



Generation Development Group Limited  
ABN: 90 087 334 370

Interim Condensed Consolidated  
Financial Report 31 December 2019

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## Corporate Information

**Company Directors**

Mr Robert Neil Coombe  
Mr William Eric Bessemer  
Mr Jonathan James Tooth  
Mr John David Wheeler

Executive Chairman  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

**Company Secretary**

Ms Amanda Gawne

**Chief Financial Officer**

Mr Terence Wong

**Registered Office**

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

**Share Register**

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000

**Banker**

National Australia Bank  
330 Collins Street  
Melbourne VIC 3000

**Auditor**

KPMG  
Tower Two  
Collins Square  
727 Collins Street  
Melbourne VIC 3008

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## Summary of Results (Unaudited)

Generation Development Group recorded a consolidated statutory net loss for the six months ending 31 December 2019 of \$1.2 million (2018: profit \$837 thousand). Statutory net profit/(loss) after tax has been prepared in accordance with the Corporation Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards.

The Group recorded an underlying operating profit after tax of \$1.5 million for the six months ended 31 December 2019 (2018: \$837 thousand).

The underlying operating profit after tax excludes Ascalon operating costs and other items as reflected below:

	Notes	Half year to 31 Dec 19 \$'000	Half year to 31 Dec 18 \$'000	Change \$'000
Life and Services		6,187	5,131	1,056
Other income		784	740	44
<b>Total revenue</b>	<b>1</b>	<b>6,971</b>	<b>5,871</b>	<b>1,100</b>
Personnel		(3,654)	(2,891)	763
Occupancy		(55)	(309)	(254)
Communication		(68)	(68)	-
Finance		(19)	(11)	8
Dealing and settlement		(1,663)	(1,342)	321
Marketing and promotion		(236)	(361)	(125)
Depreciation and amortisation		(329)	(218)	111
Administration expenses		(1,848)	(1,386)	462
<b>Total expenses</b>	<b>1</b>	<b>(7,872)</b>	<b>(6,586)</b>	<b>1,286</b>
<b>Underlying loss before income tax</b>		<b>(901)</b>	<b>(715)</b>	<b>(186)</b>
Income tax benefit/(expense)	<b>2</b>	2,363	1,552	811
<b>Underlying profit after tax</b>		<b>1,462</b>	<b>837</b>	<b>625</b>
Ascalon operational costs		(1,421)	-	(1,421)
<b>Non-recurring items (net of applicable tax)</b>				
Deferred tax reversal on carry forward losses		(1,185)	-	(1,185)
Termination benefits		(76)	-	(76)
<b>Statutory profit after tax</b>		<b>(1,220)</b>	<b>837</b>	<b>(2,057)</b>

**Notes:**

- Revenue and expenses reflected in the summary of results are attributable to the Shareholders of the Company and excludes the activities of the consolidated benefit funds.
- For income taxation purposes Generation Life Limited 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 other tax offsets being pooled.

## 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 2019. 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

### Management Changes

The Joint Chief Executive Officers and Managing Directors of the Group's subsidiary, Generation Life Limited, Ms Catherine van der Veen and Ms Lucy Foster, have resigned, effective 31 January 2020.

Mr Grant Hackett will step down as Chief Executive Officer of the Group effective 31 January 2020 and assume the role of Chief Executive Officer and Managing Director of Generation Life from 1 February 2020. Mr Hackett will continue to serve on the Board of Ascalon Capital Managers Limited and its subsidiary.

Mr Felipe Araujo, current General Manager of Distribution at Generation Life will join Mr Hackett as a director on the Board of Generation Life, effective 1 February 2020. He will continue to lead the sales function at Generation Life.

### Review of Operations

This is the first set of the Group's financial statements in which AASB 16 *Leases* has been applied. Under the transition method chosen, comparative information has not been restated. The 31 December 2019 results are therefore not directly comparable to prior years. Changes to significant accounting policies and the impact of applying the new standard are described in page 13.

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.

The Group's underlying NPAT increased by \$625 thousand or 75% to \$1.5m for the six months ended 31 December 2019, compared to \$837 thousand in the prior comparative period. The underlying NPAT excludes Ascalon operating costs and other items as reflected in the summary of results.

The increase was largely a result of continued FUM growth, which reached \$1.2b at 31 December 2019, 14% higher than at the start of the financial year. The key elements were inflows of \$172.9m (1HY19 \$111.3m), exits by way of withdrawals and maturities of \$45.2m (1HY19 \$ 47.1m), while investment earnings contributed \$27.9m (1HY19 (\$28.3m) in the period, largely due to market volatility.

### Product Sales Results

Investment Bond penetration has risen significantly in 1HY20 with new applications rising to a record 4,268 up 54.2% on the corresponding period last financial year (2,767). This comprised 2,094 LifeBuilder Bonds, 2,040 ChildBuilder bonds and 134 Funeral Bonds.

Savings plans have risen to \$15.1 million from \$11.4 million (up 32% pcp). Over 39% of all new policies received now come with a saving plan attached.

The number of direct business has also increased by 62.0% in 1HY20 with 1,714 applications received directly from clients worth \$13.7million.

Pleasingly 106 financial advisers wrote business for the first time with Generation Life in 1HY20. 791 individual financial advisers have submitted business during the period (up 22.6% pcp).

**Balance Sheet and Capital**

- The Group held cash and cash equivalents of \$10.225m at 31 December 2019 (30 June 2019: \$4.910m) excluding cash and cash equivalent of the benefit funds that are attributable to the policy holders, providing the life business with strong levels of capital to support growth ambitions.
- The Group has no borrowing facilities and Generation Life Limited, the Group's main operating subsidiary, continues to meet all regulatory capital requirements.

**Dividend**

An interim dividend of 1 cent per share, unfranked, was declared on 24 February 2020 with payment date of 14 April 2020.

**Outlook**

The Company remains focused in growing sales in its investment bond business both from the market share, and year on year perspective through innovative product development. We continue to pursue new acquisition opportunities in the financial services sector.

**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, 24 February 2020



## 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 2019 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

24 February 2020

## 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 29, 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 2019 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, 24 February 2020



## Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2019

	Notes	Restated*	
		Half year ended 31 Dec 2019 \$'000	Half year ended 31 Dec 2018 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	10(a)	6,429	5,303
Interest income	10(b)	996	1,743
Revaluation of investments	10(c)	29,044	(34,525)
Other income	10(d)	11,513	3,367
<b>Total revenue</b>		<b>47,982</b>	<b>(24,112)</b>
<b>Expenses</b>			
Personnel expenses		(4,710)	(2,891)
Occupancy expenses		(138)	(309)
Communication expenses		(80)	(68)
Finance expenses		(24)	(11)
Dealing and settlement expenses		(1,853)	(1,502)
Marketing and promotional expenses		(236)	(361)
Depreciation and amortisation expenses		(332)	(218)
Administration expenses		(2,324)	(1,445)
Management fees paid by benefit fund		(4,830)	(3,826)
Policyholder withdrawals - insurance		(84)	(87)
<b>Total expenses</b>		<b>(14,611)</b>	<b>(10,718)</b>
<b>Profit / (loss) before income tax expense</b>		<b>33,371</b>	<b>(34,830)</b>
Income tax (expense) / benefit		(6,094)	8,875
<b>Profit / (loss) after income tax expense</b>		<b>27,277</b>	<b>(25,955)</b>
(Profit)/loss attributable to policyholders	15	(28,497)	26,792
<b>Net (loss)/profit attributable to shareholders of the Company</b>		<b>(1,220)</b>	<b>837</b>
<b>Total comprehensive income attributable to shareholders of the Company</b>		<b>(1,220)</b>	<b>837</b>
<b>Earnings per share</b>			
➤ Basic (cents per share)		(0.97)	0.67
➤ Diluted (cents per share)		(0.97)	0.67

\* Restated - similar to the FY19 signed financial accounts, the HY20 interim financial statements have been consolidated on a line by line basis. Where relevant, comparatives have been restated to ensure consistency in presentation of financial information across the applicable comparative periods. This change has been made as it provides information on a basis consistent with broader comparative periods.

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 5.

A subsidiary of the Company, Generation Life Limited, is a Friendly Society in accordance with the Life Insurance Act 1995. The funds operated by Generation Life Limited and any trusts controlled by those funds, are treated as statutory funds in accordance to the Life Insurance Act 1995. These statutory funds are required to be consolidated in accordance to Accounting Standards.

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim financial statements.

## Interim Condensed Consolidated Statement of Financial Position as at 31 December 2019

	Notes	As at 31 Dec 19 \$'000	As at 30 Jun 19 \$'000
<b>Assets</b>			
Cash and cash equivalents		20,095	23,979
Investment – term deposits		102,804	104,896
Income tax receivable		2,501	4,080
Trade receivables		1,399	1,523
Other assets		9,096	29,281
Financial assets		1,133,823	946,125
Plant and equipment		712	363
Right-of-use assets		716	-
Deferred tax assets		2,264	3,975
Intangible assets		1,127	1,185
<b>Total assets</b>		<b>1,274,537</b>	<b>1,115,407</b>
<b>Liabilities</b>			
Trade and other payables		1,279	1,264
Current tax liabilities		1,104	-
Lease liabilities		721	-
Other liabilities		801	1,183
Provisions		741	694
Deferred tax liabilities		26,555	21,080
Policyholder liabilities	15	1,224,863	1,070,512
<b>Total liabilities</b>		<b>1,256,064</b>	<b>1,094,733</b>
<b>Net assets</b>		<b>18,473</b>	<b>20,674</b>
<b>Equity</b>			
Issued capital	11	45,145	44,998
Share based payment reserve		2,946	2,946
Other reserve		138	61
Retained earnings		(29,756)	(27,331)
<b>Total equity</b>		<b>18,473</b>	<b>20,674</b>

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 5.

A subsidiary of the Company, Generation Life Limited, is a Friendly Society in accordance with the Life Insurance Act 1995. The funds operated by Generation Life Limited and any trusts controlled by those funds, are treated as statutory funds in accordance to the Life Insurance Act 1995. These statutory funds are required to be consolidated in accordance to Accounting Standards.

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim financial statements.

## Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 31 December 2019

	Issued capital	Share based payment reserve	Other reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Period end 31 Dec 2019</b>					
Balance at 1 Jul 2019	44,998	2,946	61	(27,331)	20,674
Net profit/(loss) for the period	-	-	-	(1,220)	(1,220)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,220)</b>	<b>(1,220)</b>
<b>Transactions with owners</b>					
Issue of ordinary shares	147	-	-	-	147
Dividend paid	-	-	-	(1,253)	(1,253)
Adjustment on adoption of AASB 16	-	-	-	48	48
Other items	-	-	77	-	77
<b>Balance at 31 Dec 2019</b>	<b>45,145</b>	<b>2,946</b>	<b>138</b>	<b>(29,756)</b>	<b>18,473</b>
<b>Period end 31 Dec 2018</b>					
Balance at 1 Jul 2018	44,498	2,507	-	(30,121)	16,884
Net profit for the period	-	-	-	837	837
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>837</b>	<b>837</b>
<b>Transactions with owners</b>					
Issue of ordinary shares	283	-	-	-	283
Share based payment	-	84	-	-	84
Dividend paid	-	-	-	(1,248)	(1,248)
<b>Balance at 31 Dec 2018</b>	<b>44,781</b>	<b>2,591</b>	<b>-</b>	<b>(30,532)</b>	<b>16,840</b>

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 5.

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim financial statements.

## Interim Condensed Consolidated Statement of Cash Flows for the six months ended 31 December 2019

	Half year ended 31 Dec 19 \$'000	*Restated Half year ended 31 Dec 18 \$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	36,529	31,416
Payments to suppliers and employees	(13,826)	(11,179)
Finance and borrowing costs	(19)	(11)
Income tax received/(paid)	3,765	(6,761)
Payment for investment benefit funds	(160,454)	(82,761)
Contributions by investors	173,211	111,507
Withdrawals by investors	(45,987)	(48,227)
<b>Net cash flows from / (used in) operating activities</b>	<b>(6,781)</b>	<b>(6,016)</b>
<b>Cash Flows from Investing Activities</b>		
Interest received	1,416	1,478
Transaction costs - investment	(125)	-
Other investments	(15)	(687)
Term deposit matured / (invested)	4,017	4,010
Purchase of property, plant and equipment	(49)	(266)
Payment of software	(395)	(27)
<b>Net cash flows from / (used in) investing activities</b>	<b>4,849</b>	<b>4,508</b>
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(1,253)	(1,248)
Payment of lease liability	(895)	-
Lease adjustments	48	-
Issue of additional shares (DRP)	148	283
<b>Net cash flows from / (used in) financing activities</b>	<b>(1,952)</b>	<b>(965)</b>
<b>Net increase / (decrease) in cash held</b>	<b>(3,884)</b>	<b>(2,473)</b>
Cash and cash equivalents at beginning of the period	23,979	15,199
<b>Cash and cash equivalents at the end of the period</b>	<b>20,095</b>	<b>12,726</b>

\* Restated - similar to the FY19 signed financial accounts, the HY20 interim financial statements have been consolidated on a line by line basis. Where relevant, comparatives have been restated to ensure consistency in presentation of financial information across the applicable comparative periods. This change has been made as it provides information on a basis consistent with broader comparative periods.

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 5.

The notes on pages 13 to 29 are an integral part of these condensed consolidated interim 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 2019. 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 2019 (1HY20) has been prepared in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

This 1HY20 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 2019.

This 1HY20 financial report was approved by the Board of Directors on 24 February 2020. 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 2019 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.gendevdevelopmentgroup.com.au](http://www.gendevdevelopmentgroup.com.au).

This is the first set of the Group’s financial statements where AASB 16 *Leases* have been applied.

### 3. 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 2019.

### 4. 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 2019.

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 2020.

### 5. New standards and interpretations adopted

#### **AASB 16 Leases**

#### General impact of application of AASB 16 Leases

The Group has initially adopted *AASB 16 Leases* (as issued by the Australian Accounting Standards Board in February 2016) from 1 July 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has applied AASB 16 using the modified retrospective application of AASB 16 in accordance with AASB 16:C5(b). Consequently, the Group will not restate the comparative information. The impact of the adoption of AASB 16 on the Group’s consolidated financial statements is described below.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### **AASB 16 Leases (continued)**

#### Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 Leases and IFRIC 4 will continue to apply to those leases entered or modified before 1 July 2019. The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group carried out an implementation project. The project showed that the new definition in AASB 16 does not change significantly the scope of contracts that meet the definition of a lease for the Group.

#### Impact on Lessee Accounting

##### *Former operating leases*

AASB 16 has changed how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group has:

- (a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- (c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) have been recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This has replaced the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted in some instances to recognise a lease expense on a straight-line basis as permitted by AASB 16.

#### Former finance leases

The main difference between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. As the Group does not have any finance leases in place, this change has not had any effect on the Group's consolidated financial statements.

#### Significant accounting policies

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the new lessee, except for certain short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is determined with reference to the following factors:

- Length of the lease;
- Lessee specific credit risk; and
- Secured borrowings adjustment

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### **AASB 16 Leases (continued)**

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) any by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

#### Impact on transition

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group as a lessee recognises right-of-use assets and lease liabilities for contracts that convey a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applied the modified retrospective transition approach, resulting in the cumulative effect of adopting AASB 16 as an adjustment to opening retained earnings at 1 July 2019, with no restatement to comparative information.

At transition, for leases classified as operating leases under AASB 117:

These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate applied to the lease liability on 1 July 2019 was between 1.1% to 1.8% depending on the remaining term of the lease. There were no leases previously recorded as finance leases.

Lease liabilities recognised in the statement of financial position at the date of initial application are reconciled as follows:

	<b>1 July 2019</b>
	<b>\$'000</b>
Operating leases commitments disclosed as at 30 June 2019	840
Discounted using the lessee's incremental borrowing rate	(9)
Less: Adjustment to opening assessment	(15)
<b>Lease liability recognised as at 1 July 2019</b>	<b>816</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### **AASB 16 Leases (continued)**

#### *Practical expedients applied*

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard;

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group entity has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and interpretation 4 *Determining whether an Arrangement contains a Lease*.

#### Impact for the period

The Group has recognised \$716 thousand of right-of-use assets and \$721 thousand as lease liabilities as at 31 December 2019.

In relation to those leases under AASB 16, The Group has recognised depreciation and interest costs, instead of operating lease expenses. During the six-month ended 31 December 2019, the Group recognised \$233 thousand of depreciation charges and \$5 thousand of interest costs from these leases.

#### Lessor accounting

The adoption of AASB 16 did not have a significant impact on the accounting for assets held as lessor under operating leases.

### **AASB Interpretation 23 'Uncertainty over Income Tax Treatments'**

Interpretation 23 will apply to the Group from 1 July 2019. 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. The adoption of this interpretation does not have a significant impact on the Group's consolidated financial statements.

## **6. Standards and interpretations issued but not yet adopted**

### **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 15 of these financial statements, and will also have a potential impact on the Deferred Acquisition Costs for Generation Life Limited. The Group is not yet able to reasonably estimate the impact of the adoption of this standard on its financial statements.



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 7. Segment reporting

The Group has the following two strategic divisions, which are its reportable segments. All segments' operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### a. Operating segments

##### *Investment Bonds Management and Fund Administration*

The provision of administration and management services to the Benefit Funds of Generation Life Limited and administration services to institutional clients.

##### *Other Businesses*

This segment pertains to the newly acquired Ascalon Capital Managers Limited which is in the process of launching a new Asia Pacific seeding vehicle to invest in alternative investment funds in the Asia Pacific region.

#### b. Non-operating segments

Benefit funds represent the operating result and financial position of the Benefit Funds which are required to be consolidated in the Group's financial statements in accordance with the accounting standards.

Where relevant, comparative financial information has been restated to ensure consistency in presentation of financial information across the applicable comparative periods.

The reportable segments are divisions engaged in providing either different products or services. The statutory benefit funds are classified as a non-operating segment. Details of the operating and non-operating segments are detailed below:

	Operating Segments			Non-operating Segment	Consolidated Total
	Investment Bonds Management & Funds Administration	Other Businesses	Operating Segment Total	Benefit Funds	
Half year ended 31 Dec 2019	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	6,971	45	7,016	40,966	47,982
<b>Segment revenue</b>	<b>6,971</b>	<b>45</b>	<b>7,016</b>	<b>40,966</b>	<b>47,982</b>
Expenses	(7,948)	(1,465)	(9,413)	(5,198)	(14,611)
Income tax benefit / (expense)	1,177	-	1,177	(7,271)	(6,094)
Profit attributable to policyholders	-	-	-	(28,497)	(28,497)
<b>Net profit / (loss) after tax</b>	<b>200</b>	<b>(1,420)</b>	<b>(1,220)</b>	<b>-</b>	<b>(1,220)</b>
<b>Segment assets and liabilities</b>					
Segment total assets	17,174	3,891	21,065	1,253,472	1,274,537
Segment total liabilities	2,373	219	2,592	1,253,472	1,256,064
<b>Segment net assets / (deficiency)</b>	<b>14,801</b>	<b>3,672</b>	<b>18,473</b>	<b>-</b>	<b>18,473</b>
<b>Other segment information</b>					
Depreciation and amortisation	(329)	(3)	(332)	-	(332)

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

	Operating Segments			Non- operating Segment	Consolidated Total
	Investment Bonds Management & Funds Administration	Other Businesses	Operating Segment Total	Benefit Funds	
	\$'000	\$'000	\$'000	\$'000	
<b>Half year ended 31 Dec 2018</b>					
External revenue	5,871	-	5,871	(29,983)	<b>(24,112)</b>
<b>Segment revenue</b>	<b>5,871</b>	<b>-</b>	<b>5,871</b>	<b>(29,983)</b>	<b>(24,112)</b>
Expenses	(6,586)	-	(6,586)	(4,132)	<b>(10,718)</b>
Income tax benefit / (expense)	1,552	-	1,552	7,323	<b>8,875</b>
Profit attributable to policyholders	-	-	-	26,792	<b>26,792</b>
<b>Net profit / (loss) after tax</b>	<b>837</b>	<b>-</b>	<b>837</b>	<b>-</b>	<b>837</b>
<b>Segment assets and liabilities</b>					
Segment total assets	18,183	-	18,183	915,863	<b>934,046</b>
Segment total liabilities	1,343	-	1,343	915,863	<b>917,206</b>
<b>Segment net assets / (deficiency)</b>	<b>16,840</b>	<b>-</b>	<b>16,840</b>	<b>-</b>	<b>16,840</b>
<b>Other segment information</b>					
Depreciation and amortisation	(218)	-	(218)	-	<b>(218)</b>

### 8. 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 2019.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 9. Financial Instruments – Fair value and risk management

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further for the current year the fair value disclosure of lease liabilities is also not required.

Trade and other receivable and trade and other payables classified as held-for-sale are not included in the table below. Their carrying amount is a reasonable approximation of fair value.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Half year ended 31 Dec 2019</b>				
Listed Securities	23,989	-	-	23,989
Term Deposit	-	102,804	-	102,804
Units in externally managed unlisted funds	-	1,109,834	-	1,109,834
<b>Financial assets at fair value through profit or loss</b>	<b>23,989</b>	<b>1,212,638</b>	<b>-</b>	<b>1,236,627</b>
Policyholder Liabilities	-	(1,224,863)	-	(1,224,863)
<b>Financial liabilities at a fair value through profit or loss</b>	<b>-</b>	<b>(1,224,863)</b>	<b>-</b>	<b>(1,224,863)</b>
<b>30 June 2019</b>				
Listed Securities	231	-	-	231
Term Deposit	-	104,896	-	104,896
Units in externally managed unlisted funds	-	945,894	-	945,894
<b>Financial assets at fair value through profit or loss</b>	<b>231</b>	<b>1,050,790</b>	<b>-</b>	<b>1,051,021</b>
Policyholder Liabilities	-	(1,070,512)	-	(1,070,512)
<b>Financial liabilities at a fair value through profit or loss</b>	<b>-</b>	<b>(1,070,512)</b>	<b>-</b>	<b>(1,070,512)</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 10. Revenue

The Group's main revenue streams are fee revenues earned from contracts with customers for life investment management and investment administration services.

#### a. Revenue from contracts with customers

##### *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 19 \$'000	Restated* Half year ended 31 Dec 18 \$'000
<b><i>Major service lines and type of service</i></b>		
Placement fee	38	-
Fee income – Life	4,406	3,604
Fee income – Funds administration	203	183
Adviser fee	1,782	1,516
<b>Total revenue</b>	<b>6,429</b>	<b>5,303</b>
<b><i>Timing of revenue recognition</i></b>		
Services transferred over time	6,008	4,831
Services transferred at a point in time	421	472
	<b>6,429</b>	<b>5,303</b>

#### b. Interest income

	Half year ended 31 Dec 19 \$'000	Restated* Half year ended 31 Dec 18 \$'000
Interest income	58	134
Interest income in benefit funds – investment contracts	870	1,516
Interest income in benefit funds – insurance contracts	68	93
	<b>996</b>	<b>1,743</b>

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### c. Revaluation income

	Half year ended 31 Dec 19 \$'000	Restated* Half year ended 31 Dec 18 \$'000
Realised gain / (loss) on sale of investments – managed funds	-	(6)
Realised gain / (loss) on sale of investments – benefit funds	2,049	(28,381)
Unrealised gain / (loss) on assets designated as FVTPL – managed funds	14	1
Unrealised gain / (loss) on assets designated as FVTPL – benefit funds	26,981	(6,139)
	<b>29,044</b>	<b>(34,525)</b>

### d. Other income

	Half year ended 31 Dec 19 \$'000	Restated* Half year ended 31 Dec 18 \$'000
Other income - Rebates	719	612
Other income	13	14
Distribution income	10,688	2,667
Revaluation of policyholders liabilities	93	74
	<b>11,513</b>	<b>3,367</b>

### 11. Issued Capital

	Number	\$'000
Balance at 1 Jul 2019	125,289,873	44,998
Issued during the period	223,864	147
<b>Balance at 31 Dec 2019</b>	<b>125,513,737</b>	<b>45,145</b>

### 12. Dividends

A final partially franked dividend of \$1,252,899 (one cent per ordinary share) for 2019 was paid on 10 October 2019 (2018: 1,246,779). The Company declared an interim dividend of one cent per ordinary share, unfranked, totalling \$1,255,137 to be paid on 14 April 2020. The Company's Dividend Reinvestment Plan (DRP) will be in operation for this dividend.

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## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 13. Contingent liabilities

The Group has the following finance facilities with National Australian Bank Limited:

- Direct debit facility of \$5,000,000 (2018: \$2,000,000) to be used for client's accounts as part of the Generation Life business; and
- NAB credit card facilities of \$150,000 (2018: \$60,000) used by Senior Staff for business travel and client entertainment as part of Austock Financial Services business.

The above facilities are backed by term deposits of \$120,000 and \$150,000 respectively.

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.

### 14. Subsequent events

The company declared an interim dividend of \$0.01 per ordinary share unfranked to be paid on 14 April 2020. The company's Dividend Reinvestment Plan (DRP) has been activated for this dividend.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

### 15. Disaggregated information by fund

The financial information by individual benefit funds are set out below. The solvency requirements are all nil as a result of the APRA Prudential Capital Requirements and Prudential Standard LPS 110 Paragraph 46.

	Assurance Fund	Oddfellows Fund	Total Life Insurance	Funeral Fund	Heritage Investment Bond Fund	Investment Bond	Cash Achiever	Deferred Annuity 39	Deferred Annuity 46
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Investment Linked ("N-IL")</i>									
<b>2020</b>									
Financial assets	111,199	7,228,644	<b>7,339,843</b>	685,283	3,370,105	1,093,152	599,087	764,270	152,066
Other assets	434	30,426	<b>30,860</b>	3,025	15,192	2,576	1,169	2,299	343
Policy liabilities	109,814	7,242,207	<b>7,352,021</b>	685,667	3,367,970	1,089,808	598,001	763,153	149,937
Other liabilities	1,819	16,863	<b>18,682</b>	2,641	17,327	5,920	2,255	3,416	2,472
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	78	-	<b>78</b>	-	-	-	-	-	-
Investment income	628	67,182	<b>67,810</b>	6,366	29,413	9,892	4,585	7,734	1,898
Claims expense	19,475	64,885	<b>84,360</b>	-	-	-	-	-	-
Other expenses	1,047	74,871	<b>75,918</b>	7,449	12,506	4,643	1,513	8,740	1,887
Realised gain/(loss)	-	-	-	-	-	-	-	-	-
Unrealised gain/(loss)	-	-	-	-	-	-	-	-	-
Actuarial gain/(loss)	20,082	72,573	<b>92,655</b>	-	-	-	-	-	-
Operating profit/(loss) before tax	266	(2)	<b>264</b>	(1,084)	16,907	5,250	3,072	744	11
Operating profit/(loss) after tax	-	(2)	<b>(2)</b>	(1,084)	7,969	2,168	2,150	483	(139)
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-
<b>2019</b>									
Financial assets	129,654	7,294,973	<b>7,424,627</b>	747,205	3,421,737	1,231,983	611,285	936,448	150,906
Other assets	1,381	34,917	<b>36,298</b>	2,183	16,455	2,341	3,595	5,487	743
Policy liabilities	129,896	7,314,780	<b>7,444,676</b>	747,121	3,421,543	1,228,591	612,340	939,456	150,076
Other liabilities	1,139	15,109	<b>16,248</b>	2,267	16,649	5,733	2,540	2,480	1,573
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	238	-	<b>238</b>	-	-	-	-	-	-
Investment income	1,553	91,434	<b>92,987</b>	9,328	46,924	17,158	6,170	13,238	1,138
Claims expense	15,930	71,028	<b>86,958</b>	-	-	-	-	-	-
Other expenses	1,533	77,943	<b>79,476</b>	8,532	14,580	6,065	2,908	10,046	2,149
Realised gain/(loss)	-	-	-	-	-	-	-	-	-
Unrealised gain/(loss)	-	-	-	-	-	-	-	-	-
Actuarial gain/(loss)	16,176	57,536	<b>73,712</b>	-	-	-	-	-	-
Operating profit/(loss) before tax	504	(1)	<b>503</b>	795	32,344	11,094	4,692	4,364	(1,011)
Operating profit/(loss) after tax	-	(1)	<b>(1)</b>	795	18,312	5,992	2,963	2,404	(1,157)
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

	Druids Funeral Fund \$	Druids Flexi Fund \$	No. 1 Cash & Deposits \$	No. 2 Aust Fixed Interest \$	No. 3 Aust Hybrid \$	No. 4 Int'l Fixed Interest \$	No. 5 Real Income \$	No. 5A Int'l Prop. Securities \$	No. 5B Global Infrastructure \$
	<i>N-IL</i>		<i>Investment Linked</i>						
<b>2020</b>									
Financial assets	4,961,417	4,409,292	40,831,044	25,804,200	9,381,640	31,954,720	11,161,373	9,939,646	30,488,640
Other assets	18,563	14,307	-	89,665	28,222	142,223	84,756	56,807	455,712
Policy liabilities	4,973,737	4,400,554	40,749,079	25,913,933	9,396,863	32,069,021	10,956,844	9,541,383	29,871,860
Other liabilities	6,243	23,045	81,965	(20,068)	12,999	27,922	289,285	455,070	1,072,492
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	48,506	41,332	133,689	161,119	143,550	242,225	124,278	110,518	452,378
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	37,833	22,487	84,225	118,039	46,418	141,737	48,519	43,787	133,558
Realised gain/(loss)	-	-	-	(70,736)	(14,599)	(61,035)	(7,843)	(2,616)	(13,942)
Unrealised gain/(loss)	-	-	97,949	108,240	(14,173)	226,166	181,704	483,785	978,170
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	10,673	18,846	161,469	83,189	70,296	270,544	251,984	548,630	1,288,321
Operating profit/(loss) after tax	10,673	6,446	93,136	20,847	36,512	148,570	190,331	411,896	1,098,689
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-
<b>2019</b>									
Financial assets	5,078,776	4,548,008	39,683,511	22,721,188	9,589,232	26,553,476	8,128,951	8,135,206	25,236,538
Other assets	30,101	23,039	167,063	1,516,637	175,731	1,341,955	450,923	8,848	395,436
Policy liabilities	5,102,530	4,551,235	39,779,419	23,740,978	9,707,235	27,029,544	8,213,754	7,826,395	24,613,187
Other liabilities	6,347	19,813	71,154	496,847	57,728	865,887	366,121	317,659	1,018,787
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	65,927	58,103	370,156	43,281	130	12,366	85,493	117	219
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	39,081	23,923	72,413	101,459	42,987	115,875	33,756	32,647	90,238
Realised gain/(loss)	-	-	-	11,503	(34,275)	(8,831)	850,578	50,762	14,091
Unrealised gain/(loss)	-	-	-	419,558	228,053	155,511	(978,748)	(514,586)	(490,853)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	26,846	34,179	306,085	376,165	151,559	47,560	(74,935)	(495,439)	(562,859)
Operating profit/(loss) after tax	26,846	16,749	197,461	238,821	86,606	(3,773)	(32,988)	(372,044)	(433,510)
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

	No. 6 Aust Shares \$	No. 6A Aust Mkt Neutral \$	No. 7 Aust Shares Small Cap. \$	No. 8 Int'l Shares \$	No. 8A Int'l Shares	No. 9 Int'l Shares Small Cap. \$	No. 10 Sectoral Blend \$	No. 10A Absolute Return Income	No. 10B Dynamic Markets
<i>Investment Linked</i>									
<b>2020</b>									
Financial assets	47,501,883	1,059,622	17,794,325	85,371,992	4,539,833	11,909,876	27,894,301	7,198,741	1,669,203
Other assets	927,570	14,374	596,005	7,884	60	66,928	-	35,359	31,129
Policy liabilities	47,701,709	1,047,519	18,354,016	80,760,384	4,473,691	11,548,231	27,344,968	7,206,799	1,696,897
Other liabilities	727,744	26,477	36,314	4,619,492	66,202	428,573	549,333	27,301	3,435
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	907,920	2,420	583,811	144	5	58,002	17,253	63,597	31,145
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	227,254	4,572	83,385	385,539	13,008	52,934	133,340	32,073	9,413
Realised gain/(loss)	(83,201)	(42,897)	(50,049)	(30,008)	(225)	(34,157)	(15,912)	(250)	25,450
Unrealised gain/(loss)	280,957	176,734	(152,860)	6,230,769	194,352	818,628	1,197,005	(6,306)	(7,911)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	888,106	131,842	299,340	5,828,506	181,890	790,466	1,068,978	29,442	41,605
Operating profit/(loss) after tax	733,224	92,008	187,091	4,588,569	129,904	595,582	774,982	12,694	27,190
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-
<b>2019</b>									
Financial assets	43,255,713	901,013	16,360,361	71,191,981	1,271,710	11,151,378	27,354,945	5,163,734	1,510,406
Other assets	2,591,675	45,390	1,023,363	3,478,895	38,592	137,310	1,519,339	23,909	26,661
Policy liabilities	45,050,739	945,875	17,241,211	70,302,641	1,287,590	11,041,257	28,618,701	5,171,047	1,535,134
Other liabilities	796,649	528	142,513	4,368,236	22,712	247,431	255,583	16,596	1,933
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	327	14,267	213	(314)	1	161	38,837	15,146	66
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	184,153	4,783	72,971	270,278	43	48,539	127,513	17,545	8,226
Realised gain/(loss)	(914,833)	(52,173)	(1,335,678)	459,152	-	26,010	(1,663,297)	(318)	(39,186)
Unrealised gain/(loss)	(1,178,282)	(68,528)	(6,693)	64,101	(1,055)	(1,425,533)	385,389	5,867	(90,925)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	(2,271,598)	(110,777)	(1,410,199)	262,960	(1,098)	(1,445,641)	(1,359,680)	9,174	(136,430)
Operating profit/(loss) after tax	(1,953,686)	(84,439)	(1,137,530)	243,470	(805)	(1,058,608)	(1,032,180)	2,975	(101,403)
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

	No. 11 Aust Shares Index \$	No. 11A Int'l Shares Index (Unhedged) \$	No. 12 Int'l Shares Index (Hedged) \$	No. 12A Aust Fixed Interest \$	No. 12B Prop. Sec Index \$	No. 12C Vanguard Conservative Index \$	No. 12D Vanguard Growth Index \$	No. 13 Schroder Hybrid \$	No. 14 Mutual 50 Leaders \$
<i>Investment Linked</i>									
<b>2020</b>									
Financial assets	82,878,766	27,454,845	35,275,734	30,950,561	27,776,438	65,647,344	93,576,747	8,340,526	2,261,972
Other assets	1,251,833	4,638	2,690	159,949	404,939	194,468	527,147	23,620	48,870
Policy liabilities	81,465,381	26,395,456	33,441,579	30,671,582	27,251,430	64,777,254	92,241,682	8,346,390	2,255,305
Other liabilities	2,665,218	1,064,027	1,836,845	438,928	929,947	1,064,558	1,862,212	17,756	55,537
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	1,611,699	59	13,094	307,783	542,783	378,424	1,006,792	140,189	48,892
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	394,314	121,780	148,301	148,701	143,097	203,668	298,878	39,188	10,673
Realised gain/(loss)	(46,282)	(17,742)	(421)	(10,500)	(5,821)	(3,417)	(26,303)	(27,831)	1,496
Unrealised gain/(loss)	857,891	2,134,202	2,778,164	(147,244)	(447,352)	1,030,566	2,938,979	9,435	(39)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	2,039,184	1,998,615	2,643,403	2,835	(50,133)	1,216,367	3,643,543	84,096	39,679
Operating profit/(loss) after tax	1,998,661	1,513,732	2,068,297	(12,829)	18,888	922,225	2,838,894	49,978	38,733
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-
<b>2019</b>									
Financial assets	72,040,900	20,276,446	31,062,648	28,041,487	26,998,088	47,923,312	70,864,767	8,024,932	2,312,102
Other assets	3,283,542	1,116,215	1,386,378	296,485	473,136	163,080	964,572	44,977	81,781
Policy liabilities	72,725,895	20,827,206	31,190,461	27,819,249	26,324,252	47,281,114	70,504,413	8,042,476	2,339,371
Other liabilities	2,598,547	565,455	1,258,565	518,722	1,146,972	805,278	1,324,925	27,432	54,512
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	439,261	146	14,645	136,365	102,709	121,976	254,119	106,522	109
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	297,117	72,360	140,926	120,553	109,495	127,888	174,988	35,521	10,652
Realised gain/(loss)	(6,073,945)	(1,324,045)	(4,713,057)	(7,163)	(241,736)	(60,269)	2,387	(60,644)	33,852
Unrealised gain/(loss)	1,354,896	593,110	2,150,406	539,583	159,943	(396,929)	(2,392,598)	21,911	(209,608)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	(4,567,577)	(797,766)	(2,686,419)	552,011	(86,495)	(442,265)	(2,278,340)	33,110	(185,983)
Operating profit/(loss) after tax	(3,330,283)	(617,492)	(2,084,883)	360,191	(94,969)	(338,791)	(1,665,991)	3,539	(165,816)
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

	No. 14A Mutual Diversified Term Deposits \$	No. 14B Mutual ADI/Bank Securities \$	No. 15 Perpetual Aust Shares \$	No. 16 Perpetual Geared Aust Shares \$	No. 17 Perpetual Int'l Shares \$	No. 18 Perpetual Mortgage * \$	No. 19 Perpetual Balanced Growth \$	No. 20 Perpetual Industrial Shares \$	No. 21 Perpetual Ethical SRI \$
<i>Investment Linked</i>									
<b>2020</b>									
Financial assets	83,322,544	8,142,900	23,863,523	16,630,888	10,539,508	-	39,191,982	16,843,050	16,936,910
Other assets	332,681	37,934	-	679,804	4,359	-	22,676	223,764	267,052
Policy liabilities	83,338,760	8,157,983	23,346,353	16,807,692	9,746,206	-	38,919,702	16,763,439	16,905,189
Other liabilities	316,465	22,851	517,170	503,000	797,661	-	294,956	303,375	298,773
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	719,076	90,880	59	674,232	4,407	-	599	267,529	267,113
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	296,683	22,988	123,746	74,348	52,475	-	180,441	78,028	81,675
Realised gain/(loss)	-	(8,060)	2,639,631	(27,210)	97,075	-	(82,951)	44,340	55,094
Unrealised gain/(loss)	-	24,406	(2,008,429)	159,882	405,712	-	950,600	81,320	(9,851)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	427,573	84,859	499,149	734,347	455,036	-	688,248	316,193	234,168
Operating profit/(loss) after tax	219,090	55,243	427,896	716,848	407,231	-	457,887	295,893	204,158
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-
<b>2019</b>									
Financial assets	88,174,856	9,402,542	24,460,087	13,589,633	11,997,725	-	36,193,041	16,231,611	17,036,592
Other assets	728,843	86,499	1,390,999	2,149,267	289,523	-	3,043,627	1,162,267	933,441
Policy liabilities	88,448,781	9,469,211	25,468,101	15,260,931	11,407,772	-	39,027,352	17,110,926	17,704,265
Other liabilities	454,919	19,830	382,985	477,968	879,476	-	209,316	282,951	265,768
Retained earnings	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	1,290,148	105,241	280	178	98	-	217	88,511	195
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	334,235	36,118	113,604	59,658	54,470	-	165,942	74,727	78,689
Realised gain/(loss)	-	58,659	(5,459,581)	(2,247,899)	525,247	-	(1,936,561)	(2,553,670)	(2,089,758)
Unrealised gain/(loss)	-	(12,291)	3,645,306	(234,599)	(1,426,280)	-	1,055,357	1,235,399	(154,005)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	960,928	117,381	(1,923,890)	(2,540,347)	(954,272)	-	(1,043,940)	(1,303,130)	(2,321,542)
Operating profit/(loss) after tax	583,275	62,617	(1,594,297)	(2,011,870)	(631,818)	-	(845,061)	(1,227,160)	(1,791,548)
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

	No 22. MLC Horizon 4 Balanced \$	No 23. MLC Builder Income \$	No 24. Dimensional World Allocation \$	No 25. Equity Trustees Mortgage \$	No 26. Conservativ e Growth \$	No 27. LDI Connect 7 \$	No 30. Diversified High Growth Index \$	No.31 Diversified Balanced Index \$	No. 32 MLC Horizon 2 Income \$	No. 33 MLC Horizon 3 Conservative Growth \$
<i>Investment Linked</i>										
<b>2020</b>										
Financial assets	76,020,515	8,832,073	103,983,095	3,177,728	4,819,806	529,620	24,020,701	22,594,849	2,159,884	3,340,841
Other assets	-	-	1,121,878	32,181	14,597	-	144,837	95,546	-	-
Policy liabilities	73,525,793	8,914,572	100,981,914	3,189,091	4,796,956	528,078	23,903,720	22,556,109	2,158,558	3,322,866
Other liabilities	2,494,722	(82,499)	4,123,059	20,818	37,447	1,542	261,818	134,286	1,326	17,975
Retained earnings	-	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-	-
Investment income	379,342	179,981	1,117,498	62,245	24,514	27,842	227,996	143,996	7,397	13,640
Claims expense	-	-	-	-	-	-	-	-	-	-
Other expenses	340,800	41,390	332,153	15,770	24,083	2,402	64,436	70,081	3,371	12,314
Realised gain/(loss)	(8,896)	(73,772)	(18,353)	-	(4,727)	-	(771)	-	-	(60)
Unrealised gain/(loss)	2,572,783	(139,006)	3,617,343	-	24,540	(6,029)	554,566	191,635	(7,972)	48,784
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	2,606,115	(73,838)	4,385,299	47,145	23,449	19,411	737,140	297,339	(3,442)	53,231
Operating profit/(loss) after tax	2,024,880	(87,323)	3,843,787	28,718	13,062	13,886	557,794	219,015	(3,234)	36,313
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-	-
<b>2019</b>										
Financial assets	70,992,628	8,213,983	91,116,087	3,282,072	4,366,216	516,892	6,101,987	4,203,249	119,303	1,136,769
Other assets	1,052,919	709,178	2,604,874	32,661	141,205	-	121,877	36,320	2,829	37,512
Policy liabilities	70,137,392	8,917,036	89,794,490	3,301,091	4,451,666	514,192	6,115,132	4,190,549	120,795	1,164,319
Other liabilities	1,908,154	6,125	3,926,472	13,642	55,755	2,700	108,732	49,020	1,336	9,961
Retained earnings	-	-	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-	-	-
Investment income	477,134	177,081	292	77,979	4,499	-	(48)	(13)	257	291
Claims expense	-	-	-	-	-	-	-	-	-	-
Other expenses	305,651	36,880	253,768	19,964	10,875	-	249	1,411	253	253
Realised gain/(loss)	285,853	(102,389)	236,597	-	(37,457)	-	-	-	-	-
Unrealised gain/(loss)	(3,734,530)	(588,038)	(4,288,371)	-	33,720	-	15,017	2,490	(431)	(424)
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	(3,271,293)	(549,860)	(4,300,961)	58,734	(9,047)	-	14,720	2,358	(227)	(186)
Operating profit/(loss) after tax	(2,472,931)	(564,806)	(3,041,488)	35,851	(9,429)	-	10,708	1,684	(179)	(150)
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	-	-
Solvency reserve ratio	-	-	-	-	-	-	-	-	-	-

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

	No. 34 MLC Horizon 6 Shares \$	No. 35 Tax Effective Aust Shares \$	No. 36 Emerging Markets \$	No. 38 Aust Equities \$	No. 39 Sustainable Aust Shares \$	No. 40 World Allocation 50/50 \$	No. 41 Sustainable Balanced \$	Total Life Investment \$	M'gmt Fund \$
<b>2020</b>									
Financial assets	1,611,424	1,895,478	1,474,381	5,250,327	710,398	5,959,873	1,361,601	<b>1,237,912,543</b>	2,898,297
Other assets	-	10,792	35	32,890	12,078	53,741	5,637	<b>8,304,804</b>	17,018,320
Policy liabilities	1,593,118	1,881,129	1,441,080	5,192,653	714,784	5,963,036	1,354,509	<b>1,217,511,373</b>	-
Other liabilities	18,306	25,141	33,336	90,564	7,692	50,578	12,729	<b>28,705,974</b>	1,452,043
Retained earnings	-	-	-	-	-	-	-	-	11,142,182
Issued capital	-	-	-	-	-	-	-	-	7,149,985
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	2	25,819	5	32,889	12,080	53,744	7,178	<b>11,571,558</b>	-
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	4,534	11,387	4,362	14,889	2,107	15,821	6,311	<b>5,040,054</b>	6,076,009
Realised gain/(loss)	-	(23,767)	(138)	20	-	-	-	<b>2,048,614</b>	-
Unrealised gain/(loss)	61,805	11,392	111,868	272,177	1,679	77,923	36,026	<b>26,980,965</b>	-
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	57,273	6,775	107,522	291,606	11,835	116,174	37,897	<b>35,767,120</b>	(807,461)
Operating profit/(loss) after tax	40,987	10,745	78,427	211,873	8,687	82,274	26,224	<b>28,496,831</b>	1,533,537
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	3,553
Solvency reserve ratio	-	-	-	-	-	-	-	-	128%
<b>2019</b>									
Financial assets	51,978	260,499	538,779	1,094,715	277,729	1,381,208	912,546	<b>1,054,133,100</b>	3,080,882
Other assets	3,346	1,100	3,949	14,653	9,063	41,911	16,759	<b>35,450,459</b>	15,127,458
Policy liabilities	53,411	258,531	537,828	1,099,742	281,971	1,395,957	923,963	<b>1,063,067,440</b>	-
Other liabilities	1,912	3,068	4,900	9,626	4,821	27,162	5,342	<b>26,516,115</b>	1,277,303
Retained earnings	-	-	-	-	-	-	-	-	9,608,644
Issued capital	-	-	-	-	-	-	-	-	7,149,985
Premium revenue	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	1	-	-	-	<b>4,196,645</b>	-
Claims expense	-	-	-	-	-	-	-	-	-
Other expenses	40	-	42	65	306	844	43	<b>3,968,297</b>	4,659,220
Realised gain/(loss)	-	-	-	-	-	-	-	<b>(28,402,074)</b>	-
Unrealised gain/(loss)	(501)	-	711	1,243	316	8,956	(94)	<b>(6,117,059)</b>	-
Actuarial gain/(loss)	-	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	(540)	-	669	1,178	261	8,793	(137)	<b>(34,115,924)</b>	(334,715)
Operating profit/(loss) after tax	(406)	-	478	843	176	6,366	(111)	<b>(26,792,480)</b>	1,217,854
Solvency requirement (\$'000)	-	-	-	-	-	-	-	-	3,919
Solvency reserve ratio	-	-	-	-	-	-	-	-	133%

## Independent Auditor's Review Report



# 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 2019 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:

- Consolidated statement of financial position as at 31 December 2019;
- Condensed consolidated statement of profit of 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 15 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's period end or from time to time during the half year.

The **Half year Period** is the six month ended 31 December 2019.

#### 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.

## Independent Auditor's Review Report (cont'd)



### 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 2019 and its performance for the interim 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



Rachel Milum

Partner

Melbourne

24 February 2020