



Austock
Group

Austock Group Limited

ABN: 90 087 334 370

Interim Financial Report
31 December 2012

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

Ms Amanda Jane Gawne
Mr Adrian Seamus Hill (ceased 24/10/12)

Registered Office

Level 12, 15 William Street
Melbourne VIC 3000
Telephone: +61 3 8601 2000
Facsimile: +61 3 9200 2286

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

Contents

	Page
Directors' Report	4
Auditor's Independence Declaration	6
Directors' Declaration	7
Consolidated Interim Statement of Comprehensive Income	8
Consolidated Interim Statement of Financial Position	9
Consolidated Interim Statement of Changes in Equity	10
Consolidated Interim Statement of Cash Flows	11
Notes to the Consolidated Interim Financial Statements	12
Independent Auditor's Review Report	19

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 2012. 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	Non Executive Chairman (appointed 14/4/12)
Mr William Eric Bessemer	Chief Executive Officer and Director (appointed 9/2/12)
Mr Martin Edward Ryan	Non Executive Director (appointed 20/12/11)
Mr Jonathan James Tooth	Non Executive Director (appointed 1/5/12)

Review and results of operations

The consolidated net profit after tax attributable to members of the Company is \$6.0 million (2011: \$11.8 million loss). This is shown in detail as follows:

\$'000	Half year end 31 Dec 2012	Half year end 31 Dec 2011	Movement	Change %
Corporate activities	-	3,749	(3,749)	-100%
Brokerage and commission	-	7,356	(7,356)	-100%
Property funds management	1,041	2,343	(1,302)	-56%
Life office and fund administration	2,220	1,936	284	+15%
Interest and dividend income	163	526	(363)	-69%
Gain on disposal of subsidiary	6,829	-	6,829	+100%
Other income	1,214	757	457	+60%
Total revenue	11,467	16,667	(5,200)	-31%
Personnel expenses	(2,630)	(12,716)	10,086	-79%
Occupancy expenses	(261)	(990)	729	-74%
Communication expenses	(102)	(404)	302	-75%
Finance expenses	(37)	(33)	(4)	+12%
Dealing and settlement	(845)	(2,194)	1,349	-61%
Marketing and promotion	(132)	(604)	472	-78%
Depreciation and amortisation	(89)	(326)	237	-73%
General administration	(1,238)	(2,304)	1,066	-46%
Loss on assets at fair value	(2)	(517)	515	-99%
Total expenses	(5,336)	(20,088)	14,752	-73%
Profit/(loss) before income tax	6,131	(3,421)	9,552	nm
Impairment expense	(537)	(3,042)	2,505	82%
Income tax benefit/(expense)	451	(5,315)	5,766	nm
Statutory reported result after tax	6,045	(11,778)	17,823	nm

nm: not meaningful

Progress on Reconstruction

The Directors' program for reconstructing Austock, begun late in the 2011/12 financial year, was largely completed in this half resulting in the further consolidation of Austock's operating and financial position:-

- Austock's Property Business was sold to Folkestone Limited in two tranches for a total of \$14.47 million including regulatory cash of \$2.57 million. Of this amount \$8.97 million was received in the half and \$5.5 million, which is shown in trade and other receivables, was received on 8 January 2013. The sale yielded a capital profit of \$6.8 million as shown in the half-yearly accounts;

Directors' Report (continued)

- Buy back of 27 million shares for a total consideration of \$4.3 million and the cancellation of approximately 7.2 million fully paid shares and approximately 1.3 million partly paid shares previously held in an employee share trust. The total number of fully paid shares on issue was reduced from 133,928,412 to 99,688,421;
- A number of legacy issues, including actual or potential litigation, were settled favourably and Directors are not aware of any potential issues.

Directors are proposing the further cancellation of 500,000 fully paid ordinary shares and 3,873,420 partly paid shares to be considered at Special Meetings of Shareholders on Tuesday, 19 March 2013.

Operations

Reported results include non-recurring expenditure of approximately \$564,000 resulting from termination payments to staff and legal costs, and impairment expenses of \$537,000. Allowing for these and the capital profit on the sale of properties, the balance of \$317,000 is a profit attributable to operations. The legal costs included expenditure in defending an unwelcome and failed takeover bid for Austock.

Austock's major investment, Austock Life Limited, performed well in the half lifting Funds Under Management from \$301.2 million to \$343.7 million. This business is adding significantly to Austock's capital value and Directors are confident that it will continue to do so.

In early 2013 Austock received the second tranche payment from Folkestone with total cash now around \$12.5 million of which \$10.0 million is "free" cash. The balance is supporting contingent and regulatory requirements and is earning income.

Second Half

With the sale of Austock's remaining interest in the Property Business, Directors are anticipating a small operating loss in the second half. This will include some non-cash expenses and it is therefore unlikely that this will impact on Austock's overall cash position.

With legacy issues now in the past Directors have resolved to continue their focus on cost containment whilst developing potential opportunities, particularly for Austock Life.

Subsequent events

Other than the receipt of \$5.5 million from Folkestone Limited on 8 January 2013 for the remaining 35% of shares in Austock Property Funds Management Pty Ltd, there has not been any matter or circumstance occurring subsequent to the end of the half year ended 31 December 2012 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 periods.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the interim 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 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, 19 February 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 review for the half-year ended 31 December 2012 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

20 February 2013

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 18, are 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 2012 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, 19 February 2013

Consolidated Interim Statement of Comprehensive Income for the six months ended 31 December 2012

	Notes	Half year ended 31 Dec 2012 \$'000	Half year ended 31 Dec 2011 \$'000
Continuing Operations			
Revenue	7	10,144	11,963
Personnel expenses		(2,139)	(10,528)
Occupancy expenses		(218)	(914)
Communication expenses		(86)	(382)
Finance expenses		(37)	(118)
Dealing and settlement expenses		(845)	(2,194)
Marketing and promotional expenses		(106)	(556)
Depreciation and amortisation expenses		(61)	(216)
General administrative expenses		(1,175)	(1,691)
Loss on assets at fair value through profit or loss		(2)	(517)
Impairment expense	8	(537)	(3,042)
Result attributable to policyholders, net of tax		10,755	(176)
Profit/(loss) before income tax expense		15,693	(8,371)
Income tax benefit/(expense)		573	(4,436)
Profit/(loss) after income tax		16,266	(12,807)
Discontinued Operations			
Profit from discontinued operations net of tax	16	534	853
Profit/(loss) for the year		16,800	(11,954)
Loss/(profit) attributable to policyholders		(10,755)	176
Net profit/(loss) attributable to members of the company		6,045	(11,778)
<i>Other comprehensive income</i>			
Net change in fair value of financial assets transferred to profit or loss, net of tax		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the company		6,045	(11,778)
Earnings per share			
<i>Continuing and discontinued operations:</i>			
Basic (cents per share)		5.07	(10.63)
Diluted (cents per share)		5.07	(10.63)
<i>Continuing operations:</i>			
Basic (cents per share)		4.62	(11.40)
Diluted (cents per share)		4.62	(11.40)

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

Consolidated Interim Statement of Financial Position as at 31 December 2012

	Notes	As at	As at
		31 Dec 2012	30 June 2012
		\$'000	\$'000
Assets			
Cash and cash equivalents	9	7,739	3,686
Trade and other receivables		6,303	1,747
Income tax receivable		622	1,074
Other assets		518	377
Financial assets		38	635
Assets held for sale		-	8,222
Property, plant and equipment		404	504
Deferred tax assets		300	369
Intangible assets		640	688
Policyholder assets		346,760	304,372
Total assets		363,324	321,674
Liabilities			
Trade and other payables		650	449
Borrowings		-	146
Other liabilities		666	1,314
Liabilities held for sale		-	972
Provisions		1,216	1,362
Deferred tax liabilities		-	-
Policyholder liabilities		346,708	304,360
Total liabilities		349,240	308,603
Net assets		14,084	13,071
Equity			
Issued capital	10	33,202	44,508
Reserves	11	63	(4,293)
Retained earnings		(19,233)	(27,156)
Other reserves		52	12
Total equity		14,084	13,071

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 2012

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Other Reserves \$'000	Total equity \$'000
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 to retained earnings	-	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
Period end 31 Dec 2011					
Balance at 1 Jul 2011	45,232	(6,293)	(11,150)	10	27,799
Net loss for the period	-	-	(11,778)	-	(11,778)
Total comprehensive income for the period	-	-	(11,778)	-	(11,778)
Policyholder net profit for the period	-	-	-	7	7
Equity settled benefits	151	251	-	-	402
Transfer from issued capital	(138)	138	-	-	-
Acquisition of treasury shares	-	(64)	-	-	(64)
Balance at 31 Dec 2011	45,245	(5,968)	(22,928)	17	16,366

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 2012

Notes	Half year ended 31 Dec 2012 \$'000	Half year ended 31 Dec 2011 \$'000
Cash flows from operating activities		
Receipts from customers	4,950	16,128
Payments to suppliers and employees	(6,637)	(21,627)
Proceeds from sale of trading shares	120	446
Payments for trading shares	-	(562)
Finance and borrowing costs	-	(121)
Income tax received	971	694
Net cash flows used in operating activities	(596)	(5,042)
Cash flows from investing activities		
Interest received	162	433
Dividends received	-	73
Payment for property, plant and equipment	-	(289)
Payment for intangibles	-	(63)
Payment for treasury shares	-	(65)
Net payment for business acquisition	-	(32)
Net proceeds received from business disposal	8,970	-
Net cash flows from/(used in) investing activities	9,132	57
Cash flows from financing activities		
Proceeds from borrowings	-	712
Repayment of borrowings	(146)	(188)
Share buyback	(4,337)	-
Net cash flows from/(used in) financing activities	(4,483)	524
Net increase/(decrease) in cash held	4,053	(4,461)
Cash at beginning of the period	3,686	14,401
Cash at the end of the period	9	9,940

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 2012.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2012 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 2012.

This consolidated interim financial report was approved by the Board of Directors on 19 February 2013. 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 financial report as at and for the year ended 30 June 2012.

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 financial report as at and for the year ended 30 June 2012.

5. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2012.

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 Investment Management 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 stockbroking, research and corporate advisory services in the equity capital markets for emerging growth enterprises.

(b) Investment Management

This operating segment provided 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 2012	Corporate & Securities	Investment Management	Unallocated services	Eliminations	Consolidated total
	\$'000	\$'000	\$'000	\$'000	\$'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 expense					451
Consolidated net loss after tax					6,045
Other segment information					
Impairment expense	537	-	-	-	537
Realised & unrealised losses	-	2	-	-	2

Notes to the Consolidated Interim Financial Statements (continued)

6. Segment reporting (continued)

For the period ended 31 Dec 2011	Corporate & Securities \$'000	Investment Management \$'000	Unallocated services \$'000	Eliminations \$'000	Consolidated total \$'000
Revenue					
External revenue	11,469	4,977	221	-	16,667
Inter-segment revenue	-	-	3,730	(3,730)	-
Segment revenue	11,469	4,977	3,951	(3,730)	16,667
Result					
Segment result	(5,756)	6	(713)	-	(6,463)
Income tax expense					(5,315)
Consolidated net loss after tax					(11,778)
Other segment information					
Impairment expense	2,078	-	964	-	3,042
Realised and unrealised losses	517	-	-		517

7. Revenue

Notes	Half year ended 31 Dec 2012 \$'000	Half year ended 31 Dec 2011 \$'000
Operating activities		
<i>Rendering of services</i>		
Corporate activities	-	3,749
Brokerage and commission	-	7,356
Property management	1,041	2,343
Fund management	139	129
Life office	2,081	1,807
<i>Interest revenue</i>		
Interest income on bank deposits	163	453
Interest income from other related parties	-	-
<i>Other revenue</i>		
Dividend income	-	73
Gain on disposal of subsidiary	16	-
Other income	1,214	757
Total revenue	11,467	16,667
Attributable to:		
Continuing operations	10,144	11,963
Discontinuing operations	1,323	4,704
	11,467	16,667

Notes to the Consolidated Interim Financial Statements (continued)

8. Impairment expense

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 and the value of shares held has been impaired by \$37,000.

9. Cash and cash equivalents

	As at 31 Dec 2012 \$'000	As at 30 Jun 2012 \$'000
Cash at bank	7,688	3,597
Cash held on trust	51	89
	7,739	3,686

10. Issued capital

	As at 31 Dec 2012		As at 30 Jun 2012	
	Number	\$'000	Number	\$'000
Issued and paid up capital				
Fully paid ordinary shares (a)	99,688,421	32,873	133,928,412	44,166
Partly paid ordinary shares (b)	3,873,420	329	5,153,580	342
		33,202		44,508
	Half year ended 31 Dec 2012		Year ended 30 Jun 2012	
	Number	\$'000	Number	\$'000
(a) Fully paid ordinary shares				
Balance at beginning of period	133,928,412	44,166	133,928,412	44,727
Transfer from/(to) share based payment reserve	-	-	-	(1,921)
Equity settled benefits	-	-	-	1,360
Cancellation of shares	(34,239,991)	(11,293)		
Balance at end of period	99,688,421	32,873	133,928,412	44,166
	Half year ended 31 Dec 2012		Year ended 30 Jun 2012	
	Number	\$'000	Number	\$'000
(b) Partly paid ordinary shares				
Balance at beginning of period	5,153,580	342	5,153,580	342
Cancellation of shares	(1,280,160)	(13)		
Balance at end of period	3,873,420	329	5,153,580	342

Holders of partly paid shares are 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 2012 \$'000	As at 30 Jun 2012 \$'000
Share buy back reserve (a)	-	(4,325)
Treasury shares reserve (b)	63	(273)
Share based payments reserve (c)	-	305
Balance at the end of period	63	(4,293)

	Half year ended 31 Dec 2012 \$'000	Year ended 30 Jun 2012 \$'000
(a) Share buy back reserve		
Balance at beginning of period	(4,325)	(4,325)
Net change on disposal of Property business	4,325	-
Balance at end of period	-	(4,325)

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

	Half year ended 31 Dec 2012 \$'000	Year ended 30 Jun 2012 \$'000
(b) Treasury shares reserve		
Balance at beginning of period	(273)	(2,130)
Acquired during the period	-	(64)
Transfer to Issued Capital	336	1,921
Balance at end of period	63	(273)

The treasury shares reserve represents the cost of shares held by the trustee of equity compensation plans that the Group is required to include in its consolidated financial statements. At 31 December 2012 the Group held 500,000 fully paid (30 June 2012: 16,208,441) and zero partly paid (30 June 2012: 1,280,160) shares in the Company. During the period 8,468,450 were withdrawn upon vesting. This reserve has been reversed with the resultant surplus or deficit on sale adjusted against share capital upon the cancellation of the shares on 4 December 2012. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Notes to the Consolidated Interim Financial Statements (continued)

11. Reserves (continued)

	Half year ended 31 Dec 2012 \$'000	Year ended 30 Jun 2012 \$'000
(c) Share based payments reserve		
Balance at beginning of period	305	162
Transfer (to)/from issued capital	(305)	143
Balance at end of period	-	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.

12. Dividends

There were no dividends paid during the period ended 31 December 2012 (2011: nil).

13. Share based payments

The Group has an ownership based compensation scheme for executives and senior employees. During the six months ended 31 December 2012 a total number of zero (2011: 6,104,167) ordinary shares were granted to certain employees. The fair value of the shares granted was based on the market price on grant date.

Included in the statement of comprehensive income under personnel expenses is \$23,000 (2011: \$0.4 million) 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 \$810,000, of which \$519,391 (2011: \$574,863) has been used in respect of the lease of equipment and one of the Company's business premises.
- Direct debit facility of \$50,000 (2011: \$50,000) to be used for clients' accounts as part of the Austock Life business.

A bank guarantee secured by a term deposit has been given by ANZ Banking Group for \$1,045,105 (2011: \$1,045,105) in respect of the lease of one of the Company's business premises.

There are no other contingent events at 31 December 2012 (2011: Claim by Edmund Groves for \$3.1 million).

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

15. Subsequent events

Other than the receipt of \$5.5 million from Folkestone Limited on 8 January 2013 for the remaining 35% of shares in Austock Property Funds Management Pty Ltd, there has been no matter or circumstance occurring subsequent to 31 December 2012 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.

Notes to the Consolidated Interim Financial Statements (continued)

16. Discontinued Operations

On 28 September 2012, the Group announced the completion of the sale of the Austock Property funds management business to Folkestone Limited. The proceeds on disposal were \$11.896 million, resulting in a consolidated profit of \$6,829 million.

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	Half year ended 31 Dec 2012 \$'000	Half year ended 31 Dec 2011 \$'000
Revenue	7	1,323	4,704
Expenses			
Personnel expenses		(491)	(2,188)
Occupancy expenses		(43)	(76)
Communication expenses		(16)	(22)
Finance expenses		-	85
Dealing and settlement expenses		-	-
Marketing and promotional expenses		(26)	(48)
Depreciation		(28)	(110)
General administrative expenses		(63)	(613)
Profit/(loss) before income tax		656	1,732
Income tax benefit/(expense)		(122)	(879)
Profit/(loss) after income tax		534	853
Cash flow from discontinued operations:			
Net cash flows from operating activities		403	-
Net cash flows from investing activities		-	-
Net cash flows from financing activities		-	-
Net cash flows		403	-

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 ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period 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 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 2012 and its performance for the half-year period 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*.

Independent Auditor's Review Report (continued)



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 2012 and of its performance for the half-year period 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

20 February 2013