



Austock
Group

Austock Group Limited

ABN: 90 087 334 370

Interim Consolidated Financial Report
31 December 2013

Corporate Information

Company Directors

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

Company Secretaries

Mr Enzo Silverii

Registered Office

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Melbourne VIC 3000
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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

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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 2013. 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 Director
Mr Martin Edward Ryan	Non Executive Director
Mr Jonathan James Tooth	Non Executive Director

Review and results of operations

The consolidated net loss after tax attributable to members of the Company is \$465 thousand (2012: \$6.0 million profit). This is shown in detail as follows:

\$'000	Half year end 31 Dec 2013	Half year end 31 Dec 2012	Movement	Change %
Property funds management	-	1,041	(1,041)	(100%)
Life office management fees	2,436	2,081	355	17%
Interest and dividend income	223	163	60	37%
Gain on disposal of subsidiary	-	6,829	(6,829)	(100%)
Other income	166	1,353	(1,187)	(88%)
Total revenue	2,825	11,467	(8,642)	(75%)
Personnel expenses	(1,825)	(2,630)	805	31%
Occupancy expenses	(133)	(261)	128	49%
Communication expenses	(57)	(102)	45	44%
Finance expenses	(7)	(37)	30	81%
Dealing and settlement	(841)	(845)	4	0%
Marketing and promotion	(78)	(132)	54	41%
Depreciation and amortisation	(40)	(89)	49	55%
General administration	(1,118)	(1,238)	120	10%
Loss on assets at fair value	-	(2)	2	100%
Total expenses	(4,099)	(5,336)	1,237	23%
Profit/(loss) before income tax	(1,274)	6,131	(7,405)	nm
Impairment expense	(11)	(537)	526	98%
Income tax benefit/(expense) Life office	808	647	161	nm
Income tax benefit/(expense) other	12	(196)	208	nm
Statutory reported result after tax	(465)	6,045	(6510)	nm

nm: not meaningful

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 polled. The net tax position of the management fund components gives rise to this benefit.

Directors' Report (continued)

The comparatives are distorted by the residual effects of rationalising the group's structure and operations. That process was completed in the 2013 financial year.

The 2014 half year results reflect the current business operations of the group. They are inclusive of further investments in the life insurance business to generate sustainable and increased growth. Benefits of this expenditure made primarily by the addition of personnel with extensive sale management and business development experience, are reflected in the growth in FUM (from \$374M to \$419M) over the half year. The flow on effect is increased life office management fees as shown in the above table.

Changed and discontinued operations

On 1 July 2013 the business of Austock Services Pty Limited was transferred to Austock Financial Services Pty Limited (formerly Austock Securities Pty Limited).

On 11 November 2013, Austock Services Pty Limited changed its name to Bonds Custodian Pty Limited. The Company is the Trustee of The Bonds Custodian Trust which facilitates the cost effective establishment of multiple bare trusts and can only hold Austock Life issued Imputation Bonds. The Trust was set up on 22 January 2014.

On 21 July 2013 Austock Private Equity Pty Limited was deregistered.

On 27 October 2013 ACN 101 074 015 Pty Limited was deregistered.

On 19 November 2013, Austock Group Limited completed the sale of 100% of the equity in Austock Insurance Brokers Pty Limited. The proceeds on disposal were only of nominal value with a loss on sale of \$150 on consolidation.

Dividend

The Company has declared an interim dividend of one cent per ordinary share fully franked totaling \$991,884 to be paid on 11 April 2014. 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 2013 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 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 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, 27 February 2014

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 2013 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



Darren Scammell
Partner

Melbourne

27 February 2014

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Liability limited by a scheme approved under Professional Standards Legislation.

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 17, 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 2013 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, 27 February 2014

Consolidated Interim Statement of Comprehensive Income for the six months ended 31 December 2013

	Notes	Half year ended 31 Dec 2013 \$'000	Half year ended 31 Dec 2012 \$'000
Continuing Operations			
Revenue	7	2,807	10,144
Personnel expenses		(1,825)	(2,139)
Occupancy expenses		(133)	(218)
Communication expenses		(57)	(86)
Finance expenses		(30)	(37)
Dealing and settlement expenses		(819)	(845)
Marketing and promotional expenses		(200)	(106)
Depreciation and amortisation expenses		(40)	(61)
General administrative expenses		(986)	(1,175)
Loss on assets at fair value through profit or loss		-	(2)
Impairment expense	8	(11)	(537)
Result attributable to policyholders, net of tax		14,230	10,755
Profit/(loss) before income tax expense		12,936	15,693
Income tax benefit/(expense)		820	573
Profit/(loss) after income tax		13,756	16,266
Discontinued Operations			
Profit from discontinued operations net of tax		9	534
Profit/(loss)		13,765	16,800
Loss/(profit) attributable to policyholders		(14,230)	(10,755)
Net profit/(loss) attributable to members of the Company		(465)	6,045
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the Company		(465)	6,045
Earnings per share			
<i>Continuing and discontinued operations:</i>			
Basic (cents per share)		(0.47)	5.07
Diluted (cents per share)		(0.47)	5.07
<i>Continuing operations:</i>			
Basic (cents per share)		(0.48)	4.62
Diluted (cents per share)		(0.48)	4.62

The accompanying notes 1 to 16 form part of these consolidated interim financial statements.

Consolidated Interim Statement of Financial Position as at 31 December 2013

	Notes	As at 31 Dec 2013 \$'000	As at 30 Jun 2013 \$'000
Assets			
Cash and cash equivalents	9	10,167	10,791
Trade and other receivables		550	492
Income tax receivable		409	1,582
Other assets		341	305
Financial assets		-	305
Property, plant and equipment		469	399
Deferred tax assets		109	159
Intangible assets		633	607
Policyholder assets		424,737	379,221
Total assets		437,415	393,861
Liabilities			
Trade and other payables		211	253
Other liabilities		936	1,486
Provisions		973	889
Policyholder liabilities		424,695	379,221
Total liabilities		426,815	381,849
Net assets		10,600	12,012
Equity			
Issued capital	10	33,123	33,123
Retained earnings		(22,565)	(21,111)
Other reserves		42	-
Total equity		10,600	12,012

The accompanying notes 1 to 16 form part of these consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity for the six months ended 31 December 2013

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Policyholder equity \$'000	Total equity \$'000
Period end 31 Dec 2013					
Balance at 1 Jul 2013	33,123	-	(21,111)	-	12,012
Net loss for the period			(465)		(465)
Total comprehensive income for the period			(465)		(465)
Policyholder net profit for the period	-	-	-	42	42
Dividend	-	-	(989)	-	(989)
Cancellation of treasury shares	-	-	-	-	-
Balance at 31 Dec 2013	33,123	-	(22,565)	42	10,600
Period end 31 Dec 2012					
Balance at 1 Jul 2012	44,508	(4,293)	(27,156)	12	13,071
Net profit for the period	-	-	6,045	-	6,045
Total comprehensive income for the period			6,045		6,045
Policyholder net profit for the period	-	-	-	40	40
Equity settled benefits	-	-	-	-	-
Transfer from issued capital	-	4,356	(4,293)	-	63
Cancellation of treasury shares	(11,306)	-	6,171	-	(5,135)
Balance at 31 Dec 2012	33,202	63	(19,233)	52	14,084

The accompanying notes 1 to 16 form part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows for the six months ended 31 December 2013

Notes	Half year ended 31 Dec 2013 \$'000	Half year ended 31 Dec 2012 \$'000
Cash flows from operating activities		
Receipts from customers	1,771	4,950
Payments to suppliers and employees	(3,458)	(6,637)
Proceeds from sale of trading shares	-	120
Income tax received	1,977	971
Net cash flows used in operating activities	289	(596)
Cash flows from investing activities		
Interest received	211	162
Dividends paid	(989)	-
Payment for property, plant and equipment	(109)	-
Payment for intangibles	(26)	-
Net proceeds received from business disposal	-	8,970
Net cash flows from/(used in) investing activities	(913)	9,132
Cash flows from financing activities		
Repayment of borrowings	-	(146)
Share buyback	-	(4,337)
Net cash flows from/(used in) financing activities	-	(4,483)
Net increase/(decrease) in cash held	(624)	4,053
Cash at beginning of the period	10,791	3,686
Cash at the end of the period	9 10,167	7,739

The accompanying notes 1 to 16 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 2013.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 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 2013.

This consolidated interim financial report was approved by the Board of Directors on 18 February 2014. 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 2013.

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 2013.

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 2013.

Notes to the Consolidated Interim Financial Statements (continued)

6. Segment reporting

Operating segments have been determined by the complementary nature of the products and services within each segment.

The divestment of businesses during calendar year 2012 means that the Life Insurance operation is the only significant remaining business.

The principal products and services within each segment are as follows:

(a) Corporate and Securities

This operating segment comprised an integrated range of stock broking, research and corporate advisory services in the equity capital markets for emerging growth enterprises.

(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.

(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 period ended 31 Dec 2013	Corporate & Securities \$'000	Investment Management \$'000	Unallocated services \$'000	Eliminations \$'000	Consolidated total \$'000
Revenue					
External revenue	146	2,495	184	-	2,825
Inter-segment revenue	1,241	-	303	(1,544)	-
Segment revenue	<u>1,387</u>	<u>2,495</u>	<u>487</u>	<u>(1,544)</u>	<u>2,825</u>
Result					
Segment result	<u>(1,584)</u>	<u>314</u>	<u>(15)</u>		<u>(1,285)</u>
Income tax benefit					820
Consolidated net loss after tax					<u>465</u>
Other segment information					
Impairment expense	8	-	3	-	11
Realised & unrealised losses	-	-	-	-	-

Notes to the Consolidated Interim Financial Statements (continued)

6. Segment reporting (continued)

For the period ended 31 Dec 2012

	Corporate & Securities \$'000	Investment Management \$'000	Unallocated services \$'000	Eliminations \$'000	Consolidated total \$'000
Revenue					
External revenue	24	11,271	172	-	11,467
Inter-segment revenue	-	-	2,614	(2,614)	-
Segment revenue	24	11,271	2,786	(2,614)	11,467
Result					
Segment result	(459)	-	6,053	-	5,594
Income tax benefit					451
Consolidated net profit after tax					6,045
Other segment information					
Impairment expense	537	-	-	-	537
Realised & unrealized losses	-	2	-	-	2

7. Revenue

	Half year ended 31 Dec 2013 \$'000	Half year ended 31 Dec 2012 \$'000
Operating activities		
Property management	-	1,041
Fund management	140	139
Life office	2,436	2,081
<i>Interest revenue</i>		
Interest income on bank deposits	223	163
<i>Other revenue</i>		
Gain on disposal of subsidiary	-	6,829
Other income	26	1,214
Total revenue	2,825	11,467
Attributable to:		
Continuing operations	2,807	3,315
Discontinuing operations	18	8,152
	2,825	11,467

Notes to the Consolidated Interim Financial Statements (continued)

8. Impairment expense

In the current period the value of shares held has been impaired by \$7,531 and computer equipment written - off by \$3,019.

In the previous period, an amount owing from a securities transaction in a previous financial year was settled for less than its carrying value resulting in an impairment expense of \$500,000 in addition the value of shares held was impaired by \$37,000.

9. Cash and cash equivalents

	As at 31 Dec 2013 \$'000	As at 30 Jun 2013 \$'000
Cash at bank	10,167	10,696
Cash held on trust	-	95
	10,167	10,791

10. Issued capital

	As at 31 Dec 2013		As at 30 Jun 2013	
	Number	\$'000	Number	\$'000
Issued and paid up capital				
Fully paid ordinary shares (a)	99,188,421	33,123	99,188,421	33,123
		33,123		33,123
	Half year ended 31 Dec 2013		Year ended 30 Jun 2013	
	Number	\$'000	Number	\$'000
(a) Fully paid ordinary shares				
Balance at beginning of period	99,188,421	33,123	133,928,412	44,166
Transfer from treasury share reserve	-	-	-	(273)
Equity settled benefits	-	-	-	20
Cancellation of shares	-	-	34,739,991	(10,790)
Balance at end of period	99,188,421	33,123	98,188,421	33,123
	Half year ended 31 Dec 2013		Year ended 30 Jun 2013	
	Number	\$'000	Number	\$'000
(b) Partly paid ordinary shares				
Balance at beginning of period	-	-	5,153,580	342
Cancellation of shares	-	-	(5,153,580)	(342)
Balance at end of period	-	-	-	-

Holders of partly paid shares were entitled to dividends and to exercise voting rights on a proportionate basis according to the amount paid up on their shares.

Notes to the Consolidated Interim Financial Statements (continued)

11. Reserves

	As at 31 Dec 2013 \$'000	As at 30 Jun 2013 \$'000
Share buy back reserve (a)	-	-
Treasury shares reserve (b)	-	-
Share based payments reserve (c)	-	-
Balance at the end of period	-	-
	Half year ended 31 Dec 2013 \$'000	Year ended 30 Jun 2013 \$'000

(a) Share buy back reserve

Balance at beginning of period	-	(4,325)
Net change on disposal of Property business	-	4,325
Balance at end of period	-	-

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

	Half year ended 31 Dec 2013 \$'000	Year ended 30 Jun 2013 \$'000
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(b) Treasury shares reserve

Balance at beginning of period	-	(273)
Transfer to Issued Capital	-	273
Balance at end of period	-	-

	Half year ended 31 Dec 2013 \$'000	Year ended 30 Jun 2013 \$'000
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(c) Share based payments reserve

Balance at beginning of period	-	305
Transfer (to)/from retained earnings	-	(305)
Balance at end of period	-	-

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. On the 29 August 2013 the Austock Employee Share Scheme for executives and senior employees was wound up.

12. Dividends

A final 2013 fully franked dividend of \$991,884 (0.01 per ordinary shares) was paid on 1 October 2013. (2012 : nil)

13. Share based payments

The Austock Employee Share Scheme for executives and senior employees was wound up on 29 August 2013. No shares were granted to employees in either the current or previous period.

Included in the statement of comprehensive income under personnel expenses is \$Nil (2012: \$ 23,000) relating to equity settled share based payment transactions in the form of ordinary shares.

14. 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:

- Bank guarantee facility of Nil (2012: \$810,000 of which \$519,391 was used in respect of the lease of equipment and one of the Company's registered 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

A bank guarantee secured by a term deposit has been given to ANZ banking Group for \$1,045,105 (2012: \$1,045,105) in respect of the lease of the Company's registered business premises.

There are no other contingent events as at 31 December 2013 (2012: Nil)

15. Discontinued operations

On 19 November 2013, Austock Group Limited completed the sale of 100% of the equity in Austock Insurance Brokers Pty Ltd. The proceeds on disposal were only of nominal value with a loss on sale of \$150 on consolidation.

16. Subsequent events

Other than the declaration of one cent dividend per ordinary share fully franked totalling \$991,884 to be paid on 11 April 2014, there has been no matter or circumstance occurring subsequent to 31 December 2013 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.

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 half-year financial report of Austock Group Limited, which comprises the consolidated interim statement of financial position as at 31 December 2013, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 16 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 period.

Directors' responsibility for the half-year/interim financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year 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 half-year 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 half-year 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 2013 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 a half-year 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*.



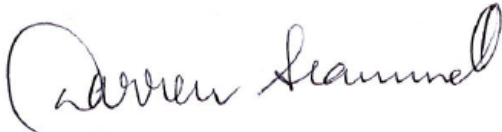
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year 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 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



Darren Scammell
Partner

Melbourne

27 February 2014