GENERATION DEVELOPMENT GROUP LIMITED

(ABN 90 087 334 370)

Appendix 4D

Half Year Report
For The Half Year Ended 31 December 2018

(Previous corresponding period: Half Year Ended 31 December 2017)

This Half Year Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the most recent annual financial report.

Results for Announcement to the Market

Revenue and Net Profit / (Loss)

		Percentage Change %		Amount $'000
Revenues from ordinary activities	Up	25.4%	To	5,871
Profit from ordinary activities after income tax attributable to members		nm	To	837
Net profit attributable to members		nm	To	837

Dividends (Distributions)

		Amount per security	Franked amount per security
Current period			
Final 2018 dividend paid 11 October 2018		1 cent	12.5105%
Interim 2019 dividend		1 cent	Nil
Ex-dividend date	15 March 2019		
Record date	18 March 2019		
Deadline to elect to participate in the DRP	19 March 2019		
Payment date	03 April 2019		
Previous corresponding period			
Final 2017 dividend paid 11 October 2017		1 cent	100%
Interim 2018 dividend		1 cent	100%
Ex-dividend date	19 March 2018		
Record date	20 March 2018		
Deadline to elect to participate in the DRP	21 March 2018		
Payment date	5 April 2018		

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Brief explanation of revenue, net profit/(loss) and dividends (distributions) to enable the above figures to be understood

Please refer to the accompanying Interim Condensed Consolidated Financial Report for an explanation of the result.

For further information contact Rob Coombe – Investor Relations.

Net Tangible Assets per Security

	Current period	Previous corresponding period
Net tangible assets backing per security	12.24 cents	11.68 cents

Entities over which control has been gained or lost

Name	Date of gain or loss of control	Contribution to profit/(loss) from ordinary activities during current period $'000	Profit/(loss) during previous corresponding period $'000
Nil			

Dividend payments

	Date paid / payable	Amount per security	Total dividend $'000
Current period			
Interim 2019 dividend	03 April 2019	1 cent	1,249
Final 2018 dividend	11 October 2018	1 cent	1,248
Previous corresponding period			
Interim 2018 dividend	5 April 2018	1 cent	1,245
Final 2017 dividend	11 October 2017	1 cent	1,121

Details of dividend reinvestment plans in operation

The DRP Allocation Price will be equivalent to the daily volume weighted average market price of all GDG shares sold on the ASX, excluding any trades otherwise than in the ordinary course of trading, for the 5 trading days from 20 March 2019 to 26 March 2019.

Last date for receipt of election notice to participate in dividend reinvestment plan 19 March 2019

Associates and Joint Ventures

Name	Percentage ownership	
	Current period	Previous corresponding period
Nil	N/A	N/A

Generation Development Group Limited
ABN: 90 087 334 370

Interim Condensed Consolidated Financial Report 31 December 2018

Corporate Information

Company Directors

Mr Robert Neil Coombe	Executive Chairman
Mr William Eric Bessemer	Non-Executive Director
Mr Jonathan James Tooth	Non-Executive Director
Mr John David Wheeler	Non-Executive Director

Company Secretary
Ms Amanda Gawne

Chief Financial Officer
Mr Terence Wong

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Level 12, 15 William Street
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Banker
National Australia Bank
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Melbourne VIC 3000

Auditor
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Summary of Results (Unaudited)

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

Generation Development Group reported a statutory profit of $837 thousand for the six months ended 31 December 2018.

		Half year to 31 Dec 2018 $'000	Half year to 31 Dec 2017 $'000	Movement $'000
Life and Services		5,131	4,385	746
Other income		606	152	454
Finance income		134	145	(11)
Total revenue		**5,871**	**4,682**	**1,189**
Personnel		(2,891)	(2,526)	(365)
Occupancy		(309)	(259)	(50)
Communication		(68)	(78)	10
Finance		(11)	(7)	(4)
Dealing and settlement		(1,342)	(1,116)	(226)
Marketing and promotion		(361)	(141)	(220)
Depreciation and amortisation		(218)	(77)	(141)
Administration expenses		(1,386)	(1,285)	(101)
Total expenses		**(6,586)**	**(5,489)**	**(1097)**
Loss before income tax		**(715)**	**(807)**	**92**
Income tax benefit	**Note 1**	1,552	1,404	148
Underlying profit after tax		**837**	**597**	**240**
Non-recurring items (net of applicable tax)				
Termination benefits		-	(153)	153
Share based payments		-	(2,302)	2,302
Rebranding expenses – Generation Life		-	(136)	136
Statutory reported result after tax		**837**	**(1,994)**	**2,831**

Note 1: For income tax purposes Generation Life Limited is a single tax payer comprising policyholder Benefit Funds and a central management or shareholder fund with all the Company's assessable income, allowable deductions and other tax offsets being pooled. The net tax receivable position of the management fund gives rise to a benefit of $1,552m (2017: $1,404m).

Directors' Report

The Directors of Generation Development Group Limited (the "Company") submit herewith the interim condensed consolidated financial report of the Company and its controlled entities (the "Group") for the six months ended 31 December 2018. 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 Robert Neil Coombe	Executive Chairman
Mr William Eric Bessemer	Non-Executive Director
Mr Jonathan James Tooth	Non-Executive Director
Mr John David Wheeler	Non-Executive Director

Result

The statutory profit after tax of Generation Development Group Limited ('the Group') for the interim period to 31 December 2018 ('the first half' or '1H19') was $837,000, whereas a loss of $1,994,000 was recorded in the prior comparative period ('PCP' or '1H18') to 31 December 2017. Underlying profits after tax were $837,000 (1H18: $597,000).

Underlying profit represents the Group's preferred measure of the result of the ongoing business activities of the Group. This is a non-statutory measure not subject to review by the external auditor which excludes non-core items, included in the statutory result, to derive the underlying profit. The adjustments made are included in the statutory profit which is subject to review by the external auditor in the context of their review of the interim condensed consolidated financial report.

Total revenues of $5.871m increased 25% on the PCP. The increase was largely a result of the continued FUM growth, which reached $922m at 31 December 2018, 4% higher than at the start of the financial year. The key elements were inflows of $111m (1H18: $96m), exits by way of withdrawals and maturities of $47m (1H18: $45m), while investment earnings contributed $(28)m (1H18: $26m) in the period, largely due to market volatility.

Underlying expenses reduced from $8,177m to $6,586m (19%).

Product Sales Results

Investment Bond penetration has risen significantly in 1H19 with new applications rising to a record 2,767 up 82.8% on the corresponding period last financial year (1,514). This comprised 1,278 LifeBuilder Bonds, 1,438 ChildBuilder bonds and 51 Funeral Bonds.

Savings plans have risen to $11.4million from $9million in the corresponding period and this recurring business now contributes 10% of the products inflows (27% pcp). Over 50% updates of new policies received now come with a savings plans attached.

Direct business has also increased by 254% in 1H19 with 1,059 applications received directly from clients worth $11million.

Pleasingly 110 financial advisers wrote business for the first time with Generation Life in 1H19. 645 individual financial advisers have submitted business during the period (up 63% pcp), worth a total of $110million (up 13% pcp).

Balance Sheet and Capital

- The Group held cash and cash equivalents of $4.910m at 31 December 2018 (30 June 2018: $2,609m), providing the life business with strong levels of capital to support growth ambitions.
- The Group has no drawn borrowing facilities and Generation Life Limited, the Group's main operating subsidiary, continues to meet all regulatory capital requirements.

Dividend Policy

An interim dividend of 1 cent per share, unfranked, was declared on 18 February 2019 with payment date of 3 April 2019.

Outlook

GDG remains optimistic in growing sales in its investment bond business both from a market share, and year on year perspective. This is notwithstanding some short term slowdown in activity in the industry, attributed to volatile equity markets, disruptions in the financial services sector from the Royal Commission review, and policy uncertainties from the upcoming Federal Election. Beyond investment bonds, we envisage an increase in acquisition opportunities in the financial services sector as existing market participants evaluate their portfolio and business model in the current environment.

Subsequent events

Further to its announcement on 28 September 2018, Generation Development Group Limited (ASX: GDG) confirmed that its investment in Ascalon Capital Managers Limited ("Ascalon") was completed on 8 February 2019, following receipt of approval from the Securities and Futures Commission of Hong Kong and finalisation of internal restructuring by Ascalon. Ascalon therefore became a wholly owned entity of GDG effective 8 February 2019. The immediate focus for Ascalon will be to launch a new fund to invest in alternative investment funds in the Asia Pacific region.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the interim condensed 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 Corporation instrument 2016/191, and in accordance with the Class Order amounts in 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 Robert Coombe
Chairman
Melbourne, 18 February 2019

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

To the Directors of Generation Development Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Generation Development Group Limited for the half-year ended 31 December 2018 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
Partner

Melbourne
18 February 2019

Directors' Declaration

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

1. the interim condensed consolidated financial statements and notes set out on pages 9 to 20, 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 2018 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 Robert Coombe
Chairman
Melbourne, 18 February 2019

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2018

	Notes	Half year ended 31 Dec 2018 $'000	Half year ended 31 Dec 2017 $'000
Income			
Revenue from contracts with customers ^	8	5,131	4,385
Other income		606	152
Finance income		134	145
Total income		**5,871**	**4,682**
Expenses			
Personnel expenses	9	(2,891)	(5,047)
Occupancy expenses		(309)	(259)
Communication expenses		(68)	(78)
Finance expenses		(11)	(7)
Dealing and settlement expenses		(1,342)	(1,116)
Marketing and promotional expenses	10	(361)	(308)
Depreciation and amortisation expenses		(218)	(77)
Administrative expenses		(1,386)	(1,285)
Total expenses		**(6,586)**	**(8,177)**
Profit/(loss) attributable to policyholders, net of tax ^	12	(26,792)	26,389
Profit/(loss) before income tax		**(27,507)**	**22,894**
Income tax benefit		1,552	1,501
Profit after income tax		**(25,955)**	**24,395**
(Profit)/loss attributable to policyholders	12	26,792	(26,389)
Total comprehensive income attributable to shareholders of the Company		**837**	**(1,994)**
Earnings per share			
➢ Basic (cents per share)		0.67	(1.65)
➢ Diluted (cents per share)		0.67	(1.65)

^ A subsidiary of the Company, Generation Life Limited, is a Friendly Society. The funds operated by Generation Life Limited are treated as statutory Benefit Funds in accordance with the Life Insurance Act 1995. These funds are required to be presented in the Group's consolidated financial statements in accordance with Accounting Standards and the Policyholder assets, liabilities and profits attributable to policyholders are presented separately from shareholders' funds. Included within shareholder revenue is $3.863m (2017: $3.100m) of fee revenues for the management of these funds by Generation Life Limited. The corresponding expense is included within profits attributable to policyholders.

The accompanying notes 1 to 14 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position as at 31 December 2018

	Notes	As at 31 Dec 2018 $'000	As at 30 Jun 2018 $'000
Assets			
Cash and cash equivalents		4,910	2,609
Investments – term deposits		5,673	9,683
Income tax receivable		788	924
Trade and other receivables		690	612
Other assets		1,440	710
Plant and equipment		574	348
Deferred tax assets		2,557	2,558
Intangible assets		1,551	1,676
Policyholder assets ^^	12	922,137	899,867
Total assets		940,320	918,987
Liabilities			
Trade and other payables		105	384
Other liabilities		555	1,181
Provisions		683	671
Policyholder liabilities ^^	12	922,137	899,867
Total liabilities		923,480	902,103
Net assets		**16,840**	**16,884**
Equity			
Issued capital	11	44,781	44,498
Share based payment reserve		2,591	2,507
Retained earnings		(30,532)	(30,121)
Total equity		**16,840**	**16,884**

^^ A subsidiary of the Company, Generation Life Limited, is a Friendly Society. The funds operated by Generation Life Limited are treated as statutory Benefit Funds in accordance with the Life Insurance Act 1995. These funds are required to be presented in the Group's consolidated financial statements in accordance with the Accounting Standards and the Policyholder assets, liabilities and net profits attributable to policyholders are presented separately from shareholders' funds.

The accompanying notes 1 to 14 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 31 December 2018

	Issued capital $'000	Share based payment reserve $'000	Retained Earnings $'000	Total $'000
Period end 31 Dec 2018				
Balance at 1 Jul 2018	44,498	2,507	(30,121)	16,884
Net profit for the period	-	-	837	837
Total comprehensive income for the period	**-**	**-**	**837**	**837**
Transactions with owners				
Issue of ordinary shares	283	-	-	283
Share based payment	-	84	-	84
Dividend paid	-	-	(1,248)	(1,248)
Balance at 31 Dec 2018	**44,781**	**2,591**	**(30,532)**	**16,840**
Period end 31 Dec 2017				
Balance at 1 Jul 2017	39,192	-	(28,031)	11,161
Net profit / (loss) for the period	39,192	-	(1,994)	(1,994)
Total comprehensive income for the period	**39,192**	**-**	**(1,994)**	**(1,994)**
Transactions with owners				
Issue of ordinary shares	5,122	-	-	5,112
Share issue costs	(80)	-	-	(80)
Share based payment	-	2,443	-	2,443
Dividend paid	-	-	(1,112)	(1,121)
Balance at 31 Dec 2017	**44,234**	**2,443**	**(31,146)**	**15,531**

The accompanying notes 1 to 14 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows for the six months ended 31 December 2018

	Notes	Half year ended 31 Dec 2018 $'000	Half year ended 31 Dec 2017 $'000
Cash Flows from Operating Activities			
Receipts from customers		4,386	3,400
Payments to suppliers and employees		(5,999)	(4,206)
Finance and borrowing costs		(11)	(7)
Income tax received		1,689	1,223
Net cash flows from / (used in) operating activities		**65**	**410**
Cash Flows from Investing Activities			
Interest received		172	62
Property, plant and equipment		(293)	(134)
Computer software		-	(366)
Term deposit proceeds/(reinvestment)		4,010	(7,538)
Other investments		(687)	(200)
Net cash flows from / (used in) investing activities		**3,202**	**(8,176)**
Cash Flows from Financing Activities			
Issue of shares (DRP)		283	-
Proceeds from share issue		-	5,042
Dividends paid		(1,248)	(1,121)
Net cash flows from / (used in) financing activities		**(965)**	**3,921**
Net increase / (decrease) in cash held		2,302	(3,845)
Cash and cash equivalents at beginning of the period		2,608	5,728
Cash and cash equivalents at the end of the period		**4,910**	**1,883**

The accompanying notes 1 to 14 form part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

1. Reporting entity

Generation Development Group Limited (the "Company") is a for profit public company listed on the Australian Securities Exchange (ASX: GDG) and incorporated in Australia. The Company operates as a Pooled Development Fund. This interim condensed consolidated financial report comprises the Company and its controlled entities (the "Group") as at and for the six months ended 31 December 2018. The Group is primarily involved in the provision of Life investment products within the Australian Life Insurance Sector.

2. Basis of preparation

This interim condensed consolidated financial report for the six months ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim condensed consolidated financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2018.

This interim condensed consolidated financial report was approved by the Board of Directors on 18 February 2018. The Company is of a kind referred to in ASIC Corporation Instrument 2016/191, and amounts in the interim financial report have been rounded off to the nearest thousand dollars. All amounts are presented in Australian dollars, which is the functional currency of the Company and its subsidiaries.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office and principal place of business at Level 12, 15 William Street Melbourne Victoria 3000 or at www.gendevelopmentgroup.com.au.

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* have been applied.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018.

Changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

The Group has initially adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

AASB 15 Revenue from Contracts with Customers
On 1 July 2018 the Group adopted AASB 15, replacing the previous accounting standard, AASB 118 Revenue. Under AASB 118, revenue is recognised when risks and rewards are transferred from the seller to the buyer. AASB 15 has introduced a single, principle-based five step recognition and measurement model for revenue. AASB 15 applies to contracts with customers except for revenues the Group earns from financial instruments, such as interest income, and insurance contracts.

The new standard applies to the group's management and administration fee revenues earned from both its life investment and investment administration businesses. The adoption of the standard has had no significant impact on the amounts or timing of revenue recognition. The Group's accounting policy for revenue within the scope of AASB 15 has been updated to state that revenue is recognised as performance obligations are satisfied.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

As a result of the above assessment, there has been no impact recognised in opening retained earnings, or impact of the new standard on the Group's statement of financial position as at 31 December 2018, interim statement of profit or loss and other comprehensive income, or statement of cash flows for the half year ended 31 December 2018.

The standard introduces a number of new disclosure requirements which will be presented in the Group's Annual report and accounts for the year ended 30 June 2019. The standard also amends AASB 134 to require additional disclosures in these interim accounts. These disclosures are provided in note 8.The Group now presents revenue from contracts with customers separately from other income on the face of the statement of profit or loss and other comprehensive income, with comparatives also represented.

The Group adopted the standard using the cumulative effect method, with the effect of initially applying the standard recognised at 1 July 2018. Accordingly, there has been no restatement to the comparative period financial statements. Refer to the annual financial report for the year ended 30 June 2018 for the accounting policies that have been applied for comparative periods.

AASB 9 Financial Instruments
On 1 July 2018 the Group adopted AASB 9, replacing the previous accounting standard, AASB 139 Financial Instruments.

i) Transition
The group has taken advantage of the exemption from restating comparative information for prior periods with respect to classification and measurement (including impairment) requirements. The hedge accounting requirements of AASB 9 have not been applied, as the group is not party to any hedging relationships. Refer to the annual financial report for the year ended 30 June 2018 for the accounting policies that have been applied for comparative periods.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained earnings at 1 July 2018, and are de minimis for the Group. These relate solely to the recognition of expected credit losses (ECLs) as a result of the revised requirements for impairment of the new standard. The key changes to the Group's accounting policies and the impacts resulting from the adoption of AASB 9 are described below.

ii) Classification & measurement of financial assets and financial liabilities
The basis of classification under AASB 9 results in financial assets being classified into one of three categories: amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The held to maturity, loans and receivables and available for sale categories have been removed. The classification criteria for allocating financial assets between categories under AASB 9 requires the Group to assess the business models under which its assets are managed, distinguishing whether:

- its objective is to hold assets to collect contractual cash flows;
- its objective is both to collect contractual cash flows and to sell the asset; or
- it represents another type of business model (e.g. trading).

The group is also required to review contractual terms and conditions to determine whether the cash flows arising on these assets represent solely payments of principal and interest on the principal amount outstanding. All of the Group's financial assets as at 1 July 2018 were managed within business models whose objective is solely to collect contractual cash flows and are now classified as amortised cost, except for the financial instruments including cash and cash equivalents, term deposits and unlisted unit trusts within the Policyholder Benefit Funds, which are not held for trading and continue to be classified as fair value through profit or loss. The basis of classification for financial liabilities under the new standard remains unchanged.

iii) Impairment
Under AASB 9, an expected credit loss (ECL) model replaces the incurred loss model, meaning there no longer needs to be a trigger event in order to recognise impairment losses against financial assets not recognised as FVTPL . A credit loss allowance must be made for the amount of any loss expected to arise, whereas under AASB 139, credit losses are only recognised when incurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Under the ECL model, a dual measurement approach applies whereby a financial asset will attract an ECL allowance equal to either 12 months of expected credit losses (losses resulting from possible defaults within the next 12 months), or lifetime expected credit losses (losses resulting from possible defaults over the remaining life of the financial asset). The latter applies if there has been a significant deterioration in the credit quality of the asset since origination, albeit lifetime ECLs will always be recognised for assets without a significant financing component. AASB 9 also permits the Group to adopt a set of practical expedients, including that short duration trade receivables which do not contain a significant financing component will have minimal expected credit losses, and that debt instruments that are determined to have a low credit risk at the reporting date and credit risk has not increased significantly since origination have loss allowances measured as equivalent to 12 month ECLs.

ECLs are a probability weighted estimate of credit losses, measured as the present value of all cash shortfalls. This is the difference between the cash flows due to the entity in accordance with the contract, and the cash flows that the group expects to receive, discounted at the effective interest rate of the financial asset.

The Group's financial assets not recognised at FVTPL are represented by short term trade receivables, plus cash and cash equivalents and investments in term deposits with investment grade domestic bank counterparties, and therefore the impact of the new standard is considered minimal. Impairment allowances on financial instruments are presented under finance expenses and not presented separately in the condensed consolidated statement of profit or loss and other comprehensive income given materiality considerations.

4. Standards and interpretations issued but not yet adopted

AASB 16 Leases
This standard was issued in February 2016 and replaces the operating/finance lease distinction and accounting requirements prescribed in AASB 117 Leases. This standard will become mandatory for the Group's 30 June 2020 financial statements. It requires a lessee to recognise a right-of-use asset representing its rights to use the underlying leased asset and a corresponding lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group has completed an initial assessment of potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The Group will adopt AASB 16 initially on 1 July 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

AASB 17 Insurance Contracts
This standard was issued in July 2017 and replaces AASB 1038 Life Insurance Contracts. This standard will become mandatory for the Group's 30 June 2022 financial statements. Under AASB 17, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. This will impact the Group's estimation of policyholder liabilities in the Generation Life Limited Benefit Funds, shown in note 11 of these financial statements. The Group is not yet able to reasonably estimate the impact of the adoption of this standard on its financial statements.

AASB Interpretation 23 'Uncertainty over Income Tax Treatments'
This interpretation clarifies the application of the recognition and measurement criteria where there is uncertainty over income tax treatments. It requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty will be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates. The amount will be determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements will be reassessed as and when new facts and circumstances are presented. Interpretation 23 will apply to the Group from 1 July 2019. The potential financial impacts of the above to the Group have not yet been determined.

5. 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 estimate and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing this interim condensed consolidated 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 in the consolidated annual financial statements as at and for the year ended 30 June 2018.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6. 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 2018.

7. Financial Instruments

The Group has determined that the carrying values of certain financial instruments approximate fair value. This includes short term trade receivables, plus cash and cash equivalents and investments in term deposits with investment grade domestic bank counterparties. These financial instruments are short term in nature or are floating rate instruments that are re-priced on or near the end of the reporting period. Accordingly a fair value hierarchy has not been provided.

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

8. Revenue from contracts with customers

The Group's main revenue streams are fee revenues earned from contracts with customers for life investment management and investment administration services. The effect of initially applying AASB 15 is disclosed in note 3.

Disaggregation of Revenue

In the following table, revenue is disaggregated by type of service, major service lines & timing of revenue recognition.

	Half year ended 31 Dec 2018 $'000	Half year ended 31 Dec 2017 $'000
Major service lines and type of service		
Fee income – Life	4,948	4,202
Fee income – Funds administration	183	183
Total revenue	**5,131**	**4,385**
Timing of revenue recognition		
Services transferred over time	4,975	4,278
Services transferred at a point in time	156	107
	5,131	**4,385**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9. Personnel expenses

	Half year ended 31 Dec 2018 $'000	Half year ended 31 Dec 2017 $'000
Salaries and related expenses	2,807	2,385
Share based payments		
- LTI arrangements	84	141
- Issuance of shares	-	2,302
Termination benefits	-	219
Personnel expenses	**2,891**	**5,047**

- On 5 November 2018, via a notice of Grant of Rights under the Generation Development Group Limited Rights Plan – FY19, Mr. Robert Coombe was issued with 361,222 Performance Rights which were valued at $84,184. This was approved at a meeting of shareholders on 25 October 2018.

- Pursuant to a subscription agreement dated 1 May 2017 between Mr Robert Coombe and Generation Development Group Limited 10,000,000 ordinary shares at 40 cents per share were issued by the Company to Mr Coombe and his nominees on 17 August 2017. Of the 10,000,000 ordinary shares, 7,600,000 were taken up by Mr Coombe and the balance 2,400,000 was taken up by the nominees. This was approved by a meeting of shareholders on 18 July 2017, with Mr Coombe also being elected as Executive Chairman of the Group. The difference between the subscription price of 40 cents and the fair value of the shares at the grant date of 18 July 2017 which was 70 cents has been accounted for as a share based payment.

10. Marketing and promotional expenses

	Half year ended 31 Dec 2018 $'000	Half year ended 31 Dec 2017 $'000
Marketing and promotional	361	140
Rebranding expenses – Generation Life	-	168
Marketing and promotional expenses	**361**	**308**

11. Issued capital

	Number	$'000
Balance at 1 Jul 2018	124,677,900	44,498
Issued during the period	250,354	283
Balance at 31 Dec 2018	**124,928,254**	**44,781**

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12. Policyholder balances

The policyholder assets of Generation Life Limited are assessed under AASB 1038 Life Insurance Contracts to be assets that are held to back life insurance policy liabilities and assets that represent owners' funds. All financial assets held within its statutory Benefit Funds are assets backing policy liabilities. The assets of one Benefit Fund cannot be used to support the liabilities of another. These financial assets include investment securities that are designated as fair value through profit or loss as they are managed and their performance evaluated on a fair value basis for internal and external reporting in accordance with the investment strategy. These comprise term deposits and investments in externally managed funds recognized and measured in accordance with the Group's accounting policy in note 6.

Assets held in the Benefit Funds are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995. Monies held in the Benefit Funds and controlled trusts are held for the benefit of the Policyholders of those funds, and are subject to the constitution and rules of those funds. Restrictions on the use of assets invested for policyholders in statutory funds include:

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

The Benefit Funds are classified as either Life Insurance or Life Investment contracts according to the Benefit Fund rules.

Criteria considered in the classification process include the level of insurance risk accepted under the contract and the existence of discretionary participation features (such as discretion by the board over the level of bonus).

	As at 31 Dec 2018 $'000	As at 30 Jun 2018 $'000
Assets		
Cash and cash equivalents	7,816	12,701
Other assets	1,258	25,289
Financial assets	906,786	858,544
Current tax assets	6,275	-
Deferred tax assets	2	3,333
Total assets	**922,137**	**899,867**
Liabilities		
Trade and other payables	620	600
Current tax liabilities	-	7,469
Other liabilities	50	298
Deferred tax liabilities	1,898	7,259
Policyholder liabilities	919,569	884,241
Total liabilities	**922,137**	**899,867**
Net assets	**-**	**-**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12. Policyholder balances (cont'd)

	Half year ended 31 Dec 2018 $'000	Half year ended 31 Dec 2017 $'000
Revenue		
Interest income	399	707
Distribution income	2,667	3,221
Revaluation of policyholders liabilities	74	86
Premium revenue for Life insurance contracts	172	-
Unrealised gains on assets designated as fair value through profit or loss	-	20,622
Realised gains on sale of investments		13,245
Other revenue	1,224	1,163
Total revenue	**4,536**	**39,044**
Expenses		
Dealing and settlement expenses	160	107
Other expenses – benefit funds	22	26
Management fees paid by benefit funds	3,863	3,100
Unrealised losses on assets designated as fair value through profit or loss	6,117	-
Realised losses on sale of investments	28,402	-
Policyholder withdrawals - insurance	87	99
Total expenses	**38,651**	**3,332**
Net profit/(loss) before tax	(34,115)	35,712
Income tax benefit / (expense)	7,323	(9,323)
Profit / (loss) attributable to policyholders	**(26,792)**	**26,389**

13. Dividends

A final partially franked dividend of $1,246,779 (one cent per ordinary share) for 2018 was paid on 11 October 2018 (2017: 1,121,168). The Company declared an interim dividend of one cent per ordinary share, unfranked, totaling $1,249,283 to be paid on 3 April 2019. The Company's Dividend Reinvestment Plan (DRP) will be in operation for this dividend.

14. Contingent liabilities

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

- Direct debit facility of $2,000,000 (2017: $500,000) to be used for client's accounts as part of the Generation Life business; and
- Direct debit facility of $10,000 (2017: $10,000) to be used for client's accounts as part of the Bonds Custodian business.
- NAB credit card facilities of $60,000 (2017: $60,000) used by Senior Staff for business travel and client entertainment as part of Austock Financial Services business.

The Company has issued letters of support in respect of certain of its subsidiaries in the normal course of business. Under these letters, the Company undertakes to ensure that those subsidiaries continue to meet their regulatory capital obligations subject to caps and certain conditions including that the entity remains a controlled entity of the Company.

15. Subsequent events

The company declared an interim dividend of $0.01 per ordinary share unfranked to be paid on 3 April 2019. The company's Dividend Reinvestment Plan (DRP) has been activated for this dividend.

Further to its announcement on 28 September 2018, Generation Development Group Limited (ASX: GDG) confirmed that its investment in Ascalon Capital Managers Limited ("Ascalon") was completed on 8 February 2019, following receipt of approval from the Securities and Futures Commission of Hong Kong and finalisation of internal restructuring by Ascalon. Ascalon became a wholly owned entity of GDG effective 8 February 2019. The immediate focus for Ascalon will be to launch a new Asia Pacific seeding vehicle to invest in alternative investment funds in the Asia Pacific region.

KPMG

Independent Auditor's Review Report

To the shareholders of Generation Development Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Generation Development Group Limited.

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 Generation Development Group Limited 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 2018 and of 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*.

The ***Interim Financial Report*** comprises the:

- Condensed consolidated statement of financial position as at 31 December 2018;
- Condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date;
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The ***Group*** comprises Generation Development Group Limited (the Company) and the entities it controlled at the half year period's end or from time to time during the half year.

The ***Half year period*** is the six month period ended 31 December 2018.

Responsibilities of the Directors 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*
- 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.

KPMG

Auditor's responsibility for the review of the Interim Financial Report

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 2018 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 Generation Development 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 Period 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.

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

KPMG

KPMG

Rachel Milum
Partner

Melbourne
18 February 2019