



Austock Group Limited

ABN: 90 087 334 370

Interim Consolidated Financial Report
31 December 2015

Corporate Information

Company Directors

Mr Frederick George Albion Beaumont QC

Mr William Eric Bessemer

Mr Jonathan James Tooth

Mr Martin Edward Ryan (resigned 23 Nov 2015)

Independent Non-Executive Chairman

Chief Executive Officer and Executive Director

Non-Executive Director

Non-Executive Director

Company Secretary and Chief Financial Officer

Mr Enzo Silverii

Registered Office

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Share Register

Boardroom Pty Limited

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Sydney NSW 2000

Banker

National Australia Bank

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Melbourne VIC 3000

Auditor

KPMG

147 Collins Street

Melbourne VIC 3000

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Directors' Report

The Directors of Austock Group Limited (the "Company") submit herewith the consolidated interim financial report of the Company and its controlled entities (the "Group") for the six months ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the interim period are set out below. Directors were in office for the entire period unless otherwise stated:

Mr Frederick George Albion Beaumont QC	Independent Non-Executive Chairman
Mr William Eric Bessemer	Chief Executive Officer and Executive Director
Mr Jonathan James Tooth	Non-Executive Director
Mr Martin Edward Ryan (resigned 23 November 2015)	Non-Executive Director

Review and results of operations

The consolidated net profit after tax attributable to members of the Company is \$226,000 (2014: \$47,000). This is shown in detail as follows:

	Half year end 31 Dec 2015 \$'000	Half year end 31 Dec 2014 \$'000	Movement \$'000
Life office management fees	3,471	3,026	445
Interest and dividend income	103	175	(72)
Other income	175	154	21
Total revenue	3,749	3,355	394
Personnel expenses	(2,234)	(2,039)	(195)
Occupancy expenses	(165)	(176)	11
Communication expenses	(46)	(44)	(2)
Finance expenses	(6)	(9)	3
Advisor expenses	(1,012)	(968)	(44)
Marketing and promotion	(159)	(156)	(3)
Depreciation and amortisation	(70)	(67)	(3)
General administration	(988)	(961)	(27)
Total expenses	(4,680)	(4,420)	(260)
Profit/(loss) before income tax	(931)	(1,065)	134
Income tax benefit/(expense) - Life office			
Note 1	1,157	1,112	45
Statutory reported result after tax	226	47	179

Note 1: For income taxation purposes Austock Life is a single taxpayer comprising policyholder benefit funds and a central management or shareholder fund with all the Company's assessable income, allowable deductions and tax offsets being pooled. The net tax position of the management fund components gives rise to this benefit.

Directors' Report (continued)

The improved result for the 2016 half year is an outcome of the economies of scale achieved due to the growth in FUM which reached \$610 million at 31 December 2015 (\$531 million at December 2014).

Dividend

The Company paid a final 2015 year dividend of \$0.01 per ordinary share fully franked on 30 September 2015. An interim dividend of \$0.01 per ordinary share fully franked is to be paid on 31 March 2016. The interim dividend is consistent with the Directors' stated commitment to move Austock Group along a path to a stable dividend program which is balanced with its capital needs.

Subsequent events

There has been no matter or circumstance occurring subsequent to 31 December 2015 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.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the interim consolidated financial report and forms part of this Directors' report.

Rounding 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 interim consolidated financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Mr F G A Beaumont QC
Chairman
Melbourne, 16 February 2016

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 review for the half-year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Rachel Milum

Rachel Milum
Partner

Melbourne

16 February 2016

Directors' Declaration

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

1. the financial statements and notes set out on pages 8 to 14, are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the Group's consolidated financial position as at 31 December 2015 and of its performance for the six months ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

On behalf of the Directors



Mr F G A Beaumont QC
Chairman
Melbourne, 16 February 2016

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2015

	Notes	Half year ended 31 Dec 2015 \$'000	Half year ended 31 Dec 2014 \$'000
Continuing Operations			
Revenue	6	3,749	3,355
Personnel expenses		(2,234)	(2,039)
Occupancy expenses		(165)	(176)
Communication expenses		(46)	(44)
Finance expenses		(6)	(9)
Advisor expenses		(1,012)	(968)
Marketing and promotional expenses		(159)	(156)
Depreciation and amortisation expenses		(70)	(67)
General administrative expenses		(988)	(961)
Result attributable to policyholders, net of tax		4,051	11,091
Profit/(loss) before income tax expense		3,120	10,026
Income tax benefit/(expense)		1,157	1,112
Profit/(loss) after income tax		4,277	11,138
Loss/(profit) attributable to policyholders		(4,051)	(11,091)
Net profit/(loss) attributable to members of the Company		226	47
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the Company		226	47
Earnings per share			
<i>Continuing and discontinued operations:</i>			
Basic (cents per share)		0.22	0.05
Diluted (cents per share)		0.22	0.05

The accompanying notes 1 to 12 form part of these consolidated interim financial statements.

Consolidated Interim Statement of Financial Position as at 31 December 2015

	Notes	As at 31 Dec 2015 \$'000	As at 30 Jun 2015 \$'000
Assets			
Cash and cash equivalents	7	1,044	2,153
Investments – term deposits		5,388	5,358
Income tax receivable		989	908
Trade and other receivables		600	556
Other assets		345	255
Property, plant and equipment		69	101
Deferred tax assets		109	135
Intangible assets		683	705
Policyholder assets		606,460	597,595
Total assets		615,687	607,766
Liabilities			
Trade and other payables		181	147
Other liabilities		545	769
Provisions		832	780
Policyholder liabilities		606,460	597,595
Total liabilities		608,018	599,291
Net assets		7,669	8,475
Equity			
Issued capital	8	34,716	34,716
Retained earnings		(27,047)	(26,241)
Total equity		7,669	8,475

The accompanying notes 1 to 12 form part of these consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity for the six months ended 31 December 2015

	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000
Period end 31 Dec 2015			
Balance at 1 Jul 2015	34,716	(26,241)	8,475
Net profit for the period	-	226	226
Total comprehensive income for the period	-	226	226
Dividend	-	(1,032)	(1,032)
Balance at 31 Dec 2015	34,716	(27,047)	7,669
Period end 31 Dec 2014			
Balance at 1 Jul 2014	33,123	(23,527)	9,596
Net profit for the period	-	47	47
Total comprehensive income for the period	-	47	47
Dividend	-	(991)	(991)
Balance at 31 Dec 2014	33,123	(24,471)	8,652

The accompanying notes 1 to 12 form part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows for the six months ended 31 December 2015

	Notes	Half year ended 31 Dec 2015 \$'000	Half year ended 31 Dec 2014 \$'000
Cash flows from operating activities			
Receipts from customers		2,595	1,580
Payments to suppliers and employees		(3,822)	(3,631)
Finance and borrowing costs		(5)	(9)
Income tax received		1,102	1,221
Net cash flows from/(used in) operating activities		(130)	(839)
Cash flows from investing activities			
Interest received		103	174
Payment for property, plant and equipment		(16)	(29)
Payment for intangibles		-	(11)
Proceeds from investments – term deposits		-	1,816
Term deposit reinvested		(34)	-
Net cash flows from/(used in) investing activities		53	1,950
Cash flows from financing activities			
Dividends paid		(1,032)	(991)
Net cash flows from/(used in) financing activities		(1,032)	(991)
Net increase/(decrease) in cash held		(1,109)	120
Cash at beginning of the period	7	2,153	1,474
Cash at the end of the period	7	1,044	1,594

The accompanying notes 1 to 12 form part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements

1. Reporting entity

Austock Group Limited (the “Company”) is a company domiciled in Australia. This consolidated interim financial report comprises the Company and its controlled entities (the “Group”) as at and for the six months ended 31 December 2015.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2015 is available upon request from the Company’s registered office at Level 12, 15 William Street Melbourne 3000 or at www.austock.com.

2. Statement of compliance

This consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2015.

This consolidated interim financial report was approved by the Board of Directors on 16 February 2016. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the Group in its consolidated interim financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2015.

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

4. Estimates

The preparation of an interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Other than those noted below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2015.

5. Financial risk management

All aspects of the Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the year ended 30 June 2015.

Notes to the Consolidated Interim Financial Statements (continued)

6. Revenue

	Half year ended 31 Dec 2015 \$'000	Half year ended 31 Dec 2014 \$'000
Operating activities		
Fund management fee	3,646	3,179
<i>Interest revenue</i>		
Interest income on bank deposits	103	175
<i>Other revenue</i>		
Other income	-	1
Total revenue	3,749	3,355

7. Cash and cash equivalents

	As at 31 Dec 2015 \$'000	As at 30 Jun 2015 \$'000
Cash at bank	1,044	2,153
	1,044	2,153

8. Issued capital

	As at 31 Dec 2015 Number	\$'000	As at 30 Jun 2015 Number	\$'000
Issued and paid up capital				
Fully paid ordinary shares	103,188,421	34,716	103,188,421	34,716
		34,716		34,716

9. Dividends

A final 2015 fully franked dividend of \$1,031,884 (0.01 per ordinary shares) was paid on 30 September 2015 (2014: \$991,884).

The Company has declared an interim dividend of one cent per ordinary share fully franked totaling \$1,031,884 to be paid on 31 March 2016.

10. Contingent liabilities

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

- Direct debit facility of \$50,000 (2014: \$50,000) to be used for client's accounts as part of the Austock Life Business;
- Direct debit facility of \$10,000 (2014: \$10,000) to be used for client's accounts as part of the Bonds Custodian business; and
- Credit card facility of \$60,000 (2014: nil) used by the business development managers as part of the Austock Financial Services business.

11. Subsequent events

Other than the declaration of an interim dividend of \$0.01 per ordinary share fully franked to be paid on 31 March 2016, there has been no matter or circumstance occurring subsequent to 31 December 2015 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.

12. Financial Instruments

As at 31 December 2015, the Group has no financial instruments that are carried at fair value through profit or loss. There are no financial assets or liabilities measured at amortised cost on the balance sheet of the Group where the carrying amount is not reasonable approximation of fair value.

Independent Auditor's Review Report



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

Report on the financial report

We have reviewed the accompanying interim financial report of Austock Group Limited, which comprises the consolidated interim statement of financial position as at 31 December 2015, consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 12 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Austock Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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

Liability limited by a scheme approved under Professional Standards Legislation.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Austock Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Rachel Milum
Partner

Melbourne

16 February 2016