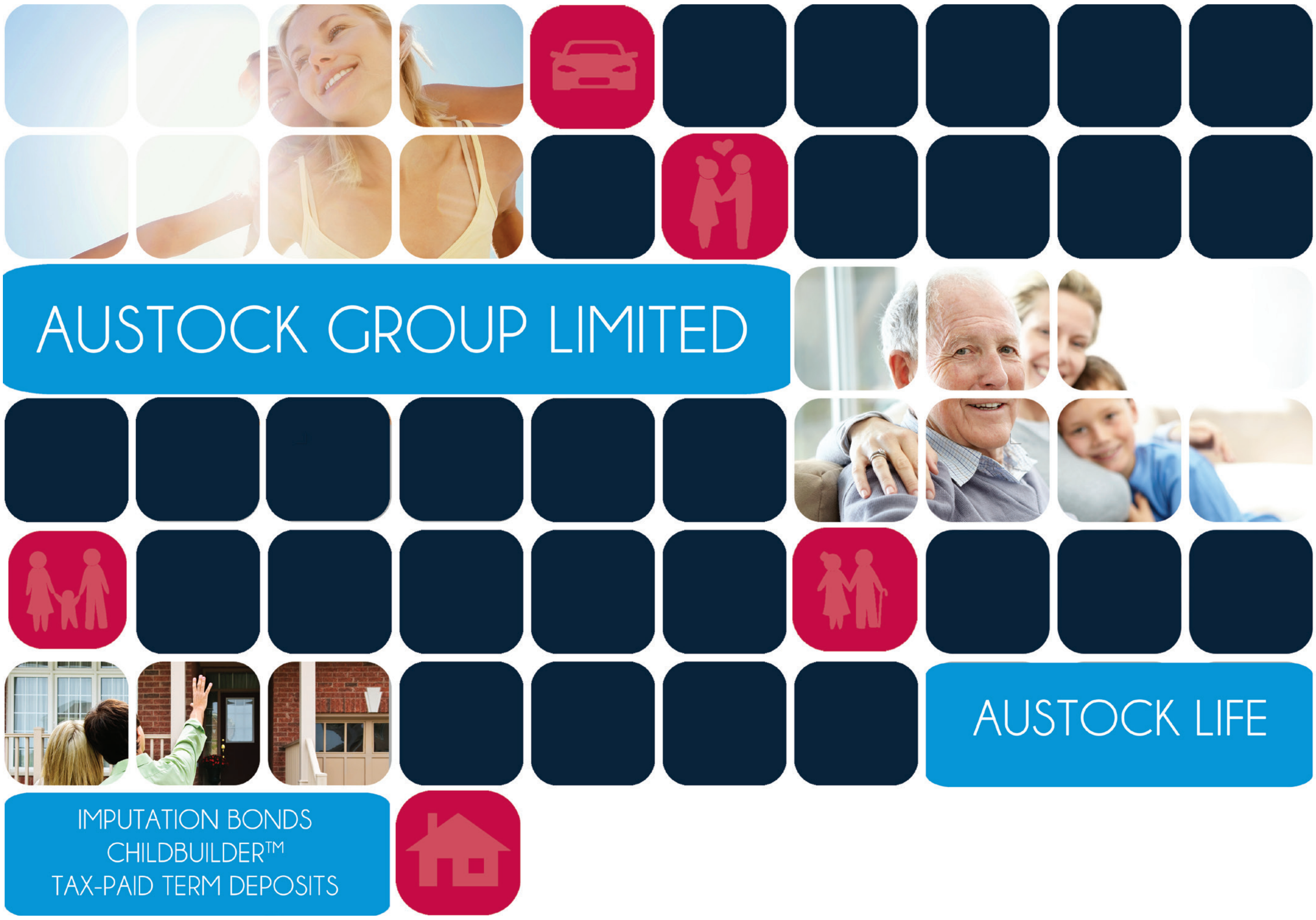

Annual Report 2013

Austock Group

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Contents

CHAIRMAN'S REPORT

F. George. A Beaumont, QC

Dear Shareholder

The 2012/2013 financial year has been one of accomplishment for Austock Group. All of those legacy issues that the Board started the year with have been put behind us. The Company has been restructured and simplified to improve performance and transparency, with a reduction in the number of Group entities. The financial profile has been considerably improved and the share register has benefited from the completion of the on-market share buyback and other share cancellations during the year.

Austock is now a clearly focused business. Above all Austock Life has confirmed the confidence I expressed to shareholders in my report last year. It has a product that is "best of breed" with a first class management and distribution team and with considerable growth prospects.

We start the 2013/2014 financial year in a solid position and with considerable confidence. The strategy is well defined and I am satisfied we have the resources to achieve this strategy. The Board intends to focus the Company's resources on the expansion of Austock Life aimed at growing its funds under management (FUM).

Whilst Austock Life's expansion plans are ambitious we believe that investors and Financial Advisers are, more-and-more, recognising the potential of the product segments in which the business operates and of which it is the market leader and an innovative product manufacturer.

Shareholders need to comprehend and appreciate that this strategy focuses on improving shareholder value by concentrating on organic sales growth. The purpose is to increase FUM and consequently the capital value of Austock Life and thus the Group. Whilst there is an impact on near term earnings, I have confidence that this will be more than compensated for by medium term earnings and an increase in capital value.

That is not to say that the Board will not consider other opportunities. In fact, whilst there is a focus on organic growth the Board will continue to seek out and appraise other avenues for growth and the enhancement of shareholder value.

It is important that shareholders have a clear understanding of Austock Life, its products and of the market in which it operates, and of its future potential. To that end a detailed review of Austock Life's business and products follows this report.

Audited accounts, with the integration of the statutory life funds, may not clearly show what it is that shareholders earn or own. The Board received favourable feedback from shareholders with the inclusion in the 2012 Annual Report of an unaudited "Summary of Results". We have done this again this year on page 3.

This summary is prepared as if the business of Austock, as it now exists, had done so for the entire 2012/13 financial year.

On 19 April 2013 Austock paid its first dividend since 2008. I made a statement then that whilst your directors will strive to pay dividends in the future they will always balance this against capital needs. Your directors are committed to moving Austock Group along a path to a stable dividend program always keeping in mind the capital needs of what is expected to be a rapidly growing Life business. Directors are also very conscious of the significant tax losses and franking credits within the Group and how potentially these may be of benefit to shareholders.

AusIndustry, the Australian Government department that administers Pooled Development Funds ("PDF"), has announced the Government's intention to phase out, over a number of years, the PDF program. Directors are in regular discussions with AusIndustry and are yet to be notified of the timing of closure of the program and any transitional arrangements that may apply. We do not believe this announcement offers any short or medium term concerns to Austock or its shareholders. The unique tax benefits offered by the PDF program remain as they have since 1999.

Yours sincerely,

F. George. A Beaumont, QC
Independent Non-Executive Chairman
29 August 2013

Summary of Results

(UNAUDITED)

Austock reported a net profit after tax of $5.2 million for the full year ended 30 June 2013. This includes various one off and non-recurring items resulting from the disposal of the property funds management business and completion of various matters stemming from the rationalisation of the group's business operations and structures.

To assist readers of the Annual Report set out below is a pro forma profit and loss which reflects the results of the remaining businesses of Life and Services plus group overheads.

Year ended 30 June	Notes	2013 - $m	2012 - $m
Revenue			
Life & Services		4.7	4.1
Other Income		0.5	0.3
Total revenue	**1**	**5.2**	**4.4**
Expenses			
Personnel		3.3	5.8
Occupancy		0.3	0.5
Communication		0.1	0.3
Finance		0.0	0.1
Distribution costs		1.6	1.5
Marketing and promotional		0.2	0.3
Depreciation and amortization		0.1	0.4
General administrative		2.0	2.3
Total expenses	**2**	**7.6**	**11.2**
Gross profit / (loss) before tax		**(2.4)**	**(6.8)**
Austock Life management fund tax benefit	3	1.3	1.0
Underlying profit / (loss) before tax		**(1.1)**	**(5.8)**
Gain on sale of Property business	4	7.7	0.0
Impairment (expense)		(0.8)	0.0
Deferred tax (expense)		(0.3)	(0.9)
One off expenses (benefit)	5	(1.1)	0.5
Profit / (loss) after tax continuing operations		**4.4**	**(6.2)**
Profit / (loss) after tax discontinuing operations	6	0.8	(9.8)
Reported profit / (loss) after tax		**5.2**	**(16.0)**

Discussion notes:

1. Life revenue increased 29% due to another year of strong sales which saw total assets grow by $75 million or 25% to $374 million at 30 June 2013.
2. The significant decrease in expenses has resulted from a downsizing of the workforce and supporting facilities to be commensurate with the reduce scale of operations.
3. For income taxation purposes Austock Life is a single taxpayer comprising policyholder benefit funds and a central management or shareholders fund with all the company's assessable income, allowable deductions and tax offsets being pooled. The net tax position of the management fund component gives rise to this benefit.
4. The gain represents the profit generated on the sale of the Property funds management business.
5. Various expenses incurred in the resolution and finalisation of outstanding issues, and in the rationalisation of remaining businesses. In the prior year the transfer of the endowment investment and funeral bond business of Druids Friendly Society Limited generated a benefit.
6. The component of the group result contributed by the discontinued businesses of Securities and Property funds management which were sold in March and September 2012 respectively.

Balance Sheet Summary

Year ended 30 June	2013 - $m	2012 - $m
Cash and cash equivalents	12.2	8.8
Receivables	0.5	1.7
Property Plant and Equipment	0.4	0.5
Property net assests (held for sales)	-	4.1
Life – Goodwill	0.6	0.6
Other assets	0.8	0.6
Total assets	**14.5**	**16.3**
Payables	0.3	0.4
Provisions and other liabilities	2.2	2.8
Total liabilities	**2.5**	**3.2**
Net assets	**12.0**	**13.1**
Comprising:		
Tangible assets	11.4	8.4
Intangible assets	0.6	4.7
	12.0	**13.1**
Number of shares used for NTA purposes	**99.2**	**117.7**
NTA per share (cents)	**11.5**	**7.1**

Austock Life

MANAGING DIRECTOR'S REPORT*

Business Overview & 2013 Review

Ross Higgins

Business Description

Austock Life operates as a life insurance company. It was established in 2002 and is 100% owned by Austock Group.

As a start-up financial institution - the first new life office of its kind in over 25 years – Austock Life has grown from zero funds under management (**FUM**) to over $374 million in policy owner assets with over 12,500 Bond Owners. As at 30 June 2013, its FUM comprises:

- the **Imputation Bond** – a master insurance bond platform (including **ChildBuilder** and **Tax-Paid Term Deposits**) – $339.2 million; and
- $32.7 million in assets of the endowment, funeral and deferred annuity business of three small friendly societies acquired by Austock Life. **(Acquired Business)**

Austock Life has evolved to lead the field as an independent and a specialist issuer of insurance bonds investments[1].

Austock Life's Licences

Austock Life is licensed under the Life Insurance Act 1995. Its licence was granted by the Australian Prudential Regulation Authority **(APRA)** in December 2002 and is unrestricted as to the classes of business. Under the Life Act, the company can issue investment-based and risk-based life policies, disability insurance, funeral business, education bonds and annuity business.

It also holds an Australian Financial Services Licence **(AFSL)** authorising it to be a dealer in "Investment Life Insurance Products" (both life investment and risk based) and to provide general financial product advice.

Austock Life has no current (or historical) regulatory issues with its AFSL or life insurance licence.

Profitability & Outlook

Although Austock Life's assets have grown considerably — in the context of creating a life insurance investment business from scratch — the company is still in its formative FUM accumulation phase.

The Imputation Bond is a highly scaleable platform that operates under a relatively fixed cost base. As such, the business's future profitability outlook is very much tied to the extent of the "investment" in growing FUM via building and expanding its Sales and Distribution team and related variable marketing and product development costs.

Imputation Bonds and ChildBuilder are higher valued "retail" life insurance investment business, and generally written by licensed Financial Advisers as part of medium to long-term financial, tax or estate planning strategies.

Highlights of 2013

Strong funds growth and milestones:

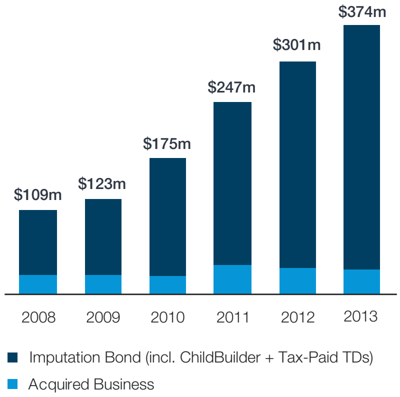
- $73 million uplift in balance sheet assets to $374 million (up 24%)
- $105.7 million record new business into the Imputation Bond and ChildBuilder product
- $51 million invested into the Tax-Paid Term Deposits Portfolio

***IMPORTANT NOTE:** The figures and statistics in this report are from Austock Life's Sales and Management Reporting Systems and are unaudited. Variances with the audited accounts are due to end of year adjustments for taxation and accruals, timing differences of us recording new business and in revaluations for underlying managed funds.

[1] In 2013 the Imputation Bond became Australia's No. 1 ranked Investment Bond by net funds flows. Source: Plan For Life Actuaries & Researchers "Investment Bonds Report" for March Quarter 2013.

Solid Funds Growth in 2013

Austock Life's solid growth performance has been underpinned by consecutive years of record new business sales inflows.



- Since launching its first product, the Imputation Bond in August 2004, Austock Life's FUM has shown consistent and strong growth.
- Over the past three years, the company has more than doubled its size with total assets growing by $199 million, and the Imputation Bond platform recording an impressive 29% year-on-year growth over this period.
- This escalating growth has been driven by Imputation Bond inflows, but since July 2010 added sales impetus has followed the launch of two "break-out" products from the Imputation Bond's structure – ChildBuilder Bonds and Tax-Paid Term Deposits.

	2008		2009		2010		2011		2012		2013	
Sales (inflows)	$55m	72%	$40m	-27%	$66.2m	66%	$80.1m	21%	$88.8m	11%	$105.7m	19%
FUM (entity)	$109m		$123m		$175m		$247m		$301m		$374m	
Growth (entity)	$35m	47%	$14m	13%	$52m	42%	$72m	41%	$53m	21%	$73m	24%

Entity FUM Movements for 2013

Despite often volatile (but generally very positive) market conditions, the uncertainties of Australia's political scene and a dampening domestic economy, Austock Life achieved a $73 million uplift in overall balance sheet assets to close out the financial year at $374 million.

Opening FUM at 1 July 2012	$301.2m		
Sales Inflows	$105.7m		
Invest Growth	$20.6m	Acquired Businesses FUM movement	($1.4m)
		Withdrawals	($17.7m)
		Maturities	($34.9m)
		Closing FUM at 30 June 2013	$373.5m

2013's record FUM increase was assisted by favourable market conditions - mainly across the equity and property classes of the Imputation Bond's menu. Although equity markets became more volatile and deteriorated in Q4, pleasingly the year saw $20.6 million of investment growth added. (($1.5 million) in 2011/12.)

We experienced slightly higher than expected voluntary withdrawals of ($17.7 million) (2012 ($15.2 million)). Withdrawal rates are naturally rising in line with the increasing platform FUM, and in 2013 were also impacted by market volatility and a deteriorating economic outlook prompting greater investor motivation and/or financial needs to withdraw early.

Death maturities in 2013 were ($34.9 million). (2012 ($15.4 million)). Again, our growing FUM base impacted, however the Imputation Bond's death maturity profile is skewed to higher levels due to its popularity for estate planning and aged care strategies. A related factor is the average death maturity amount - which in 2012 was $177,000 but in 2013 kicked up to $312,000 - reflective of more higher denomination bonds maturing.

The Acquired Businesses, which experienced a drop in FUM of ($1.4 million) (2012 ($4.7 million)) mainly due to death maturities in these products, which are all in "run-off" mode.

2013 Products Review

Imputation Bonds in 2013

As already stated, the Imputation Bond platform is now Australia's market leading insurance bond.

Our flagship Imputation Bond is a "fund-of-funds" insurance bond master platform with a unique product design, whereby one insurance bond (policy) is issued to each investor, who can select from a menu offering 28 investment options.

The product is constructed under an insurance bond "tax-paid" and "tax-free" distributing structure. It enables investors to incorporate into their financial plans capital accumulations for meeting "life-event" objectives, such as home ownership, education funding, estate planning and as an accessible alternative to superannuation.

Central to the Imputation Bond's success has also been us creating for our primary Financial Adviser market a "strategy-wrap" of extensive financial, tax and estate planning applications for using the products.

The solid FUM growth was achieved in a market that saw all competing insurance bond issuers experiencing net outflows. Also pleasing in 2013 was the level of existing Bond Owners using the product's 125% Add-On Investment and Savings Plan features, and whilst 4% is a relatively small component of our inflows, this is "gold" automatically, recurring new business, often set to last for the full duration of the Bond.

Investor (and Financial Adviser) confidence in Austock Life and the Imputation Bond was also reflected by the extent of high denomination lump sum new business. The 2013 average Imputation Bond was over $130,000, which is in line with the product's long-term average of $114,000 per Bond since inception in 2004.

Investment Menu — Manager Composition and Inflows

As at 30 June 2013, total FUM of the Imputation Bond platform reached $339.2 million. 2013 FUM balances and inflows for the 16 seperate investment managers appointed to the platform's menu options were:

Imputation Bond Menu FUM by Manager at 30 June 2013			2013 Inflows
Mutual Limited	$124.4m	36.7%	$51.3m
Macquarie	$51.7	15.2%	$10.3m
Perpetual	$42.6m	12.6%	$7.2m
Vanguard	$41.4m	12.2%	$10.6m
PIMCO	$17.0m	5.0%	$3.4m
MLC Invesments	$13.6m	4.0%	$3.4m
UBS	$9.1m	2.7%	$2.0m
Investors Mutual	$6.7m	2.0%	$0.6m
Dimensional	$6.7m	1.8%	$7.0m
Tyndall	$6.3m	1.9%	$2.8m
Fairview	$4.8m	1.4%	$0.8m
Schroders	$3.7m	1.1%	$1.3m
Aberdeen	$4.2m	1.3%	$1.5m
Equity Trustees	$4.1m	1.2%	$2.9m
Lazard	$2.0m	0.6%	$0.3m
AMP Capital	$0.9m	0.3%	$0.3m
Total	**$339.2m**	**100%**	**$105.7m**

Imputation Bonds — Activity in 2013

- 580 Imputation Bonds issued and $100.7 million of new business sales
- $73.3 million net platform gain taking product FUM to $339.2 million (up 28%)
- 125% Add-On Investments and Savings Plans accounted for 4% of new business
- Average Imputation Bond size increased to $130,000

"Highly Recommended" – Zenith Product Rating

During 2013, the Imputation Bond (including ChildBuilder) retained its "Highly Recommended" rating from independent research house, Zenith Investment Partners. This rating has been instrumental with the product's successful distribution and our growing network of supporting Financial Advisers.

ChildBuilder Bonds in 2013

ChildBuilder is a modernisation of a traditional Children's Advancement Policy, and created by Austock Life as a "break-out" product from the Imputation Bond's structure. It uses its same taxation framework and its full 28 optioned investment menu.

Although ChildBuilder business is relatively small domination, it is very valuable FUM as individual Bond durations are generally be set in line with the Nominated Child's age and vesting date, and typically lasting between 5 and 25 years.

ChildBuilder — Activity in 2013

- 229 Childbuilder Bonds issued and $2.5 million of new business sales
- Average ChildBuilder Bond size $11,000
- ChildBuilder accounts for 28% of new business mix by product type

ChildBuilder's popularity with investors (and Financial Advisers) is growing strongly, such that it now represents nearly 30% of our new business mix by product type. ChildBuilder is also an important "door opener" and relationship building tool used in our marketing to Financial Advisers.

The product is a way for parents and grandparents to address a wide range of financial objectives for children and grandchildren, rather than just meeting education funding challenges. These include using ChildBuilder as a dedicated investment aimed for a child's financial head start with a first home deposit, a first car, overseas travel, wedding expenses, starting a family or business etc.

The other innovation with ChildBuilder is that pre-vesting, the initial Bond investor (e.g. parents) can flexibly access it as their own tax-effective investment and for their own unspecified purposes – or optionally have ChildBuilder vest in their nominated child for specified (non-binding) "Intended Purposes".

ChildBuilder can also be used as a valuable estate planning tool (and as an alternative to testamentary trusts) to plan ahead with "peace-of-mind" over whom, how and when an investor's estate wealth will be distributed to the next generation.

Tax-Paid Term Deposits (TDs) in 2013

This is Australia's first diversified and actively managed portfolio of TDs with the added innovation of being under a tax-paid insurance bond framework. It is a "low fee" option and structured as Option #14A of the Imputation Bond's menu.

Tax-Paid TDs — Activity in 2013

- $51 million of new business inflows and FUM growth to $122 million
- 4.67% p.a. average gross yield translating to 2.65% return after fees and after Portfolio Tax

Our objective in creating this portfolio was to build a product-like menu option with stand-alone attractions. For higher taxed investors, besides the tax-effectiveness of investing into an internally taxed pool of TDs – by taking a "portfolio approach" they can:

- have the superior liquidity of a daily unit priced portfolio of TDs with flexible access at any time – and without early withdrawal costs sometimes applied to directly held TDs;
- eliminate the hassle of personally managing TD rollovers and maturities, rate monitoring and shopping between and dealing with different banks; and
- benefit from the Imputation Bond's "Set-and-Forget" tax administration and reporting.

Performance of Tax-Paid TDs is enhanced by our portfolio approach to investing into TDs, and can also be increased due to competition and structural changes to bank funding favouring TDs. 2013's return of 2.65% after fees and after Portfolio Tax outperformed the platform's Cash Option's 2.05%.

The Tax-Paid Term Deposits menu option has shown rapid growth since inception in July 2010 to be the largest and most popular investment choice on the menu.

Product Investment Performance

Imputation Bond's Investment Menu

2013 was a year of very pleasing investment performances across the Imputation Bond (including ChildBuilder) menu. All options that had exposure to Australian and International shares and/or property investments achieved solid "tax-paid" and "after fees" results.

Importantly, all investment options on the Bond's menu have achieved positive growth — after tax-paid Portfolio Tax and after fees — over 3 and 5 year periods.

Acquired Business's Portfolios

The 10 products that comprise the Acquired Business (see later) are all invested in portfolios of bank TDs with differing internally applying Portfolio Tax rates. For 2013, these products declared "tax-paid" bonuses ranging between 2.0% and 5.0%) which compares favourably to similar type business.

Investment Menu Performance in 2013

- All 28 menu options achieved positive returns
- 18 of 28 options delivered 10% plus returns
- 6 investment options had returns in excess of 20%
- Standout 55.86% by the Perpetual Geared Australian Shares Option

Direction & Strategy

A Focus on Organic Sales Growth

Over Austock Life's formative years, our operations were concentrated on creating a product range, building a Sales and Distribution team and establishing our administration, corporate governance and compliance systems.

Although we have acquired three small friendly societies, our strategy is now clearly focused on growing our FUM (and correspondingly the business's value for Austock Group shareholders) by organic sales of the Imputation Bond, ChildBuilder and Tax-Paid TDs.

This was the strategy approach taken in 2012/13, and is the direction that will continue in keeping with our 2012 Strategic FUM Growth Objective to take total assets past $500 million by the end of 2013/14. The 2013 year's $73 million growth and $374 million closing FUM positions us reasonably well towards meeting this goal.

Sales & Distribution Strategy

Central to our FUM growth objective is achieving success with our sales and distribution strategy. This is predominantly directed to the Financial Adviser market with our model based on making product sales by our Sales and Distribution team (engaged via Austock Financial Services).

We take a strategy-based and hands-on approach in working with Financial Advisers to grow their businesses – especially by engaging with their business referral sources, such as solicitors and accountants. Integral to this is providing technical support and working with Financial Advisers in how to write $100,000+ Imputation Bonds as strategy-based / advice-driven business.

We are steadily growing the number of supporting Financial Adviser Dealer Groups (where the Imputation Bond and ChildBuilder are approved for use) and we are also achieving greater penetration into our existing Dealer Group list.

During 2013, our Sales and Distribution team was strengthened by the recruitment of two former BT senior sales executives – Tony Gobbo, as National Sales Manager and Steve Newnham, as Northern Region Distribution manager.

We also recruited an experienced Business Development Manager (BDM) to cover WA and SA. These appointments have built the team to three senior Sales Managers and a BDM team of five with a national footprint (other than Northern Territory).

Sales Team & Distribution Activity in 2013

- Approved Dealer Group List increased from 177 to 198 registered product supporters
- New business placed by 110 separate Dealer Groups - "first time" new business from 8 Dealer Groups
- National Sales Manager appointed and Northern Region Manager recruited
- BDM appointed to cover WA & SA

Our strategy to increase distribution capacity (and Austock Group's support of the business investment case) is in response to increasing Financial Adviser awareness and demand for our products and their multitude of financial, tax and estate planning applications. Growing inflows into the Imputation Bond - taking it to the verge of $350 million - evidences that new era insurance bonds are recapturing the attention of Advisers wanting to engage in life-events financial planning, beyond superannuation.

Future of Financial Advice (FoFA) Reforms

As from 1 July 2013, the so called FoFA framework introduced a new regime to strictly regulate Financial Advisers by:

- introducing a "best interests" obligation on Advisers requiring them to act in their client's best interests; and
- banning Advisers from receiving (or product issuers paying them) "conflicted remuneration" when providing financial product advice.

In this new FoFA world, strategy-based products, such as Imputation Bonds and ChildBuilder will increasingly cater to Advisers' demands to add real value and achieve best interest financial planning outcomes for clients.

The banning of Adviser commissions is also a positive, because our distribution model is focused more on the "independent" Adviser channel. Additionally, our products have always operated under client / Adviser agreed fee arrangements, and not with in-built commissions.

Acquisitions Strategy

We will opportunistically pursue acquisitions provided these are not disruptive in terms of time, cost and business compatibility to our primary organic sales growth.

Austock Life has made three acquisitions. Each was acquired for zero consideration and made by way of a transfer of "run-off" endowment, funeral and deferred annuity business from small, declining friendly societies.

The Acquired Business accounted for $32.7 million (as at 30 June 2013) and around 10,500 Bond Owners comprising:

- Ausdef Limited ($6 million FUM and 3 products acquired in 2004);
- Manchester Unity Queensland ($29 million FUM and 5 products acquired in 2006); and
- Druids Friendly Society ($14 million FUM and 2 products acquired in 2011)

All of these products are closed to new business and are being managed by Austock Life in "run-off" expected for at least the next 10 to 15 years.

Product Strategy & Menu Development

At a high level, Austock Life's product strategy is to use our life office licence and structure to create tax-effective insurance based investment products. Our objective is to become Australia's leading specialist issuer of life insurance based investment business, and in time an issuer of innovative non-superannuation annuities.

Austock Life has core capabilities and proven expertise in product development and manufacture. This is demonstrated by our creation of the market leading Imputation Bond, ChildBuilder™ and the innovative Tax-Paid Term Deposits.

Central to our future product development program is the Imputation Bond, which is a product development platform within itself. Going forward we will look to use it to develop other new "break-out" products, and also to expand the Imputation Bond's investment menu. Since launch in 2004 the menu has undergone considerable development from 14 investment options to its present 28 options.

During 2013, a new Imputation Bond (including ChildBuilder) Product Disclosure Statement **(PDS)** was issued with an updated Investment Menu. This PDS also introduced new strategy content and changed the product's fee structure by removing contribution fees in response to the FoFA reforms.

PDS for Imputation Bonds and ChildBuilder

If you would like a copy of the PDS for Imputation Bonds and ChildBuilder, please contact us or your Financial Adviser.

You can also download a copy from our website www.austocklife.com.

Management & Operations Activity in 2013

- Created and recruited for new positions – Regulatory & Compliance Manager, IT Developer and a Marketing Manager
- Restructured and expanded Austock Financial Services with new outsourcing arrangements to engage and manage the Sales and Distribution team
- New outsourcing arrangements put in place with Austock Group

Management & Operations Review

Austock Life's management team and operations are now well established. This team has considerable financial services experience with life insurance investment products, superannuation and managed funds.

The company undertakes its own corporate and day-to-day management activities, has internal finance and accounting capabilities, and we undertake strategic planning, product development, marketing and provide technical support to the Sales and Distribution Team employed by Austock Financial Services. Our primary compliance and risk management responsibilities are a combination of internal and outsourced functions.

Internally, Austock Life also does a range of investment operation functions, including day-to-day investment placement and settlement functions for our directly invested portfolios, investment transactions with our appointed managed funds and we operate an Investment Committee as a Board Sub-Committee.

In 2013, Austock Life's management devoted considerable time to configuring the business to meet new challenges of it being Austock Group's sole business focus and its primary revenue source. This entailed assuming various functions from the former Austock Group centralised and relatively well serviced / resourced infrastructure, and resourcing the business to exist as a self-sufficient and integrated business.

Outsourced Functions

Austock Group provides by agreement Austock Life's operating infrastructure, including premises, fittings, furniture, computer hardware and computer software.

Group level assistance is also provided with Life's financial and capital management (via the Group CFO) and the Group also undertakes payroll services and information systems management functions.

Austock Financial Services

Austock Financial Services is a 100% owned investee company of Austock Group.

This business provides under an outsourcing agreement (which is supervised by Austock Life) administration services, including unit pricing, fund valuation, investment and fund accounting, fund administration and business registry services for the Imputation Bond and ChildBuilder. As from 1 July 2013, it also assumed responsibility for employing and managing the Sales and Distribution team.

Since the Imputation Bond's inception in 2003, it has been administered by Austock Financial Services using the Garradin Portfolio Manager platform. This is a state-of-the-art funds management system with daily unit pricing, unit registry and general ledger functionality specifically tailored for insurance bond business.

Austock Financial Services also undertakes administrative services for two external clients, Mutual Limited and Halidon Asset Management.

Mutual Limited

Austock Life has outsourcing agreements with Mutual Limited to provide investment management and advisory services. (www.mutualltd.com.au).

Regulatory and Governance

APRA Supervision of Austock Life

Austock Life operates under an intensive APRA prudential framework with extensive monitoring and reporting to APRA. This includes quarterly reporting on the assets / liabilities, capital, reserving, solvency and liquidity of all Benefit Funds and our Management Fund. It also entails periodic APRA Prudential Reviews and inspections of Austock Life's business.

We have comprehensive policies and procedures designed to address APRA Prudential Standards and the risk management arrangements for our investment portfolios and management operations.

As an APRA prudentially supervised entity, Austock Life must meet statutory requirements for minimum capital (plus target buffers) in its Management Fund and for its investments portfolios (Benefit Funds). Over 2012/13 the Board and management, with the company's appointed actuary devoted considerable time and effort to APRA's new Internal Capital Adequacy Assessment Program, which came into effect on 1 January 2013.

Austock Life's Board and Governance

Austock Life operates with a separately constituted and well-credentialed Board, who are experienced in investment, funds management and life insurance.

As an APRA regulated life company our corporate governance and compliance arrangements include:

- Board composition of at least five Directors, with a majority of non-executive Directors, and at least half being independent of Austock Group interests; and
- having separate Board Committees for Audit, Compliance, Investment and Remuneration.

Remuneration and Succession Plan

In accordance with APRA prudential standards, Austock Life has a formal Remuneration Committee overseeing a Remuneration Policy that is reviewed annually.

Austock Life's Remuneration Policy covers the Managing Director, its Directors and all staff that undertake primary risk management, compliance, financial controls or whose roles or activities may affect the financial soundness of the business. The policy addresses remuneration guidelines on fixed remuneration and performance based (bonuses / equity) components.

Austock Life in accordance with APRA requirements also has a Board approved (and annually reviewed) Succession Plan.

Industry and Lobby Activities

Austock Life takes a leading and active role in Industry affairs and lobby activities. Over 2012/13, Industry's major activities were directed to submissions and lobbying for better taxation arrangements for insurance bonds, on the government's new Significant Investor Visa regime, and on many changes and issues associated with our regulatory environment.

The company's Managing Director is also a member APRA's Quarterly CEO's forum.

Ross Higgins
Managing Director - Austock Life
29 August 2013

Corporate Governance Statement

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

Principle 1: Lay solid foundation for management and oversight

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

ASX recommendation / disclosure obligation	Company's response
1.1 Establish functions reserved to Board and those delegated to senior executives	The Board has clear policies and processes to delineate the respective functions, roles and responsibilities of the Board and Management. The Board has adopted a charter that sets out the role, composition and responsibilities reserved by the Board, those delegated to the Chief Executive Officer, and those specific to the Chairman. The conduct of the Board is also governed by the Constitution of the Company. The Board has also adopted a Delegations Policy which formalises and discloses the functions delegated to senior management outside the Board.
1.2 Disclose process for evaluating performance of senior executives	There are 4 components to evaluating the performance of senior executives. Prior to the commencement of the financial year, a Budget/strategy session is held involving the Chief Executive Officer ("CEO") and all department heads and a business plan for each department for the forthcoming year is agreed with the CEO. Annual performance appraisals of each department head are conducted by the CEO in July and KPIs that have been agreed by the department head and CEO are filtered down to individual team members. Regular reviews are conducted to provide formal feedback to department heads regarding their individual and team's performance and to plan for the next 6 months. Performance is regularly reviewed at monthly meetings between department heads and the CEO.
1.3 Availability of information	A copy of the Board Charter and Constitution is available on the Company's website. A copy of the Delegations Policy can be made available upon request.

Principle 2: Structure the Board to add value

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

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

ASX recommendation / disclosure obligation	Company's response
2.1 Majority of Board should be independent directors	The current Board comprises four directors of whom only one – Mr George Beaumont – is independent. The other members of the Board are the Chief Executive Officer, Mr Bill Bessemer, and Non-Executive Directors Mr Martin Ryan and Mr Jonathan Tooth, all of whom are not considered to be independent as they are, or are closely associated with, a substantial shareholder of the Company. Mr Bessemer is also an executive of the Company. The Board is of the opinion that there is an adequate and broad mix of skills and experience amongst the directors such that each is capable of acting in an independent manner and in the best interests of the shareholders.
2.2 Chair should be an independent director	Mr George Beaumont assumed the position of Chairman on 9 May 2012 and is considered independent.
2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual	The roles of Chairman and Chief Executive Officer are not held by the same individual.
2.4 Establish a Nomination Committee	The Company does not presently have a Nomination Committee. A Remuneration and Nomination Committee was established in 2007 however its responsibilities and functions were assumed by the full Board on 24 October 2011 and it was formally abolished on 1 May 2012. Having regard to the recent downsizing of the Austock Group following the sale of the Securities and Property Funds Management businesses and the current size and composition of the Board, a separate Committee structure is considered to be unnecessary.
2.5 Disclose process for performance evaluation of Board, its committees and individual directors	The Board has adopted a Board and Committee Performance Evaluation Policy. This policy outlines the process for evaluating the performance of the Board, its committees and individual directors. It is anticipated that a performance evaluation will be undertaken once the existing Board (of which all the Directors have been in office for less than 2 years) has been in office for some period of time.
2.6.1 Information on Directors	Details of each Director's relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors' Report. The number of meetings held and attended during the year are also set out in the Directors' Report. The Company's materiality threshold in determining independence is also set out in the Directors' Report.
2.6.2 Independent professional advice	In fulfilling their duties, each Director and committee member may obtain independent professional advice at the expense of the Company, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.
2.6.3 Desired mix of skills and diversity in board membership	The Board seeks to evolve its membership by appointing non-executive directors with diverse and complementary skills, experience and perspectives.
2.6.4 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors	The Board has adopted a Selection and Appointment of Non-Executive Directors' Policy. This policy outlines the procedure for selecting and appointing non-executive directors and for re-appointing incumbent non-executive directors.
2.6.5 Availability of information	A copy of the Board and Committee Performance Evaluation Policy and Selection and Appointment of Non-Executive Directors' Policy is available on the Company's website

Principle 3: Promote ethical and responsible decision making

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

ASX recommendation / disclosure obligation	Company's response
3.1 Establish a Code of Conduct	The Board believes that the success of the Company will be enhanced by a strong ethical culture within the organisation. The Board has adopted a Code of Conduct to ensure that all directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.
3.2 Establish a Diversity Policy	A Diversity Policy was adopted by the Board on 30 May 2011.
3.3 Disclose measurable objectives for achieving gender diversity and progress towards achieving them	The Board has not set any measurable objectives for achieving gender diversity. As part of its focus on returning the Company to profitability and restoring shareholder wealth, the number of employees has reduced significantly and is expected to remain stable. The Board does not consider it necessary or appropriate to set measurable objectives for achieving gender diversity while employee numbers remain low. However, as Board and employee vacancies are filled, attention will be given to identifying opportunities for improving gender diversity across the organisation.
3.4 Disclose proportion of women employed in whole organisation, in senior executive positions and on the board	The Company provides the following information in relation to the proportion of women employed within the Austock Group: **Women in organisation:** 32% **Women in senior executive positions:** 0% **Women on the Board:** 0%
3.5 Availability of information	A copy of the Code of Conduct and Diversity Policy is available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

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

ASX recommendation / disclosure obligation	Company's response
4.1 Establish an Audit Committee	The Company does not presently have an Audit Committee. An Audit Committee was established in 2007 however its responsibilities and functions were assumed by the full Board on 24 October 2011 and it was formally abolished on 1 May 2012. Having regard to the recent downsizing of the Austock Group following the sale of the Securities and Property Funds Management businesses and the current size and composition of the Board, a separate Committee structure is considered to be unnecessary. In addition, the Company's main operating division Austock Life has its own audit committee which exercises financial oversight over that business.
4.2 Structure of Audit Commttee	n/a
4.3 Formal Charter	n/a
4.4.1 Information on Audit Committee members	n/a
4.4.2 Selection and appointment of external auditor and for rotation of external audit engagement partner	The Board is responsible for appointing the external auditor, subject to confirmation by shareholders at the Company's annual general meeting. In selecting an auditor, the Board will implement a selection and assessment process, which takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost. The Board will annually review the external auditor's performance and independence. In line with current professional standards, the external auditor is required to rotate Austock audit and review partners at least once every 5 years.

Principle 5: Make timely and balanced disclosure

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

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

Principle 6: Respect the rights of shareholders

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

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

Principle 7: Recognise and manage risk

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

ASX recommendation / disclosure obligation	Company's response
7.1 Establish policies for the oversight and management of material business risks	The Company has recently upgraded its Risk Management Program to comply with the requirements of the new Australian Standard on Risk Management (AS/NZ ISO 31000) and implemented a Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806).
7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board	Day to day responsibility for risk management has been delegated to Management, with review occurring at Board level. In accordance with the Risk Management Program, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. Management's risk management process is reviewed by an external consultant every two years, with the last review having been undertaken in 2013. Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Company's management of its material business risks.
7.3 Assurance from Chief Executive Officer and Chief Financial Officer	The Chief Executive Officer and Chief Financial Officer have certified in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4 Availability of information	A summary of the Risk Management Program is available on the Company's website.

Principle 8: Remunerate fairly and responsibly

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

ASX recommendation / disclosure obligation	Company's response
8.1 Establish a Remuneration Committee	The Company does not presently have a Remuneration Committee. A Remuneration and Nomination Committee was established in 2007 however its responsibilities were assumed by the full Board on 24 October 2011 and it was formally abolished on 1 May 2012. Having regard to the recent downsizing of the Austock Group following the sale of the Securities and Property Funds Management businesses and the current size and composition of the Board, a separate Committee structure is considered to be unnecessary. In addition, the Company's main operating division Austock Life has its own remuneration committee which makes recommendations in relation to the remuneration of the directors and employees of that business.
8.2 Structure of Remuneration Committee	n/a
8.3 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives	The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash, non-cash benefits and superannuation contributions. They do not receive options or bonus payments from the Company, although they may receive shares. Non-executive directors do not normally participate in schemes designed solely for the remuneration of executives. Executive directors and senior executives' packages generally comprise fixed, performance-based and equity-based remuneration components. A Remuneration Report, which sets out information about the remuneration of the Company's directors and senior executives for the financial year is included in the Directors' Report.
8.4.1 Information on Remuneration Committee members	n/a.
8.4.2 Schemes for retirement benefits	The Company does not pay retirement benefits, other than superannuation, for its non-executive directors.
8.4.3 Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes	The Company's Share Trading Policy prohibits directors from entering into transactions that are designed or intended to hedge their exposure to a security in the Company that is subject to retention arrangements and/or unvested options.
8.4.4 Availability of information	A copy of the Share Trading Policy is available on the Company's website.

Directors' Report

The directors of Austock Group Limited (the "Company") present the annual financial report for the Group, being the company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows: The names and particulars of the directors of the Company during or since the end of the financial year are:

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

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

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

Mr William Eric Bessemer MBA, B.Ec

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

Bill initially joined Austock in 1995 and became chairman of the Group in 1999 until 2009. 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 Martin Edward Ryan B.Com

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

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

Mr Jonathan James Tooth B.Ec

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

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

Directorships of other listed companies

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

Director	Company	Period from	Period to
J J Tooth	Vita Life Sciences Limited	26 Jul 2012	Current

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
F G A Beaumont	-	255,680
W E Bessemer	-	14,510,220
M E Ryan	10,892,692	30,000
J J Tooth	8,684	8,078,560

Remuneration of directors and senior management

Information about the remuneration of directors and key management personnel is set out in the remuneration report of this directors' report on page 22.

Company Secretary

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

Enzo was appointed 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 1 to 12 of this annual report, commencing with the Chairman's Report.

Review of operations

The consolidated operating net profit after income tax attributable to members is $5.196 million (2012: loss of $16.026 million). A review of operations for the Group is set out on pages 1 to 12 of this annual report, commencing with the Chairman's Report.

Change in the state of affairs

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

Subsequent events

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 other than as disclosed in note 36 to the financial statements.

Future developments

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

Environmental regulation and performance

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

Dividends

The company paid an unfranked Special Dividend of $0.01 per ordinary share on 19 April 2013.

Indemnification and insurance of officers and auditors

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

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

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

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, there were 19 Board meetings held.

Director	Eligible to attend	Attended
F G A Beaumont (a)	19	19
W E Bessemer	19	19
M E Ryan (b)	19	11
J J Tooth	19	19

(a) Mr Beaumont is Chairman of the Board of Directors.
(b) Mr Ryan was granted leave of absence from 8 Board meetings.

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.

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

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

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

Auditor's independence declaration

The auditor's independence declaration is included on page 26 of the financial report and forms part of the Directors' Report for the year ended 30 June 2013.

Remuneration Report (Audited)

Rounding off of amounts

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

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 2013.

At the Company's last Annual General Meeting in November 2012, 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) Director and senior management details

(b) Remuneration policies

(c) Remuneration of directors and senior management

(d) Key terms of employment contracts

a) Director and senior management details

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

- Mr Frederick George Albion Beaumont, Non-Executive Director (appointed 12 April 2012). Mr Beaumont was appointed Non-Executive Chairman on 9 May 2012.
- Mr William Eric Bessemer, Executive Director (appointed 9 February 2012). Mr Bessemer was later appointed Chief Executive Officer on 29 May 2012.
- Mr Martin Edward Ryan, Non-Executive Director (appointed 20 December 2011)
- Mr Jonathan James Tooth, Non-Executive Director (appointed 1 May 2012)

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

- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Enzo Silverii, Chief Financial Officer (appointed 26 September 2012).
- Mr Travis Scott Butcher, Chief Financial Officer (resigned 26 September 2012)
- Mr Nick James Anagnostou, Head of Austock Property until the sale of the property business on 28 September 2012.

b) Remuneration policies

The performance of the Group depends upon the quality of its directors and executives.

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

As part of assessing these remuneration arrangements, the Board has in place agreed 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 general meeting. The maximum amount for non-executive directors is $500,000 per annum.

ii) Senior management and executive director remuneration

The Group's executive remuneration program comprises the following components:

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

Fixed remuneration

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

Variable remuneration – short term incentive (STI)

A short term incentive (STI) is available to executives who achieve revenue and/or profit targets. 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 aggregate of annual STI payments available for executives was previously in the form of a combination of cash and shares. Shares which generally vested over a period of 3 years ceased to be allocated from late 2011 and future STI benefits will be in the form of cash. The quantum of STI arrangements is determined with reference to prevailing market conditions for comparable executives. Cash bonuses are payable throughout the next financial year.

Variable remuneration – long term incentive (LTI)

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

By a deed dated 9 October 2012 and varied on 28 August 2013 between the Company and Mr Higgins, a non-share proprietary interest was created in favour of Mr Higgins entitling him to be paid consideration in the event of a full or partial transfer of business by or to Austock Life, a sale or disposal of Austock Life by the Company or a sale or transfer of a controlling interest in the share capital of the Company or Austock Life. The amount of consideration Mr Higgins will receive is equal to 7.5% of the difference between the transaction value and $9 million, subject to an agreed minimum (currently $300,000). Mr Higgins' entitlement to consideration will be extinguished upon lawful termination of employment due to serious misconduct or if, prior to 30 June 2014, Mr Higgins resigns or retires as an employee of Austock Life.

In 2013, there was nil paid under the LTI program to key management personnel.

c) Remuneration of directors and senior management

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

	Short-term employee benefits			Post employ-ment benefits	Termination on benefits	Share based payments	Total	Performance based proportion	Annual leave entitlements	Long service leave entitlements
	Salary & fees	Cash bonus	Other benefits	Superannuation		Shares				
2013										
Director										
F G A Beaumont	110,525	-	50,000	9,375	-	-	169,900	-	-	-
W E Bessemer	25,000	-	-	2,250	-	-	27,250	-	-	-
M E Ryan	25,000	-	-	2,250	-	-	27,250	-	-	-
J J Tooth	25,000	-	-	563	-	-	25,563	-	-	-
Sub total	**185,525**	**-**	**50,000**	**14,438**	**-**	**-**	**249,963**	**-**	**-**	**-**
Senior Executive										
R J Higgins	399,747	72,000	-	16,470	-	3,125	491,342	15.3%	51,185	91,121
N J Anagnostou	87,500	37,500	-	3,943	-	5,584	134,527	32.0%	-	-
E Silverii	136,156	20,000	-	11,979	-	-	168,135	11.9%	2,306	254
T Butcher	53,672	20,000	-	3,943	-	11,343	88,958	35.2%	-	-
Sub total	**677,075**	**149,500**	**-**	**36,335**	**-**	**20,052**	**882,962**	**19.2%**	**53,491**	**91,375**
Total	**862,600**	**149,500**	**50,000**	**50,773**	**-**	**20,052**	**1,132,925**	**15.0%**	**53,491**	**91,375**

	Short-term employee benefits			Post employ-ment benefits	Termination on benefits	Share based payments	Total	Performance based proportion	Annual leave entitlements	Long service leave entitlements
	Salary & fees	Cash bonus	Other benefits	Superannuation		Shares				
2012										
Director										
F G A Beaumont	19,944	-	-	6,518	-	-	26,462	-	-	-
W E Bessemer	9,776	-	-	880	-	-	10,656	-	-	-
M E Ryan	13,365	-	-	1,203	-	-	14,568	-	-	-
J J Tooth	4,167	-	-	-	-	-	4,167	-	-	-
Sub total	**47,252**	**-**	**-**	**8,601**	**-**	**-**	**55,853**		**-**	**-**
									-	-
S Gregg	279,583	-	-	13,934	35,385	81,389	410,291	19.8%	-	-
P Masi	286,446	-	2,045	10,931	-	266,667	566,089	47.1%	-	-
K F Clarke	38,259	-	-	-	-	-	38,259	-	-	-
V D Cottren	18,590	-	-	14,218	-	-	32,808	-	-	-
C A Sadler	61,282	-	-	5,515	-	-	66,797	-	-	-
Sub total	**684,160**	**-**	**2,045**	**44,598**	**35,385**	**348,056**	**1,114,244**	**31.2%**	**-**	**-**
Subtotal Director	**731,412**	**-**	**2,045**	**53,199**	**35,385**	**348,056**	**1,170,097**	**29.7%**	**-**	**-**
R J Higgins	348,385	110,000	1,615	15,775	-	16,487	492,262	25.7%	40,270	68,143
N J Anagnostou	341,667	110,000	-	15,775	-	42,659	510,101	30.5%	90,387	43,225
C Thompson	242,293	-	-	20,853	229,350	111,293	603,789	18.4%	-	-
T Butcher	37,500	40,000	-	2,629	-	3,870	83,999	52.2%	23,733	19,590
Sub total	**969,845**	**260,000**	**1,615**	**55,032**	**229,350**	**174,309**	**1,690,151**	**25.7%**	**154,390**	**130,958**
Total	**1,701,257**	**260,000**	**3,660**	**108,231**	**264,735**	**522,365**	**2,860,248**	**27.4%**	**154,390**	**130,958**

Bonuses granted as compensation

In 2013, compensation has been paid to senior executives both in the form of cash bonuses. Share based payment amounts pertain to the vesting of equity based entitlements allocated in prior years.

There were no new shares issued or allocated within the Austock Employee Share Plan (ESP) during the 2013 financial year. The Board intends to wind up the ESP and to this end permitted the early vesting of shares during the 2013 financial year.

During the 2013 financial year, the following share events occurred in relation to key management personnel:

Ross Higgins – 25,000 shares vested on 1 July 2012 and 104,167 shares vested on 1 October 2012.

Nick Anagnostou – 250,000 shares vested on 1 July 2012; 41,667 shares vested on 2 September 2012 and 104,167 shares vested on 1 October 2012; and 41,666 shares vested early on 20 December 2012 (original vesting date 2 September 2013).

Travis Butcher – 100,000 shares vested on 1 July 2012; 119,048 shares vested on 7 December 2012; and 119,047 shares vested early on 20 December 2012 (original vesting date 7 September 2013).

d) Key terms of employment contracts

The Group has entered into service contracts with each key management person, excluding the chief executive officer and non-executive directors, that are capable of termination with a notice period of between 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

F G Beaumont

F. George. A Beaumont, QC
Independent Non-Executive Chairman
Melbourne, 29 August 2013

Auditor's Independence Declaration

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

To: the directors of Austock Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2013 there have been:

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

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

KPMG

Darren Scammell
Partner

Melbourne

29 August 2013

Independent Audit Report

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Austock Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Austock Group Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Darren Scammell

Darren Scammell
Partner

Melbourne

29 August 2013

Directors' Declaration

1. In the opinion of the directors of Austock Group Limited (the "Company"):
   a) the consolidated financial statements and notes that are set out on pages 30 to 85 and the Remuneration report on pages 22 to 25 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 2013 and of its performance for the financial year ended on that date; and
      - complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.
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

F. George. A Beaumont, QC
Independent Non-Executive Chairman
Melbourne, 29 August 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	Consolidated	
		2013	2012
		$'000	$'000
Continuing operations:			
Revenue	5	4,519	4,862
Personnel expenses	6(a)	(4,223)	(5,787)
Occupancy expenses	6(b)	(190)	(465)
Communication expenses	6(c)	(109)	(325)
Finance expenses	6(d)	(30)	(119)
Dealing and settlement expenses	6(e)	(1,575)	(1,498)
Marketing and promotional expenses	6(f)	(246)	(321)
Depreciation and amortisation expenses	6(g)	(61)	(367)
General administrative expenses	6(h)	(2,266)	(2,236)
Impairment reversals/(charges)	6(i)	(795)	-
Result attributable to policyholders, net of tax	20	20,686	6,462
Profit/(loss) before income tax expense		**15,710**	**206**
Income tax (expense)/benefit	7(a)	1,081	59
Profit/(loss) after income tax		**16,791**	**265**
Discontinued operations:			
Profit/(Loss) from discontinued operations, net of tax	34	9,091	(9,829)
Profit/(loss) for the year		**25,882**	**(9,564)**
Profit attributable to policyholders	20	(20,686)	(6,462)
Total comprehensive income attributable to members of the company		**5,196**	**(16,026)**
Earnings per share			
Continuing and discontinued operations:			
Basic (cents per share)	25	4.75	(14.17)
Diluted (cents per share)	25	4.75	(14.17)
Continuing operations:			
Basic (cents per share)	25	(3.56)	(5.48)
Diluted (cents per share)	25	(3.56)	(5.48)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	Consolidated 2013 $'000	Consolidated 2012 $'000
Assets			
Cash and cash equivalents	32(a)	10,791	3,686
Trade and other receivables	11	492	1,747
Income tax receivable	7(c)	1,425	1,074
Other assets	12	305	377
Financial assets	13	305	635
Assets held for sale		-	8,222
Property, plant and equipment	15	399	504
Deferred tax assets	7(c)	159	369
Intangible assets	16	607	688
Policyholder assets	20	379,221	304,372
Total assets		**393,704**	**321,674**
Liabilities			
Trade and other payables	17	253	449
Borrowings	21	-	146
Other liabilities	19	1,329	1,314
Liabilities held for sale		-	972
Provisions	18	889	1,362
Policyholder liabilities	20	379,221	304,360
Total liabilities		**381,692**	**308,603**
Net assets		12,012	13,071
Equity			
Issued capital	22	33,123	44,508
Reserves	23	-	(4,293)
Retained earnings	24	(21,111)	(27,156)
Other reserves	20	-	12
Total equity		**12,012**	**13,071**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Issued capital $'000	Reserves $'000	Retained earnings $'000	Other reserves $'000	Total $'000
Year end 30 Jun 2013					
Balance at 1 Jul 2012	**44,508**	**(4,293)**	**(27,156)**	**12**	**13,071**
Total comprehensive income for the year					
Net profit/(loss) for the year			5,196		5,196
Total comprehensive income for the year			5,196		5,196
Transfer from policy holder liabilities	20	-	-	-	20
Equity settled benefits	-	-	(1,582)	-	(1,582)
Post-acquisition equity movement on sale of property	(273)	273	-	-	-
Transfer from treasury shares reserve		-	(4,293)	-	(4,293)
Share cancellation	(11,132)	4,020	7,712	(12)	588
Dividend paid	-	-	(988)	-	(988)
Total transactions with owners	(11,385)	4,293	6,045	(12)	(1,059)
Balance at 30 Jun 2013	**33,123**	**-**	**(21,111)**	**-**	**12,012**
Year end 30 Jun 2012					
Balance at 1 Jul 2011	45,069	(6,293)	(10,987)	10	27,799
Total comprehensive income for the year					
Net profit/(loss) for the year			(16,026)		(16,026)
Total comprehensive income for the year	-	-	(16,026)	-	(16,026)
Transfer from policyholder liabilities	-	-	-	2	2
Equity settled benefits	1,360	-	-	-	1,360
Transfer from treasury shares reserve	(1,921)	1,921	-	-	-
Transfer from reserves	-	143	(143)	-	-
Acquisition of treasury shares	-	(64)	-	-	(64)
Total transactions with owners	(561)	2,000	(143)	2	1,298
Balance at 30 Jun 2012	**44,508**	**(4,293)**	**(27,156)**	**12**	**13,071**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	Consolidated	
		2013	2012
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		5,992	23,394
Payments to suppliers and employees		(9,025)	(31,625)
Proceeds from sale of trading shares		157	1,787
Payments for acquisition of trading shares		-	(346)
Finance and borrowing costs		(24)	(205)
Income tax received		499	498
Net cash flows used in operating activities	**32(c)**	**(2,401)**	**(6,497)**
Cash flows from investing activities			
Interest received		414	614
Dividends received / (paid)		(988)	112
Payment for property, plant and equipment		(321)	(281)
Payment for intangibles		-	(65)
Payment for treasury shares / (share buy backs)		(4,267)	(64)
Payment for business acquisition		-	(250)
Receipt for business disposal		14,470	(1,373)
Net proceeds from transfer of assets and liabilities / discontinued operation		(2,903)	229
Net cash flows (used in) / from investing activities		**6,405**	**(1,078)**
Cash flows from financing activities			
Proceeds from borrowings		-	712
Repayment of borrowings		-	(751)
Net cash flows used in financing activities		-	(39)
Net increase/(decrease) in cash held		4,004	(7,614)
Cash at beginning of the year		6,787	14,401
Cash at end of the year		**10,791**	**6,787**
Cash represented by:			
Cash at bank	32(a)	10,791	3,686
Cash at bank classified as held for sale		-	3,101
Total cash balance		**10,791**	**6,787**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated financial report for the year ended 30 June 2013 was authorised for issue by the directors on 29 August 2013. Austock Group Limited (the "Company") is a public company listed on the Australian Securities Exchange (ASX: ACK) incorporated in Australia. The Company's registered office and principal place of business is Level 12, 15 William Street, Melbourne, Victoria, Australia, 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

Statement of compliance

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

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

Basis of accounting

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

Use of estimates and judgements

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

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

Adoption of new and revised Accounting Standards

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

Standards and Interpretations issued but not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but have a mandatory effective date for annual periods beginning after 30 June 2013. These have not been applied in preparing these consolidated financial statements and none of these are expected to have a significant effect on the consolidated financial statements. The Group does not plan to early adopt any of these new standards, amendments to standards and interpretations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparatives

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

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The 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.

a) Principles of consolidation

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Principles of consolidation (continued)

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

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

Consolidation of benefit funds

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

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

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

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

b) Cash and cash equivalents

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

c) Trade and other receivables

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Impairment (excluding goodwill)

Financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.
For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

Non financial assets

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Plant and equipment

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

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

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

f) Financial instruments

Financial assets

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

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

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

- Financial assets are classified as 'financial assets at fair value through profit or loss' where the financial asset:
  - has been acquired principally for the purpose of selling in the near future;
  - is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
  - is a derivative that is not designated effective as a hedging instrument.
- Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 33.

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

- Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Certain investments held by the Group are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (as determined in the manner described in note 33) and changes in fair value are recognised in other comprehensive income with the exception of impairment losses and foreign exchange gains and losses on monetary assets. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.
- Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

Financial liabilities

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

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

- Financial liabilities 'at fair value through profit or loss'
- Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in profit or loss. The net gain or loss in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 33.
- Other financial liabilities
- Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.)

Debt and equity instruments

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

g) Goodwill

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Intangible assets

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

Management rights

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

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

Software

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

i) Investment in associates

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Trade and other payables

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

k) Interest bearing liabilities

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

l) Issued capital

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

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

m) Revenue

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

Rendering of services

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

Dividend revenue

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

Interest revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Employee benefits

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

p) Leases

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

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

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

q) Share based payments

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Goods and Service Tax

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

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

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

s) Foreign currency

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Borrowing costs

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

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

u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation, its carrying amount and the present value of those cash flows.

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

v) Discontinued operations

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

w) Earnings per share

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Segment reporting

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

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

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

y) Assets held for sale

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

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

2. USE OF ESTIMATES AND JUDGEMENT

The preparation of 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(h). The recoverable amounts have been determined based on fair value less costs to sell. In the absence of a binding sale agreement or an active market, fair value less costs to sell has been based on an assessment of the best information available to reflect the amount that the entity could obtain from the disposal of these intangible assets in an arm's length transaction between a knowledgeable and willing buyer and seller.

Employee benefits

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

Share based payments

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

Deferred tax assets

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

3. FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

Credit risk

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

Trade and other receivables

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

Liquidity risk

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

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

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

- Bank guarantee facility of $1,045,105 (2012: $1,855,106) primarily in respect of the lease of the Company's business premises;
- Direct debit facility of $50,000 (2012: $50,000) to be used for client's accounts as part of the Austock Life business; and

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

Interest rate risk

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

Equity price risk

The Group is exposed to equity price risk arising from movements in equity investments. Other than equity investments held at fair value through profit or loss, equity investments are generally held for strategic rather than trading purposes. The Group monitors equity price movements for any material impact on the Group's activities.

Insurance risk

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

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

Capital management

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

4. OPERATING SEGMENTS

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

a) Corporate and Securities

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

b) Investment Management

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

c) Unallocated services

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

For the year ended 30 June 2013	Corporate &Securities $'000	Investment Management $'000	Unallocated services $'000	Elimina-tions $'000	Consolidated total $'000	Discontinued operations $'000	Continuing operations $'000
Revenue							
External revenue	391	4,437	9,576	-	14,404	9,450	4,954
Inter-segment revenue							
Segment revenue	391	4,437	9,576	-	14,404	9,450	4,954
Result							
Segment result	**152**	**(1,110)**	**5,200**	**-**	**4,242**	**9,218**	**(4,976)**
Income tax expense					954	(127)	1,081
Net profit/(loss) after tax					**5,196**	**9,091**	**(3,895)**
Assets and liabilities							
Segment total assets	792	2,100	9,921	-	12,,813	-	12,813
Segment total liabilities	-	31	(832)	-	(801)	-	(801)
Segment net assets/(deficiency)	**792**	**2,131**	**9,089**	**-**	**12,012**	**-**	**12,012**
Other segment information							
Depreciation and amortisation	-	-	88	-	-	-	-

4. OPERATING SEGMENTS (CONTINUED)

For the year ended 30 June 2012	Corporate & Securities $'000	Investment Management $'000	Unallocated services $'000	Eliminations $'000	Consolidated total $'000	Discontinued operations $'000	Continuing operations $'000
Revenue							
External revenue	14,266	8,962	603	-	23,831	14,266	9,565
Inter-segment revenue	-	-	5,677	(5,677)	-	-	-
Segment revenue	**14,266**	**8,962**	**6,280**	**(5,677)**	**23,831**	**14,266**	**9,565**
Result							
Segment result	**(10,728)**	**449**	**(928)**	-	(11,207)	(4,950)	(6,257)
Income tax benefit					(4,819)	(4,879)	60
Net profit/(loss) after tax					**(16,026)**	**(9,829)**	**(6,197)**
Assets and liabilities							
Segment total assets	2,437	11,998	2,867	-	17,302	2,437	14,865
Segment total liabilities	(902)	(2,147)	(1,194)	-	(4,243)	(902)	(3,341)
Segment net assets	1,535	9,851	1,673	-	13,059	1,535	11,524
Other segment information							
Depreciation and amortisation	-	110	367	-	477	-	477
Realised gains/(losses)	(496)	-	-	-	(496)	(496)	-
Impairment loss reversals	684	-	-	-	684	684	-
Loss on disposal of assets	2,920	-	-	-	2,920	2,920	-
Equity settled benefits	713	86	518	-	1,317	713	604

5. REVENUE

	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue		
Operating activities		
Rendering of services		
Corporate activity	-	3,929
Brokerage and commission	-	9,854
Property management	1,041	4,464
Fund management	257	262
Life office	4,366	3,698
	5,664	**22,207**
Interest revenue		
Interest income on bank deposits	423	610
Interest income from other related parties	-	4
Other revenue		
Dividend income	-	112
Gain on sale of investments	7,679	-
Other income	638	899
Total revenue	**14,404**	**23,832**
Attributable to:		
Continuing operations	4,519	4,862
Discontinued operations	9,885	18,970
	14,404	**23,832**

6. EXPENSES AND LOSSES/(GAINS) INCLUDED IN PROFIT/(LOSS)

		Consolidated 2013 $'000	2012 $'000
(a)	**Personnel expenses**		
	Staffing costs	4,760	16,951
	Defined contribution superannuation expense	253	946
	Equity settled share based payments	17	1,317
		5,030	**19,214**
	Attributable to:		
	Continuing operations	4,223	5,787
	Discontinued operations	807	13,427
		5,030	**19,214**
(b)	**Occupancy expenses**		
	Occupancy costs	233	1,408
	Attributable to:		
	Continuing operations	190	465
	Discontinued operations	43	943
		233	**1,408**
(c)	**Communication expenses**		
	Communication costs	125	654
	Attributable to:		
	Continuing operations	109	325
	Discontinued operations	16	329
		125	**654**
(d)	**Finance expenses**		
	Interest paid	9	5
	Bank and other financing expenses	24	112
		33	**117**
	Attributable to:		
	Continuing operations	30	119
	Discontinued operations	3	(2)
		33	**117**
(e)	**Dealing and settlement expenses**		
	Dealing and settlement costs	1,653	3,537
	Attributable to:		
	Continuing operations	1,575	1,498
	Discontinued operations	78	2,039
		1,653	**3,537**

6. EXPENSES AND LOSSES/(GAINS) INCLUDED IN PROFIT/(LOSS) (CONTINUED)

		Consolidated 2013 $'000	Consolidated 2012 $'000
(f)	**Marketing and promotional expenses**		
	Marketing and promotional costs	280	850
	Attributable to:		
	Continuing operations	246	321
	Discontinued operations	34	529
		280	**850**
(g)	**Depreciation and amortization expenses**		
	Depreciation of non current assets		
	Computer equipment	27	35
	Furniture and fittings	1	5
	Office equipment	-	8
	Leasehold improvements	-	284
		28	**332**
	Amortisation of non current assets		
	Software intangibles	32	35
	Management rights	28	110
		60	145
		88	**477**
	Attributable to:		
	Continuing operations	61	367
	Discontinued operations	28	110
		89	**477**
(h)	**General administrative expenses**		
	General administrative costs	2,358	4,681
	Attributable to:		
	Continuing operations	2,266	2,236
	Discontinued operations	92	2,445
		2,358	**4,681**
(i)	**Impairment charges/(reversals)**		
Trade and other receivables		360	684
		360	**684**
	Attributable to:		
	Continuing operations	795	-
	Discontinued operations	(435)	684
		360	**684**

6. EXPENSES AND LOSSES/(GAINS) INCLUDED IN PROFIT/(LOSS) (CONTINUED)

	Consolidated 2013 $'000	Consolidated 2012 $'000
(j) Loss on assets at fair value through profit and loss		
Realised loss	-	496
	-	**496**
Attributable to:		
Continuing operations	-	-
Discontinued operations	-	496
	-	**496**

Impairment

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

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

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

- During the year a trade receivable was settled at below its carrying value. The effect on the statement of comprehensive income is an impairment charge of $454,545, the difference of $45,455 representing the GST portion.

  In the prior year, a provision for impairment of $752,000 was recorded against this same trade receivable. The effect on the Statement of Comprehensive Income is an impairment charge of $683,636, the difference representing the GST position.

- Loans to other related entities

  The Group reviewed all loans made to other related entities and concluded there to be an impairment reversal of $200,000 (2012: nil). The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of assessing the value of the underlying assets of the other related entity.

  A previously impaired debt of $16,487,419 owed by the Property funds management business to the Company was reversed. Of this amount $9,540,000 was converted to equity in the Property funds management business. The balance of $6,947,419 was included in a total of $9,199,199 of debts owned by various controlled entities that the Company forgave.

- The carrying value of an investment in a listed company was impaired by $67,755 based on the market value at 30 June 2013.

7. INCOME TAX

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Income tax recognised in profit or loss		
Income tax expense/(benefit) comprises:		
Current tax		
• Current income tax expense/(benefit)	(1,160)	(906)
Deferred tax		
• Origination and reversal of temporary differences	206	5,726
Total tax expense/(benefit) in the statement of comprehensive income	**(954)**	**4,820**
Attributable to:		
Continuing operations	(1,081)	(59)
Discontinued operations	127	4,879
	(954)	**4,820**

	Consolidated 2013 $'000	Consolidated 2012 $'000
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(loss) from continuing operations	(4,975)	(4,525)
Profit/(loss) from discontinued operations	9,216	(6,682)
Profit/(loss) from operations	4,241	(11,207)
Income tax expense/(benefit) calculated at 30% (2012: 30%)	1,272	(3,362)
Non deductible expenses	68	1,924
Non assessable income	(2,770)	(758)
Assessable income	602	17
Deductible items	(135)	(757)
Utilisation of franking credits	-	(17)
Tax losses not recognised as deferred tax assets	9	8,808
Effect of reduced tax rates	-	(1,035)
Income tax expense/(benefit)	**(954)**	**4,820**

As at 30 June 2013, neither Austock Group Limited nor any of its controlled entities are members of a tax consolidated group.

7. INCOME TAX (CONTINUED)

	Consolidated 2013 $'000	2012 $'000
(c) Tax assets		
Current tax assets comprise:		
• Income tax receivable	**1,425**	**1,074**
Deferred tax assets comprise:		
• Fair value adjustment		-
• Provisions	130	253
• Accrued expenses	24	91
• Tax losses	-	179
• Intangibles	-	68
• Other	5	37
Sub total	**-**	**628**
less deferred tax assets classified as held for sales	-	(259)
Total	**159**	**369**

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

	Consolidated		
	Opening balance $'000	Charged to income $'000	Closing balance $'000
2013			
Fair value adjustment	-	-	-
Provisions	253	(123)	130
Accrued expenses	91	(67)	24
Tax losses	179	(179)	-
Intangibles	68	(68)	-
Other	37	(32)	5
	628	**(469)**	**159**
2012			
Fair value adjustment	54	(54)	-
Provisions	853	(600)	253
Accrued expenses	274	(183)	91
Tax losses	4,921	(4,742)	179
Intangibles	152	(84)	68
Other	99	(62)	37
	6,353	**(5,725)**	**628**

8. KEY MANAGEMENT PERSONNEL

The directors and other members of key management personnel of the Group during the 2013 year were as follows.

Directors

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

Key Management Personnel

- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Travis Scott Butcher, Chief Financial Officer (resigned 26 September 2012)
- Mr Enzo Silverii, Chief Financial Officer (appointed 26 September 2012)
- Mr Nick James Anagnostou, Head of Austock Property (until the sale of the Property business on 28 September 2012).

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

	Consolidated	
	2013	2012
	$	$
Short-term employee benefits	1,062,100	1,964,917
Post employment benefits	50,773	108,231
Termination benefits	-	264,735
Equity settled benefits	20,052	522,365
	1,132,925	**2,860,248**

The compensation of each member of the Group's 2013 key management personnel for the current and prior year is as set out in the Remuneration Report which forms part of the Directors' Report.

9. REMUNERATION OF AUDITORS

	Consolidated	
	2013	2012
	$	$
Auditor of the parent company		
Remuneration of the auditor for:		
Audit services		
• Audit of financial report of the Group	140,000	302,446
Other services		
• Other assurance services	-	11,250
	140,000	**313,696**

The auditor of the Group is KPMG (2012: KPMG).

10. SHARE BASED PAYMENTS

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

There were no new shares issued or allocated within the Austock Employee Share Plan (ESP) during the 2013 financial year.

The board has resolved to wind up the ESP and to this end permitted the early vesting of shares during the 2013 financial year.

During the 2013 financial year, the following share vestings and withdrawals occurred in relation to KMP:

Ross Higgins – 25,000 shares vested on 1 July 2012 and 104,167 shares vested on 1 October 2012.

Nick Anagnostou – 250,000 shares vested on 1 July 2012, 41,667 shares vested on 2 September 2012 and 104,167 shares vested on 1 October 2012. 41,666 shares vested early on 20 December 2012 (original vesting date 2 September 2013).

Travis Butcher – 100,000 shares vested on 1 July 2012 and 119,048 shares vested on 7 December 2012. 119,047 shares vested early on 20 December 2012 (original vesting date 7 September 2013.

In the prior year, the following share events occurred:

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

Included under personnel expenses in the statement of comprehensive income is $20,816 (2012: $1,316,633) relating to equity settled share based payment transactions in the form of ordinary shares.

11. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013	2012
	$'000	$'000
Trade receivables	246	2,273
Less provision for impairment	-	(752)
Net trade receivables	246	1,521
Other receivables	-	23
Amounts receivable from other related parties	246	203
	492	**1,747**

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

12. OTHER ASSETS

	Consolidated	
	2013	2012
	$'000	$'000
Accrued income	138	91
Prepaid expenses	167	286
	305	**377**

13. FINANCIAL ASSETS

	Consolidated	
	2013	2012
	$'000	$'000
(a) Financial assets at fair value through profit or loss		
• House position	8	107
• Fixed term deposit	297	528
	305	**635**
(b) Loans and receivables		
Total financial assets at fair value through profit or loss	305	635
Total loans and receivables	-	-
Total financial assets	305	635
Current	305	635
Non-current	-	-
Total financial assets	**305**	**635**

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Name of entity	Principal activity	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %	Investment book value 2013 $'000	Investment book value 2012 $'000
AG Fund Pty Ltd (i)	Investment services	Australia	-	-	-	-
Pemeca Pty Ltd (ii)	Investment services	Australia	-	-	-	-
Pemeca No. 2 Pty Ltd (ii)	Holding company	Australia	-	-	-	-

(i) Company has been deregistered effective 5 June 2012

(ii) Companies have been deregistered effective 4 July 2012

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

There were no movements in equity accounted investments during the year (2012: $nil).

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

There was no share of equity accounted profit/(loss) in the current year (2012: $nil).

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

There were no assets or liabilities held at the end of the 2013 financial year (2012: $nil).

	Consolidated 2013 $'000	Consolidated 2012 $'000
Financial performance		
• Total revenue	-	-
• Net loss after income tax expense	-	(13)

15. PROPERTY, PLANT AND EQUIPMENT

	Consolidated					
	Computer equipment	Furniture and fittings	Office equipment	Leasehold improvement	Land and buildings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount						
Balance at 1 Jul 2011	1,899	293	96	670	-	2,958
Additions	78	10	-	274	267	629
Disposals	(1,755)	(296)	(96)	(465)	-	(2,612)
Balance at 30 Jun 2012	222	7	-	479	267	975
Additions	43	-	-	-	-	43
Disposals	(19)	(2)	-	(354)	-	(375)
Balance at 30 Jun 2013	**246**	**5**	**-**	**125**	**267**	**643**
Accumulated depreciation						
Balance at 1 Jul 2011	(1,464)	(206)	(72)	(209)	-	(1,951)
Depreciation expense	(35)	(5)	(8)	(284)	-	(332)
Disposals	1,329)	209	80	194	-	1,812)
Balance at 30 Jun 2012	(170)	(2)	-	(299)	-	(471)
Depreciation expense	(14)	(1)	-	242	-	227
Disposals	-	-	-	-	-	-
Balance at 30 Jun 2013	**(184)**	**(3)**	**-**	**(57)**		**(244)**
Net book value						
As at 30 Jun 2012	52	5	-	180	267	504
As at 30 Jun 2013	62	2		68	267	399

16. INTANGIBLE ASSETS

	Notes	Consolidated			
		Software	Goodwill	Management rights	Total
		$'000	$'000	$'000	$'000
Gross carrying amount					
Balance at 1 Jul 2011		**1,525**	**3,896**	**3,438**	**8,859**
Additions		65	-	-	65
Disposals		(1,097)	(2,203)	-	(3,300)
Reclassification to assets held for sale	6(j)	-	(1,146)	(3,438)	(4,584)
Balance at 30 Jun 2012		**493**	**547**	**-**	**1,040**
Additions			-		-
Disposals		(387)	-	-	(387)
Reclassification to assets held for sale		-	-	-	-
Balance at 30 Jun 2013		**106**	**547**	**-**	**653**
Accumulated amortisation					
Balance at 1 Jul 2011		**(1,247)**	**-**	**(419)**	**(1,666)**
Amortisation expense		(35)	-	(110)	(145)
Disposals		930	-	-	930
Reclassification to assets held for sale		-	-	529	529
Balance at 30 Jun 2012		**(352)**	**-**	**-**	**(352)**
Amortisation expense		(13)	-	-	(13)
Disposals		319	-	-	319
Reclassification to assets held for sale					
Balance at 30 Jun 2013		**(46)**	**-**	**-**	**(46)**
Net book value					
As at 30 Jun 2012		**141**	**547**	**-**	**688**
As at 30 Jun 2013		**60**	**547**	**-**	**607**

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2013	2012
	$'000	$'000
Trade payables	253	449
	253	**449**

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

18 PROVISIONS

	Consolidated	
	2013	2012
	$'000	$'000
Employee entitlements	344	448
Claims	40	42
Office leasehold restoration	125	479
Transfer of assets and liabilities	380	393
	889	**1,362**

Employee entitlements

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

Claims

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

Office leasehold restoration

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

Transfer of assets and liabilities

The provision for transfer of assets and liabilities relates to the transfer of Druids Friendly Society benefit funds and management fund on 1 July 2011. Included in this balance is an amount of $267,000 relating to "Land and Buildings" in note 15, property, plant and equipment. As per the Heads of Agreement, this is required to be sold at the end of the five year period with the proceeds to be distributed to the members of the Funeral Benefit Fund.

18. PROVISIONS (CONTINUED)

	Consolidated				
	Employee entitlements	Claims	Office restoration	Transfer of assets/liabilities	Total
	$'000	$'000	$'000	$'000	$'000
2013					
Balance at 1 Jul 2012	708	42	479	393	1,622
Made during the year					
Used during the year	(364)	(2)	(354)	(13)	(733)
Written back during the year					
Balance at 30 Jun 2013	**344**	**40**	**125**	**380**	**889**
Current	312	10	-	-	322
Non-current	32	30	125	380	567
Total provisions	**344**	**40**	**125**	**380**	**889**
2012					
Balance at 1 Jul 2011	2,449	47	395	-	2,891
Made during the year	1,195	-	84	5,335	6,614
Used during the year	(2,281)	(5)	-	(4,942)	(7,228)
Written back during the year	(655)	-	-	-	(655)
Balance at 30 Jun 2012	**708**	**42**	**479**	**393**	**1,622**
Current	600	10	40	8	658
Non-current	108	32	439	385	964
	708	**42**	**479**	**393**	**1,622**
Less current provisions classified as held for sale	**(215)**	**-**	**-**	**-**	**(215)**
Less non current provisions classified as held for sale	**(45)**	**-**	**-**	**-**	**(45)**
	488	**42**	**479**	**393**	**1,362**

19. OTHER LIABILITIES

	Consolidated	
	2013	2012
	$'000	$'000
Accrued expenses	1,486	1,202
GST (benefit)/liability	(157)	112
	1,329	**1,314**

20. POLICYHOLDER BALANCES

	2013 $'000	2012 $'000
Assets		
Cash and cash equivalents	12,766	4,726
Other assets	5,547	6,669
Financial assets	360,753	291,143
Deferred tax assets	155	1,834
Total assets	**379,221**	**304,372**
Liabilities		
Trade and other payables	267	242
Tax liabilities	2,989	893
Other liabilities	25	22
Deferred tax liabilities	3,724	800
Policyholder liabilities	372,216	302,403
Total liabilities	**379,221**	**304,360**
Net assets	-	12
Other reserves		
Policyholder equity	-	12
Other reserves	-	12
Revenue		
Interest income	6,875	5,986
Distribution income & contribution	9,137	9,365
Revaluation increase of investments	16,878	-
Member contributions	2	3
Other revenue	2	1
Distribution as a result of the transfer of business	-	2,031
Total revenue	**32,894**	**17,386**
Expenses		
Finance expenses	2	2
Dealing and settlement expenses	444	530
General administrative expenses	72	75
Management fees paid by benefit funds	2,693	2,114
Revaluation decrement	82	1,516
Realised losses	924	4,824
Member withdrawals	134	165
Total expenses	**4,351**	**9,226**
Net profit before tax	28,543	8,160
Income tax expense	(7,857)	(1,698)
Profit attributable to policyholders	**20,686**	**6,462**

21. BORROWINGS

	Consolidated 2013 $'000	Consolidated 2012 $'000
Hire purchase liabilities	-	146
	-	**146**

22. ISSUED CAPITAL

	Consolidated 2013 Number	Consolidated 2013 $'000	Consolidated 2012 Number	Consolidated 2012 $'000
Issued and paid up capital				
Fully paid ordinary shares (a)	99,188,421	33,123	133,928,412	44,166
Partly paid ordinary shares (b)	-	-	5,153,580	342
		33,123		**44,508**

(a) Fully paid ordinary shares	Consolidated 2013 Number	Consolidated 2013 $'000	Consolidated 2012 Number	Consolidated 2012 $'000
• Balance at beginning of financial year	133,928,412	44,166	133,928,412	44,727
• Equity settled benefits	-	20	-	1,360
• Transfer from treasury shares reserve	-	(273)	-	(1,921)
• Cancellation of shares	(34,739,991)	(10,790)		
• Balance at end of the financial year	**99,188,421**	**33,123**	**133,928,412**	**44,166**

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

(b) Partly paid ordinary shares	Consolidated 2013 Number	Consolidated 2013 $'000	Consolidated 2012 Number	Consolidated 2012 $'000
• Balance at beginning of financial year	5,153,580	342	5,153,580	342
• Cancellation of shares	(5,153,580)	(342)		
• Balance at end of the financial year	**-**	**-**	**5,153,580**	**342**

Partly paid ordinary shares carry one vote per share and have rights to dividends in the same proportion as to the amounts paid up on the ordinary share.

23. RESERVES

	Consolidated 2013 $'000	Consolidated 2012 $'000
Share buy back reserve (a)	-	(4,325)
Treasury shares reserve (b)	-	(273)
Share based payments reserve (c)	-	305
Balance at end of the financial year	**-**	**(4,293)**

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Share buy back reserve		
• Balance at beginning of financial year	(4,325)	(4,325)
• Movement arising on disposal of Property business	4,325	-
Balance at end of financial year	**-**	**(4,325)**

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

(b) Treasury shares reserve		
• Balance at beginning of financial year	(273)	(2,130)
• Acquired during financial year	-	(64)
• Transfer to issued capital	273	1,921
Balance at end of financial year	**-**	**(273)**

	Consolidated 2013 $'000	Consolidated 2012 $'000
(c) Share based payments reserve		
Balance at beginning of financial year	305	162
Transfer to retained earnings	(305)	143
Balance at end of financial year	**-**	**305**

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

24. RETAINED EARNINGS

	Consolidated 2013 $'000	Consolidated 2012 $'000
Opening accumulated losses	(27,156)	(10,987)
Net profit/(loss) attributable to members of the company	5,196	(16,026)
Transfer from issued capital and reserves	4,411	(143)
Impact from sale of property business	(2,570)	-
Dividend paid	(992)	-
Closing accumulated losses	**(21,111)**	**(27,156)**

25. EARNINGS PER SHARE

	Consolidated 2013 Cents per share	Consolidated 2012 Cents per share
Basic earnings per share		
Continuing operations	(3.56)	(5.48)
Discontinued operations	8.31	(8.69)
Total basic earnings per share	4.75	(14.17)
Diluted earnings per share		
Continuing operations	(3.56)	(5.48)
Discontinued operations	8.31	(8.69)
Total basic earnings per share	**4.75**	**(14.17)**

Basic earnings per share

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

	$'000	$'000
Earnings used in basic EPS calculation		
• Earnings used for basic earnings per share calculation	5,196	(16,026)
• Exclude the (profit)/loss for the period from discontinued operations	4,516	(9,829)
• Earnings for the period from continuing operations	680	(6,198)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic EPS	**109,360**	**113,129**

Diluted earnings per share

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

Earnings used in diluted EPS calculation		
• Earnings used for basic earnings per share calculation	5,196	(16,026)
• Exclude the (profit)/loss for the period from discontinued operations	(9,091)	9,829
• Earnings for the period from continuing operations	**(3,895)**	**(6,197)**
Weighted average number of ordinary shares		
• Weighted average number of ordinary shares for the purposes of basic EPS	109,360	113,129
• Adjustments to the weighted average number of ordinary shares	-	-
• Weighted average number of ordinary shares for the purposes of diluted EPS	**109,360**	**113,129**

26. DIVIDENDS

	Consolidated 2013 $'000	Consolidated 2012 $'000
a) Recognised amounts		
Dividend paid	992	-
	992	-
b) Franking account balances		
Franking account balances at the end of the year	15,378	15,378
	15,378	**15,378**

The company and its controlled entities are not consolidated for tax and therefore maintain their franking accounts independently. The amounts disclosed are the aggregate balances.

27. CAPITAL AND LEASING COMMITMENTS

a) Capital and leasing commitments Leased premises

	Consolidated 2013 $'000	Consolidated 2012 $'000
Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable not later than 1 year	807	1,498
Payable later than 1 year but not later than 5 years	1,634	2,578
Payable later than 5 years	-	-
Subtotal	**2,441**	**4,076**
less amount recoverable not later than 1 year	(539)	(1,122)
less amount recoverable later than 1 year but not later than 5 years	(1,137)	(1,681)
	765	**1,273**

The property lease in respect of the Group's Melbourne premises is a non-cancellable lease which expires on 31 May 2016. Part of this lease was sublet to Intersuisse Holdings Pty Ltd on 12 March 2012. A further part of the lease was sublet to Austock Property Funds Management Pty Ltd, since renamed as Folkestone Funds Management Limited on 6 September 2012. Entitlements from both sub-leases are reflected above.

b) Hire purchase liabilities

	Consolidated 2013 $'000	Consolidated 2012 $'000
Payable not later than 1 year	-	150
	-	**150**

27. CAPITAL AND LEASING COMMITMENTS (CONTINUED)

c) Investment commitments

Part of the Company's investment in its 100% owned subsidiary, Austock Securities Pty Limited, were 432,090 partly paid shares. On 28 September 2012 a call of $5.32 per share was made bringing the total amount paid to $5.33 per share.

The 432,090 partly paid shares were cancelled on 4 June 2013, thereby dissolving the residual investment commitment.

d) ASX capital commitments

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

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

i) all ordinary issued shares to the extent they are paid up;

ii) all non-cumulative preference shares;

iii) all reserves excluding revaluation reserves; and

iv) opening retained profits/losses adjusted for all current year movements

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

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

On 16 May 2013, ASIC issued a warning letter advising that no further action will be taken in relation to the breach.

28. CONTINGENT LIABILITIES

Banking facilities

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

- Bank guarantee facility of $1,045,105 (2012: $1,855,106) in respect of the lease of the Company's business premises;
- Direct debit facility of $50,000 (2012: $50,000) to be used for client's accounts as part of the Austock Life business; and

29. CONTROLLED ENTITIES

Name of entity	Country of incorporation	2013 Ownership interest	2012 Ownership interest
Parent entity			
Austock Group Limited	Australia		
Controlled entities			
ACN 101 074 015 Pty Limited	Australia	100%	100%
Austock Capital Management Pty Limited	Australia	100%	100%
Austock Employee Share Custodian Pty Limited	Australia	100%	100%
Austock Employee Share Trust (a)	Australia	-	-
Austock Funds Management Limited (b)	Australia	-	100%
Austock GET Management Pty Limited (c)	Australia	-	100%
Austock GET USA Management Pty Limited (c)	Australia	-	100%
Austock Insurance Brokers Pty Limited	Australia	100%	100%
Austock Life Limited	Australia	100%	100%
Austock Nominees Pty Limited	Australia	100%	100%
Austock Private Equity Pty Limited	Australia	100%	100%
Austock Property Funds Management Pty Limited (b)	Australia	-	100%
Austock Property Investment Management Pty Limited (c)	Australia	-	100%
Austock Property Management Limited (b)	Australia	-	100%
Austock Property Services Pty Limited (d)	Australia	-	100%
Austock RE Pty Limited (b)	Australia	-	100%
Austock Real Estate Management Pty Limited (c)	Australia	-	100%
Austock Securities Pty Limited (e)	Australia	100%	100%
Austock Services Pty Limited	Australia	100%	100%
Millennium Wealth Limited (f)	Australia	-	100%

(a) The Company has effective control of this trust entity
(b) Sold on 28 September 2012
(c) Deregistered 2 December 2012
(d) Deregistered 5 December 2012
(e) Converted from a Public Company on 13 May 2012 and changed its name to Austock Financial Services Pty Ltd on 20 June 2013
(f) Deregistered on 13 May 2012

30. RELATED PARTIES

a) Equity interests in related entities

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

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

b) Transactions with key management personnel

Key management personnel compensation

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

Directors and their family members have invested in the Imputation Bonds Benefit Funds controlled by Austock Life Limited. These transactions are at arm’s length. The value of these investments is $196,922 (2012: $175,531).

A director of a company that provides investment management services to Austock Life Limited became a director of Austock Group Limited on 20 December 2011. These transactions are at arm’s length. The amount paid by Austock Life Limited for 2013 was $275,933 (2012:$109,849).

A director and key management person of Austock Life is a director of the company providing investment management services to the company and received director’s fees of $20,000 (2012: $nil).

A director of a company that utilises administration services of Austock Services Pty Ltd became a director of Austock Group Limited on 20 December 2011. These transactions are at arm’s length. The amount received by Austock Services Pty Limited for 2013 was $224,097 (June 2012:$113,941).

c) Transactions within the wholly owned group

The wholly owned group includes:

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

The ultimate parent company in the wholly owned group is Austock Group Limited.

30. RELATED PARTIES (CONTINUED)

c) Transactions within the wholly owned group (continued)

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 $376,900 (2012: 3,101,142).
- The parent entity has made new investments of $1,000,004 (2012: nil) in controlled entities.
- The parent entity reversed previously impaired debts owed to it totalling $16,687,419, of this amount $9,540,000 was converted to equity in the respective controlled entities.
- The parent entity advanced a subordinated loan to Austock Financial Services Pty Limited (formerly Austock Securities Pty Limited) for $2,300,000 in 2012. This loan was approved by the Australian Securities and Investments Commission (ASIC). The loan was repaid by way of $1,281 in cash and the balance of $2,298,719 by a call on partly paid shares. The call was paid on 28 September 2012 by way of a promissory note. Austock Financial Services Pty Limited repaid the amount of $2,289,719 to the parent entity by endorsing the promissory note.
- `The parent entity has advanced amounts to controlled entities totalling $498,835 (2012: $2,792,500) and did not received repayment in 2013 (2012: $3,652,500). As at 30 June 2013, the amount owing to the parent entity from controlled entities is $498,835 (2012: $6,075,230).
- The parent entity has received advanced amounts from controlled entities totalling $1,074,252 (2012: $2,141,500) and has repaid advanced amounts totalling $154,608 (2012: $22,500). As at 30 June 2013, the amount owed by the parent entity to controlled entities is $919,644 (2012: $2,298,886).
- Austock Group Limited executed debt forgiveness deeds for the year ending 30 June 2013 totalling $9,199,199 (2012: $nil).

d) Transactions with other related parties

Other related parties include:

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

(i) Transaction between Austock Group Limited and its associates

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

- Austock Group Limited has provided general management assistance to an associate on normal commercial terms and conditions no more favourable than those available to other parties dealing on an arm's length basis. The total value of the management assistance services provided was $nil (2012: $11,926).
- Austock Group Limited did not advance amounts to associates in 2013 (2012: $150) and did not receive repayment in 2013 (2012: $150) from associates. There are no amounts owed to Austock Group Limited from associates (2012: $nil).

(ii) Transactions with director related entities

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

31. BUSINESS ACQUISITION AND DISPOSAL

Business disposal

a) Austock Property

On 28 September 2012 the Austock Property business was sold to Folkestone Limited. The sale generated $14,470,000 cash which comprised consideration for the sale of $11,350,000 paid in two tranches of $7,500,000 on 28 September 2012 and the balance of $3,850,000 on 8 January 2013 . The balance of $3,120,000 was the return of working capital. The transaction resulted in a capital gain of $7,679,193.

b) Austock Securities

In the prior year the Austock Securities business was sold to Intersuisse Holdings Pty Ltd. Completion of the transaction occurred effective 12 March 2012 and the combined Intersuisse/Austock Securities business has since been renamed as Phillip Capital. The proceeds on disposal were only of a nominal value resulting in the Group reporting a consolidated loss of $2,920,000 on the disposal of business assets. The business disposal represents discontinued operations of the Group and further details are disclosed in note 34.

The following were the results of the disposed businesses.

	2013 $'000	2012 $'000
Income Statement		
Revenue	9,885	14,266
Expenses	(666)	(20,948)
(Loss)/profit before income tax	9,219	(6,682
Income tax benefit/(expense)	(127)	(3,999)
Net (loss)/profit after income tax	**9,092**	**(10,681)**
Loss on disposal		
Fair value of net assets disposed	6,791	2,920
Consideration received	(14,470)	-
Profit/Loss on disposal	**(7,679)**	**2,920**
Cash flow on disposal	(2,903)	-
Cash disposed	-	-
Cash paid	-	1,373
Consolidated net cash outflow	**(2,903)**	**(1,373)**

Included in the $1,373,000 cash outflow is an amount of $528,000 that has been placed on term deposit for potential funding of a retention bonus as part of the Securities business sale as disclosed in note 13. This funding was reduced by $243,000 in 2013 for ex-staff who did not meet the retention bonus criteria.

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

32. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Reconciliation of cash		
Cash balance comprises:		
• cash at bank	10,696	3,597
• cash held on trust	95	89
Closing cash balance	**10,791**	**3,686**
(b) Business disposal		
Details of the business disposal that occurred during the year are as follows:		
Fair value of net assets disposed		
Net assets/(liabilities) disposed	6,791	1,547
(Loss)/Gain on disposal	7,679	(2,920)
Total cash (payment)/consideration	14,470	(1,373)
Net cash flow on disposal		
Cash and cash equivalent (paid)/received	14,470	(1,373)
Less cash and cash equivalent disposed	-	-
Net cash (paid)/received for business disposal	**14,470**	**(1,373)**

	Consolidated 2013 $'000	Consolidated 20112 $'000
(c) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations		
Profit/(Loss) from ordinary activities after tax	5,196	(16,026)
Depreciation and amortisation	128	477
Equity settled share based payments	-	1,317
Impairment charges/(reversals)	158	684
Interest and dividend income	-	(726)
Loss/(Profit) on sale of assets	(7,679)	2,920
Change in assets and liabilities		
(Increase)/Decrease in receivables	1,246	902
(Increase)/Decrease in other assets	(82)	120
(Increase)/Decrease in financial assets	-	2,286
(Increase)/Decrease in income tax asset	(666)	(361)
(Increase)/Decrease in deferred tax assets	210	5,727
(Decrease)/Increase in payables	(178)	(953)
(Decrease)/Increase in provisions	(734)	(636)
(Decrease)/Increase in other liabilities	-	(2,228)
Net cash flow used in operating activities	**(2,401)**	**(6,497)**

32. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	Consolidated	
	2013	20112
	$'000	$'000
(d) Financing facilities		
Secured bank guarantee facility:		
• Amount used	1,045	1,601
• Amount unused	-	254
	1,045	**1,855**

33. FINANCIAL INSTRUMENTS

a) Credit risk

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

Exposure to Credit Risk

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

	Consolidated	
	2013	2012
	$'000	$'000
Cash and cash equivalents	10,791	3,686
Trade and other receivables	492	1,747
Financial assets	297	528
Cash and cash equivalents classified as held for sale	635	3,101
Trade and other receivables classified as held for sale	-	743
Total	**12,215**	**9,805**

The credit risk on liquid cash funds is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by reputable credit-rating agencies.

33. FINANCIAL INSTRUMENTS (CONTINUED)

Impairment losses

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

	Consolidated	
	2013 $'000	2012 $'000
Not past due	492	988
Past due 1 to 30 days	-	-
Past due 31 to 90 days	-	2
Past due more than 91 days	-	1,500
Total	**492**	**2,490**

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

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

	Consolidated	
	2013 $'000	2012 $'000
Opening balance	752	1,202
Impairment	-	752
Write off	(752)	(1,202)
Total	**-**	**752**

b) Liquidity risk

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

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

Consolidated	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
2013							
Trade and other payables	253	(253)	(253)	-	-	-	-
Total	**253**	**(253)**	**(253)**	**-**	**-**	**-**	**-**
2012							
Hire purchase liabilities	146	(150)	(150)	-	-	-	-
Trade and other payables	1,763	(1,763)	(1,763)	-	-	-	-
Trade and other payables classified as held for sale	712	(712)	(712)	-	-	-	-
Total	**2,621**	**(2,625)**	**(2,625)**				

33. FINANCIAL INSTRUMENTS (CONTINUED)

c) Market risk

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

i) Interest rate risk

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

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

	Consolidated	
	2013	2012
	$'000	$'000
Fixed rate instruments		
Financial assets	9,412	1,573
Financial liabilities	-	(146)
Net asset/(liability)	9,412	1,427
Variable rate instruments		
Financial assets	1,041	2,641
Financial assets classified as held for sale	635	3,101
Net asset/(liability)	1,676	5,742

Cash flow sensitivity analysis for variable and fixed rate instruments

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

	Consolidated	
	1% increase	1% decrease
	$'000	$'000
30 June 2013		
Variable rate instruments	17	(17)
Fixed rate instruments	(94)	94
	(77)	77
30 June 2012		
Variable rate instruments	74	(74)
Fixed rate instruments	(33)	33
	41	(41)

33. FINANCIAL INSTRUMENTS (CONTINUED)

ii) Equity price risk

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

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

	Consolidated	
	2013	2012
	$'000	$'000
Financial assets at fair value through profit or loss		
House positions	8	107
House positions classified as held for sale	-	57
	8	164

Equity price sensitivity analysis

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

	Consolidated	
	Equity price 10% increase	Equity price 10% decrease
	$'000	$'000
Financial assets at fair value through profit or loss		
30 June 2013		
House positions	1	(1)
	1	(1)
30 June 2012		
House positions	16	(16)
	16	(16)

d) Fair values

i) Fair values versus carrying amounts

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow;

ii) Fair value hierarchy

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

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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

d) Fair values (continued)

Consolidated

	Level 1 $'000	Level 2 $'000	Total $'000
30 June 2013			
Financial assets at fair value through profit or loss			
House positions	8	-	-
Fixed term deposit	297	-	-
	305	**-**	**-**
30 June 2012			
Financial assets at fair value through profit or loss			
House positions	107	-	107
House positions classified as held for sale	57	-	57
Fixed term deposit	528	-	528
	692	**-**	**692**

Level 1

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

Level 2

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

Transfer between categories

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

34. DISCONTINUED OPERATIONS

On 28 September 2012 the Austock Property business was sold to Folkestone Limited. The sale generated $14,470,000 cash which comprised consideration for the sale of $11,350,000 paid in two tranches of $7,500,000 on 28 September 2012 and the balance of $3,850,000 on 8 January 2013 . The balance of $3,120,000 was the return of working capital. The transaction resulted in a capital gain of $7,679,193.

In the prior year the Group completed the sale of the Austock Securities business to Intersuisse Holdings Pty Ltd. Effective 12 March 2012 and the combined Intersuisse/Austock Securities business has since been renamed as Phillip Capital. The proceeds on disposal were only of a nominal value resulting in the Group reporting a consolidated loss of $2,920,000 on the disposal of business assets.

Disposal of assets

	Consolidated	
	2013	2012
	$'000	$'000
Property, plant and equipment	-	800
Intangible assets	-	2,120
	-	**2,920**

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

	Notes	2013	2012
		$'000	$'000
Revenue	5	9,885	18,970
Expenses			
Personnel expenses	6(a)	(807)	(13,427)
Occupancy expenses	6(b)	(43)	(943)
Communication expenses	6(c)	(16)	(329)
Finance expenses	6(d)	(3)	2
Dealing and settlement	6(e)	(78)	(2,039)
Marketing and promotional	6(f)	(34)	(529)
Depreciation	6(g)	(28)	(110)
General administrative expenses	6(h)	(92)	(2,445)
Loss on assets at fair value through profit & loss	6(j)	-	(496)
Loss on disposal of assets		-	(2,920)
Impairment charges	6(i)	435	(684)
Profit/(loss) before income tax		**9,219**	**(4,950)**
Income tax (expense) / benefit	7(a)	(127)	(4,879)
Profit/(loss) after income tax		**9,091**	**(9,829)**
Cash flow from discontinued operations:			
Net cash flows from operating activities		(2,903)	(3,797)
Net cash flows from investing activities		-	(1,309)
Net cash flows from financing activities		-	2,300
Net cash flows		**(2,903)**	**(2,806)**
Earnings per share			
Basic (cents per share)		8.31	(9.45)
Diluted (cents per share)		8.31	(9.45)

35. DISPOSAL GROUP HELD FOR SALE

As at 30 June 2013 there is no entity that is held for sale.

At the end of the prior financial year, the property funds management business was in the process of being sold.

On 9 July 2012, the Group announced the sale of the Property business to Folkestone Lilmited. Shareholders approved the sale at a general meeting on 12 September 2012. The sale contract was executed on 28 September 2012.

36. SUBSEQUENT EVENTS

The following events have occurred subsequent to balance date:

- On 1 July 2013, the business of Austock Services Pty Ltd was transferred to Austock Financial Services Pty Limited (formerly Austock Securities Pty Ltd).
- On 21 July 2013, the business of Austock Private Equity Pty Limited was deregistered.
- Other than those events discussed above, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

37. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2013 the parent company of the Group was Austock Group Limited.

	Company	
	2013	2012
	$'000	$'000
Result of the parent entity		
Profit/(loss) for the period	9,247	(17,162)
Other comprehensive income		-
Total comprehensive income for the period	**9,247**	**(17,162)**
Financial position of the parent entity at year end		
Current assets	8,979	3,028
Total assets (a)	**25,336**	**38,208**
Current liabilities	1,123	1,824
Total liabilities	**1,249**	**8,377**
Total equity of the parent entity comprising of:		
Share capital	39,928	46,593
Reserves	12,613	20,755
Accumulated losses	(28,454)	(37,517)
Total equity	**24,087**	**29,831**

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

Parent entity contingencies

Other than the relevant contingent liabilities disclosed in note 28 to the financial statements, the parent entity does not have any contingencies at 30 June 2013 (2012: 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 2013 (2012: 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 2013 (2012: nil).

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 14 AUGUST 2013 (UNAUDITED)

Number of holders of equity securities

Fully paid ordinary share capital

99,188,421 fully paid ordinary shares are held by 581 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	Fully paid ordinary shares
1 - 1,000	121
1,001 - 5,000	211
5,001 - 10,000	63
10,001 - 100,000	118
100,001 and over	68
Total	**581**
Holdings less than a marketable parcel	202

Substantial shareholders

Substantial shareholders	Fully paid ordinary shares
Smith Peaco Nominees Pty Ltd	14,510,220
Mr Martin Edward Ryan	10,922,692
Mr John David Wheeler	10,000,000
Aust Executor Trustees Ltd (Lanyon Aust Value Fund)	9,098,651
Mrs Patricia Mary Tooth	8,087,244
Mr Frank Zullo	5,000,000

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 14 AUGUST 2013 (UNAUDITED) (CONTINUED)

Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	Fully paid percentage
Mr Martin Edward Ryan	10,892,692	10.98
Aust Executor Trustees Ltd (Lanyon Aust Value Fund)	9,098,651	9.17
Mrs Patricia Mary Tooth	8,078,560	8.14
Smith Peaco Nominees Pty Ltd (The Bessemer Property A/C)	6,639,100	6.69
Mr John David Wheeler & Mr Glen Robert Wheeler (Wheelsup S/F A/C)	5,500,000	5.55
Mr Frank Gerard Zullo	5,000,000	5.04
National Nominees Limited	4,844,721	4.88
Mr Don Lazzaro & Mrs Ann Lazzaro (Super Fund A/C)	4,663,854	4.70
Candoora No 31 Pty Ltd (Bessemer Super Fund A/C)	4,500,000	4.54
Onever Pty Ltd	3,371,120	3.40
Mr Paul Masi	3,141,666	3.17
Mrs Susan Hadden & Mrs Abby Falla (Haddup Super Fund A/C)	3,000,000	3.02
Mr Goh Geok Khim	1,999,600	2.02
Ms Susan Hadden	1,500,000	1.51
UBS Wealth Management Australia Nominees Pty Ltd	1,498,190	1.51
Mr Craig Russell Stranger	1,437,500	1.45
Mr Enzo Salvatore	1,321,539	1.33
Belhaven Inc	1,000,200	1.01
RBUTW Investments Pty Ltd (RBUTW Super Fund A/C)	877,000	0.88
Navigator Australia Ltd (MLC Investment Sett A/C)	808,500	0.81
	79,169,893	**79.82**

On market buy back

There is no current on-market buy-back.

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

Company Secretary

Mr Enzo Silverii

Registered Office

Level 12, 15 William Street
Melbourne VIC 3000
Telephone: +61 3 8601 2000
Facsimile: +61 3 9200 2270

Share Register

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

Banker

National Australia Bank
330 Collins Street
Melbourne VIC 3000

Auditor

KPMG
147 Collins Street
Melbourne VIC 3000

Appointed Actuary for Austock Life

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