus investment earnings allocated.

The key assumptions for the calculations of its policyholder liabilities of life insurance contract have been a discount rate based on the expected future earning and future mortality, resignations and retirements.

These assumptions were:

	2017 \$'000	2016 \$'000
Discount rate	0% to 2.45%	0% to 2.86%
Mortality	Australian Life Tables 2010-2012 less 40%	Australian Life Tables 2010-2012 less 40%
Future maintenance and investment management expense	2% to 2.07%	2% to 2.07%
Taxation rates	0% - 30%	0% - 30%
Rates of discontinuance	0%	0%
Surrender values	n/a	n/a
Rates of future supportable participating benefits	Terminal bonus of \$164 to \$400 per member and bonus on sum assured of 0.38% p.a. compound	Terminal bonus of \$164 to \$370 per member and bonus on sum assured of 0.80% p.a. compound
Crediting policy adopted in determining future supportable participating benefits	Allocation of surplus above statutory requirements as non-guaranteed terminal value bonus	Allocation of surplus above statutory requirements as non-guaranteed terminal value bonus

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Issued Capital

	Consolidated 2017		Consolidated 2016	
	Number	\$'000	Number	\$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	103 188 421	34 716	103 188 421	34 716
Issued during the year	10 000 000	4 476	-	-
Balance at end of the financial year	113 188 421	39 192	103 188 421	34 716

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

In a Subscription Agreement dated 1 May 2017 with Ellerston Capital Limited, Ellerston was issued 10 million Austock Shares at \$0.45 per share which was settled on 31 May 2017.

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Retained Earnings

	2017			2016		
	Losses \$'000	Profit Reserve \$'000	Total \$'000	Losses \$'000	Profit Reserve \$'000	Total \$'000
Opening accumulated losses	(32 246)	6 079	(26 167)	(32 246)	6 005	(26 241)
Net profit attributable to members of the company	-	200	200	-	2 138	2 138
Dividends paid	-	(2 064)	(2 064)	-	(2 064)	(2 064)
Closing accumulated losses	(32 246)	4 215	(28 031)	(32 246)	6 079	(26 167)

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Earnings Per Share

	Consolidated	
	2017 Cents per Share	2016 Cents per Share
Earnings per Share:		
Basic	0.19	2.07
Diluted	0.19	2.07

	2017 \$'000	2016 \$'000
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Earnings Per Share:

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

Earnings used for basic and diluted earnings per share calculations	200	2 138
Weighted average number of ordinary shares for the purposes of basic and diluted EPS	104 010 339	103 188 421

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Dividends

The company paid a fully franked final 2016 dividend of \$0.01 per ordinary share on 29 September 2016 and a fully franked 2017 interim dividend of \$0.01 per ordinary share on 20 April 2017.

	Consolidated	
	2017 \$'000	2016 \$'000
Recognised Amounts:		
Dividends paid	2 064	2 064
	2 064	2 064

Franking credits:

Franking credits available to the Group and subsidiaries based on the tax rate of 30% are as follows:

	2017 \$	2016 \$
Austock Group Limited	1 128 550	1 263 023
Austock Financial Services Pty Limited	14 266 061	15 016 061
Austock Life Limited	13 867	13 867
Bonds Custodian Pty Limited	24 544	24 544
	15 433 022	16 317 495

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Capital and Leasing Commitments

Leased Premises

	Consolidated	
	2017 \$'000	2016 \$'000
Non-cancellable operating leases contracted for but not recognised in the financial statements:		
Payable not later than 1 year	311	290
Payable later than 1 year but not later than 5 years	1 001	1 285
Payable later than 5 years	-	-
Subtotal	1 312	1 575
Less amount recoverable not later than 1 year	(46)	(35)
Less amount recoverable later than 1 year but not later than 5 years	(147)	(254)
Subtotal	(193)	(289)
Total	1 119	1 286

The property lease in respect of the Group's Melbourne premises is a non-cancellable lease which expires on 31 May 2021. Part of this lease is sublet to Mutual Limited effective August 2016. Entitlements from the sub-leases are reflected above.

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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:

- Direct debit facility of \$500,000 (2016: \$50,000) to be used for client's accounts as part of the Austock Life business; and
- Direct debit facility of \$10,000 (2016: \$10,000) to be used for client's accounts as part of the Bonds Custodian business.
- NAB credit card facilities of \$60,000 (2016: \$60,000) used by Senior Staff for business travel and client entertainment as part of Austock Financial Services business.

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Controlled Entities

Name of Entity	Country of Incorporation	2017 Ownership Interest	2016 Ownership Interest
Parent entity			
Austock Group Limited	Australia		
Controlled entities			
Austock Life Limited	Australia	100%	100%
Austock Nominees Pty Limited	Australia	100%	100%
Austock Financial Services Pty Limited	Australia	100%	100%
Bonds Custodian Pty Limited	Australia	100%	100%
Austock Capital Management Pty Ltd	Australia	100%	100%

Related Parties

(a) Equity interests in related entities

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 19 to the financial statements.

(b) Transactions with key management personnel

In addition, the following transactions occurred between the ultimate parent entity and the controlled entities of the Group and key management personnel:

- Directors and their family members have invested in the Imputation Bonds Benefit Funds managed by Austock Life Limited. These investments were undertaken on commercial terms. The value of these investments is \$1,042,275 (2016: \$88,749).
- Directors of a company that utilise administration services of Austock Financial Services Pty Limited were Directors of Austock Group Limited. These services are provided on commercial terms and conditions. The related party relationship ended in November 2015. There were no services provided to the related party during the year. (2016: \$285,273).

(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 entity in the wholly owned group is Austock Group Limited.

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 \$1,027,654 (2016: \$717,366). This is eliminated on consolidation.

(d) Transactions with other related parties

There were no other transactions with related parties for the year ended 30 June 2017 (2016: \$nil)

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Notes to the Statement of Cashflows

	2017 \$'000	2016 \$'000
Reconciliation of the operating profit / (loss) after tax to the net cash flows from operations		
Profit after tax	200	2 138
Depreciation and amortisation	133	134
Investment income received	(107)	(246)
Change in assets and liabilities		
(Increase) / decrease in receivables	(22)	35
(Increase) / decrease in other assets	(15)	74
(Increase) / decrease in income tax asset	1 233	(927)
(Increase) / decrease in deferred tax assets	632	(1 590)
(Decrease) / increase in payables	(38)	11
Increase in provisions	37	19
(Decrease) in other liabilities	(68)	(140)
Net cash flow used in operating activities	1 985	(492)

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Financial Instruments

Excluding policyholder assets and liabilities, there are no financial instruments recognised and measured at fair value. The Group has determined that the carrying values of financial instruments carried at amortised cost approximate fair value. These financial instruments are represented by cash and cash equivalents, trade receivables, interest in term deposits and trade payables, which are short term in nature or are floating rate instruments that are re-priced on or near the end of the reporting period. Accordingly, a fair value hierarchy has not been presented.

Financial instruments relating to policyholder balances of assets and liabilities. These are level 1 and level 2 financial instruments carried at fair value through profit and loss in the Austock Life Limited Benefit Funds are excluded from this note as there is no entitlement to shareholders of the Group.

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(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 including the Group's bank counterparties.

Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the Group's maximum exposure to credit risk:

	Consolidated	
	2017 \$'000	2016 \$'000
Cash and cash equivalents	5 728	3 125
Term deposits	3 565	2 054
Trade and other receivables	542	521
Total	9 835	5 700

Trade and Other Receivables

The aging of the Group's trade and other receivables and loan assets at balance sheet date was:

	Consolidated	
	2017 \$'000	2016 \$'000
Not past due	542	521
Past due 1 to 30 days	-	-
Past due 31 to 90 days	-	-
Past due more than 91 days	-	-
Total	542	521

In determining the recoverability of receivables, the Group considers any change in the credit quality of the receivable from the date recognised to balance sheet date. There are no past due of impaired receivables as at 30 June 2017 (2016: \$nil).

(b) 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.

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

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 held in interest deposit accounts. Interest on borrowings is based on a margin above the negotiated bank base rate.

The Group is exposed to interest rate risk as entities in the Group invests 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	
	2017 \$'000	2016 \$'000
Fixed Rate Instruments		
Term deposits	3 565	2 054
Net asset	3 565	2 054
Variable Rate Instruments		
Cash and cash equivalents	5 728	3 125
Net asset	5 728	3 125

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 2017		
Variable rate instruments	13	(13)
Total	13	(13)
30 June 2016		
Variable rate instruments	14	(14)
Total	14	(14)

(c) 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 by continuously monitoring forecast and actual cash flows.

The Group prepares rolling cash projections which assists in monitoring cash flow requirements and optimising its cash return on investments.

The maximum exposure to liquidity risk at the reporting date was payable and expected to be settled in three months or less. Other liabilities recognised by the group have no specific maturity date.

Parent Entity Disclosures

As at and throughout the financial year ended 30 June 2017 the parent company of the Group was Austock Group Limited.

	2017 \$'000	2016 \$'000
Results of the Parent Entity		
Profit for the period	1 563	597
Total comprehensive income for the period	1 563	597
Financial Position of the Parent Entity at Year End		
Current assets	6 809	3 004
Total assets ^a	47 213	38 152
Current liabilities	262	183
Total liabilities	405	319
Net assets	46 808	37 833
Total equity of the parent entity comprising of:		
Share capital	39 193	34 716
Financial asset reserve	34 925	29 927
Accumulated losses	(30 302)	(30 900)
Profit reserve	2 992	4 090
Total equity	46 808	37 833

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 contingent liabilities disclosed in note 18 to the financial statements, the parent entity does not have any contingencies at 30 June 2017 (2016: \$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 2017 (2016: \$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 2017 (2016: \$nil).

Subsequent Events

The following matters occurred subsequent to 30 June 2017:

- The company declared a final 2017 dividend of \$0.01 per ordinary share, fully franked, to be paid on 11 October 2017.
- The company's Dividend Reinvestment Plan (DRP) has been activated for this dividend.
- Mr Robert Neil Coombe was appointed to the Board and elected Executive Chairman on 18 July 2017.
- Pursuant to a subscription agreement dated 1 May 2017 between Mr Coombe and Austock Group Limited, 10,000,000 ordinary shares at 40 cents per share were issued to Mr Coombe and his nominees on 17 August 2017. This was approved by a meeting of shareholders on 18 July 2017. Of the 10,000,000 ordinary shares, 7,600,000 was taken up by Mr Coombe and the balance 2,400,000 was taken up by the nominees. The 7,600,000 will be accounted for as a share based payment in the year ending 30 June 2018.

Apart from the above, 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.

Additional Stock Exchange Information

As at 18 August 2017 (Unaudited)

Number of Holders of Equity Securities

Fully paid ordinary share capital

123,188,421 fully paid ordinary shares are held by 446 shareholders

Fully paid ordinary shares carry one vote per share and carry the right to dividends

Distribution of Holders of Equity Securities

Number of shares held	Number of holders
1 - 1 000	23
1 001 - 5 000	130
5 001 - 10 000	60
10 001 - 100 000	143
100 001 and over	90
Total	446
Holdings less than a marketable parcel	13

Substantial Shareholders

Substantial shareholders	Fully paid ordinary shares
Smith Peaco Nominees Pty Ltd	13 144 220
Ellerston Capital Limited	10 794 304
Mr John David Wheeler	10 634 000
Mrs Patricia Mary Tooth	8 587 244
Aust Executor Trustees Ltd (LAVF)	8 461 207
Finmare Pty Ltd	8 249 143
Mr Robert Coombe	7 600 000

Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	Fully paid percentage
ELLERSTON CAPITAL LIMITED <ELLERSTON ESOP A/C>	8 890 000	7.22%
AUST EXECUTOR TRUSTEES LTD <LAVF>	8 669 298	7.04%
AUSTRALIAN SHAREHOLDER NOMINEES PTY LTD	7 749 143	6.29%
MR JOHN DAVID WHEELER & MR GLEN ROBERT WHEELER <WHEELSUP S/F A/C>	7 000 000	5.68%
MRS PATRICIA MARY TOOTH	6 792 846	5.51%
SMITH PEACO NOMINEES PTY LTD <THE BESSEMER PROPERTY A/C>	6 639 100	5.39%
CANDOORA NO 31 PTY LTD <BESSEMER SUPER FUND A/C>	5 425 717	4.40%
MR ROBERT COOMBE	4 800 000	3.90%
MR FRANK GERARD ZULLO	4 000 000	3.25%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	3 844 924	3.12%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3 259 579	2.65%
MRS SUSAN HADDEN & MRS ABBY FALLA <HADDUP SUPER FUND A/C>	3 000 000	2.44%
CITICORP NOMINEES PTY LIMITED	2 905 115	2.36%
MR DON LAZZARO & MRS ANN LAZZARO <SUPER FUND A/C>	2 800 000	2.27%
ORLICA PTY LTD <COOMBE SUPERANNUATION FUND>	2 800 000	2.27%
MR ROSS JAMES HIGGINS	2 237 156	1.82%
MR PAUL MASI	1 919 000	1.56%
TDA SECURITIES PTY LTD <TDA SECURITIES A/C>	1 880 000	1.53%
GUERILLA NOMINEES PTY LTD <TOOTH RETIREMENT PLAN A/C>	1 785 714	1.45%
MR GOH GEOK KHIM	1 649 600	1.34%
	88 047 192	71.48%

Securities subject to voluntary escrow

Escrow release date	Number of escrowed shares
11 May 2018	1 333 333
11 May 2019	1 333 333

On Market Buy Back

There is no current on-market buy-back.

Corporate Information

Founded in 1991, Austock Group Limited is an ASX listed company that operates as a registered Pooled Development Fund specialising in providing development capital to financial sector businesses.

Company Directors

Mr Rob Coombe
Executive Chairman

Mr William Eric Bessemer
Chief Executive Officer and Director

Mr Jonathan James Tooth
Non-Executive Director

Mr (James) Eric Barr
Non-Executive Director

Mr John David Wheeler
Non-Executive Director

Mr Ross James Higgins
Executive Director and Managing Director of Austock Life

Chief Financial Officer and Company Secretary

Enzo Silverii

Registered Office

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Melbourne VIC 3000

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Facsimile: +61 3 9200 2270

Share Register

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Appointed Actuary for Austock Life

Allen L Truslove
Actuary and Statistician

Level 2, 710 Collins Street
Melbourne VIC 3000

Banker

National Australia Bank
330 Collins Street
Melbourne VIC 3000

Auditor

KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne VIC 3008