

AUSTOCK GROUP LIMITED

(ABN 90 087 334 370)

Appendix 4D

Half Year Report

For The Half Year Ended 31 December 2017

(Previous corresponding period: Half Year Ended 31 December 2016)

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	15%	To	4,682
Profit from ordinary activities after income tax attributable to members	Down	nm	To	(1,994)
Net profit attributable to members	Down	nm	To	(1,994)

Dividends (Distributions)

	Amount per security	Franked amount per security
Current 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	
Previous corresponding period		
Final 2016 dividend paid 29 September 2016	1 cent	100%
Interim 2017 dividend	1 cent	100%
Ex-dividend date	3 April 2017	
Record date	4 April 2017	
Payment date	20 April 2017	

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.

AUSTOCK GROUP LIMITED

(ABN 90 087 334 370)

For further information contact Rob Coombe – Investor Relations.

Net Tangible Assets per Security

	Current period	Previous corresponding period
Net tangible assets backing per security	11.68 cents	6.73 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 2018 dividend	5 April 2018	1 cent	1,245
Final 2017 dividend	11 October 2017	1 cent	1,121
Previous corresponding period			
Interim 2017 dividend	20 April 2017	1 cent	1,032
Final 2016 dividend	29 September 2016	1 cent	1,032

Details of dividend reinvestment plans in operation

The DRP Allocation Price will be equivalent to the daily volume weighted average market price of all ACK shares sold on the ASX, excluding any trades otherwise than in the ordinary course of trading, for the 5 business days from 22 March 2018 to 28 March 2018, less a 5% discount.

Last date for receipt of election notice to participate in dividend reinvestment plan _____ N/A _____

Associates and Joint Ventures

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



Austock Group Limited

ABN: 90 087 334 370

Interim Condensed Consolidated
Financial Report 31 December 2017

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 and Chief Financial Officer

Mr Enzo Silverii

Registered Office

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

Share Register

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Banker

National Australia Bank
330 Collins Street
Melbourne VIC 3000

Auditor

KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne VIC 3008

Contents

	Page
Summary of Results	4
Directors' Report	5
Auditor's Independence Declaration	7
Directors' Declaration	8
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Interim Condensed Consolidated Statement of Financial Position	10
Interim Condensed Consolidated Statement of Changes in Equity	11
Interim Condensed Consolidated Statement of Cash Flows	12
Notes to the Interim Condensed Consolidated Financial Statements	13
Independent Auditor's Review Report	18

Summary Of Results (Unaudited)

	Half year end 31 Dec 2017 \$'000	Half year end 31 Dec 2016 \$'000	Movement \$'000
Life and Services	4,385	3,960	425
Other income	297	96	201
Total revenue	4,682	4,056	626
Personnel	(2,526)	(2,233)	(293)
Occupancy	(259)	(260)	1
Communication	(78)	(48)	(30)
Finance	(7)	(8)	1
Dealing and settlement	(1,116)	(1,073)	(43)
Marketing and promotion	(141)	(160)	19
Depreciation and amortisation	(77)	(61)	(16)
Administration expenses	(1,285)	(1,108)	(177)
Total expenses	(5,489)	(4,951)	(538)
Loss before income tax	(807)	(895)	88
Austock Life management fund benefit	1,434	1,137	297
Deferred tax expense	(30)	(167)	137
Underlying profit after tax	597	75	522
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	(1,994)	75	(2,069)

Note 1: For income tax purposes the Group's major subsidiary, Generation Life Limited is determined to be a single taxpayer comprising policyholder benefit funds and a management fund with all assessable income, allowable deductions and tax offsets being pooled. The net tax receivable position of the management fund component gives rise to this benefit.

Directors' Report

The Directors of Austock 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 2017. 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	(Appointed 18 July 2017)
Mr William Eric Bessemer	Non-Executive Director	(Executive Director until 22 November 2017)
Mr Jonathan James Tooth	Non-Executive Director	
Mr John David Wheeler	Non-Executive Director	
Mr Ross James Higgins	Executive Director	(Resigned 22 November 2017)
Mr James Eric Barr	Non-Executive Director	(Resigned 22 November 2017)

Result

The statutory loss after tax of Austock Group Limited ('the Group') for the interim period to 31 December 2017 ('the first half' or '1H18') was \$1,994,000, whereas a profit of \$75,000 was recorded in the prior comparative period ('PCP' or '1H17') to 31 December 2016. Underlying profits after tax were \$597,000 (1H17: \$75,000).

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 condensed consolidated financial report.

Total revenues of \$4.682m increased 15% on the PCP. The increase was largely a result of the continued FUM growth, which reached \$797m, 10% higher than at the start of the financial year. The FUM growth of \$77m in 1H18 represents an increase of \$30m (64%) on 1H17. The key elements were inflows of \$96m (1H17: \$67m), exits by way of withdrawals and maturities of \$45m (1H17: \$37m), while solid investment earnings contributed \$26m (1H17: \$16m).

Expenses increased from \$4.951m to \$8.177m (65%). Excluding non-recurring items, underlying expenses were \$5.489m, an increase of 11%. Significant items in the first half relate to termination benefits paid, costs related to the rebranding of the Group as Generation Life, and the non-cash benefit for shares issued to the Executive Chairman, determined in accordance with applicable accounting standards, approved at the Extraordinary General Meeting held on 18 July 2017 and disclosed in the Group's annual report for the year ended 30 June 2017. Other increases in underlying expenses are the result of the drive to grow the business with an emphasis on sales and marketing complimented with new product offerings. This has started to deliver immediate benefits including higher FUM growth.

Product Sales Results

- Total new Investment Bonds taken out in the first half were a record 1508 (up 49.32% from pcp). This comprised 763 LifeBuilder Bonds, 743 ChildBuilder bonds and 2 Funeral bonds.
- Savings Plans (especially for ChildBuilder) continue their strong growth at more than \$1.5m per month up from less than \$1m per month at the same time the previous year and represents over 9% of the half's inflows (8% pcp).

Distribution Channels

- 1H18 saw increased Dealer Group and supporting Financial Adviser numbers. New business of \$97.3m was received from 216 Dealer Groups and 396 individual Financial Advisers. We have consistently added between 15 and 20 new Advisers each month over the past year.

- Premium advice groups, including ANZ, Grant Thornton, NAB, AMP and Lonsdale entered our Top 20 Dealer Groups during 1H18.
- Directly channelled business - where no Financial Adviser is involved - also grew to 20% for the first half (1H17: 5%).

Balance Sheet & Capital

- The Group received \$4m from a share placement made in the current financial period to the Executive Chairman and his nominees, and activated a dividend reinvestment plan for the final 2017 dividend of \$1.2m. Cash levels stand at more than \$10m, 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, fully franked, was declared on 21 February 2018, in line with previous halves.
- The Board reviewed its dividend policy during the period towards a closer alignment of dividends with underlying profits.

Outlook

We continue to be positive about opportunities provided to non-superannuation discretionary investment and in particular investment bonds as a consequence of the fundamental changes to the superannuation system. The rebranding of the life company as Generation life and sourcing of new distribution channels with suitable product offerings is a focus of the company.

Subsequent events

There has been no matter or circumstance occurring subsequent to 31 December 2017 that has significantly affected the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 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, 21 February 2018

Auditor's Independence Declaration



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

To the Directors of Austock Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Austock Group Limited for the half year ended 31 December 2017 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



Rachel Milum
Partner

Melbourne
21 February 2018

Directors' Declaration

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

1. the interim condensed consolidated financial statements and notes set out on pages 9 to 16, 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 2017 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, 21 February 2018

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2017

	Notes	Half year ended 31 Dec 2017 \$'000	Half year ended 31 Dec 2016 \$'000
Revenue	7	4,682	4,056
Personnel expenses	8	(5,047)	(2,233)
Occupancy expenses		(259)	(260)
Communication expenses		(78)	(48)
Finance expenses		(7)	(8)
Advisor expenses		(1,116)	(1,073)
Marketing and promotional expenses	9	(308)	(160)
Depreciation and amortisation expenses		(77)	(61)
General administrative expenses		(1,285)	(1,108)
Profit attributable to policyholders, net of tax	11	26,389	17,077
Profit before income tax expense		22,894	16,182
Income tax benefit		1,501	970
Profit after income tax		24,395	17,152
Profit attributable to policyholders, net of tax	11	(26,389)	(17,077)
Net Profit attributable to members of the Company		(1,994)	75
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to shareholders of the Company		(1,994)	75
Earnings per share (EPS)			
➤ Basic, profit for the period attributable to ordinary equity holders of the parent		(1.65)	0.07
➤ Diluted, profit for the period attributable to ordinary equity holders of the parent		(1.65)	0.07

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 2017

	Notes	As at 31 Dec 2017 \$'000	As at 30 Jun 2017 \$'000
Assets			
Cash and cash equivalents		1,883	5,728
Investments – term deposits		11,103	3,565
Income tax receivable		911	602
Trade and other receivables		590	542
Other investments		200	-
Property, plant and equipment		389	307
Deferred tax assets		1,062	1,093
Intangible assets		985	644
Other assets		473	198
Policyholder assets	11	806,181	729,330
Total assets		823,777	742,009
Liabilities			
Trade and other payables		189	120
Other liabilities		1,063	566
Provisions		813	832
Policyholder liabilities	11	806,181	729,330
Total liabilities		808,246	730,848
Net assets		15,531	11,161
Equity			
Issued capital	10	44,234	39,192
Share based payment reserve		2,443	-
Retained earnings		(31,146)	(28,031)
Total equity		15,531	11,161

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 2017

	Issued capital	Share based payment reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Period end 31 Dec 2017				
Balance at 1 Jul 2017	39,192	-	(28,031)	11,161
Net profit / (loss) for the period	-	-	(1,994)	(1,994)
Total comprehensive income for the period	39,192	-	(1,994)	(1,994)
<i>Transactions with owners</i>				
Issue of ordinary shares	5,122	-	-	5,122
Share issue costs	(80)	-	-	(80)
Share based payment	-	2,443	-	2,443
Dividend paid	-	-	(1,121)	(1,121)
Balance at 31 Dec 2017	44,234	2,443	(31,146)	15,531
Period end 31 Dec 2016				
Balance at 1 Jul 2016	34,716	-	(26,167)	8,549
Net profit / (loss) for the period	-	-	75	75
Total comprehensive income for the period	34,716	-	(26,092)	8,624
<i>Transactions with owners</i>				
Dividend paid	-	-	(1,032)	(1,032)
Balance at 31 Dec 2016	34,716	-	(27,124)	7,592

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 2017

Notes	Half year ended 31 Dec 2017 \$'000	Half year ended 31 Dec 2016 \$'000
Cash flows from operating activities		
Receipts from customers	3,400	2,927
Payments to suppliers and employees	(4,206)	(4,214)
Finance and borrowing costs	(7)	(9)
Income tax received	1,223	2,459
Net cash flows from / (used in) operating activities	410	1,163
Cash flows from investing activities		
Interest received	62	39
Payment for property, plant and equipment	(134)	(328)
Computer software	(366)	-
Term deposit reinvested	(7,538)	(983)
Other investments	(200)	-
Net cash flows from / (used in) investing activities	(8,176)	(1,272)
Cash flows from financing activities		
Proceeds from share issue	5,042	-
Dividends paid	(1,121)	(1,032)
Net cash flows from / (used in) financing activities	3,921	(1,032)
Net decrease in cash held	(3,845)	(1,141)
Cash at beginning of the period	5,728	3,125
Cash at the end of the period	1,883	1,984

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

Austock Group Limited (the "Company") is a for profit public company listed on the Australian Securities Exchange (ASX: ACK) 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 2017. The Group is primarily involved in the provision of Life investment services.

2. Basis of preparation

This interim condensed consolidated financial report for the six month ended 31 December 2017 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 2017.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2017 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.austock.com.

This interim condensed consolidated financial report was approved by the Board of Directors on 21 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. Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

Standards and Interpretations issued but not yet adopted

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the interim financial statements for the period ended 31 December 2017. These standards are available for early adoption and have not been applied by the Group in preparing these financial statements. The Group has identified four standards which will be relevant to the Group and further details are set out below. The potential effects on adoption of these standards are currently being assessed and the Group is not yet able to reasonably estimate the impact on its financial statements at the date of this interim financial report. The impact assessment is expected to be provided in the Group's financial statements for the year ending 30 June 2018, once published.

AASB 15 Revenue from Contracts with Customers

This standard was issued in December 2014 and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations, replacing AASB 118 Revenue (and related interpretations). This standard will become mandatory for the Group's 30 June 2019 financial statements. The standard will potentially impact the timing and recognition of fees earned by the Group from the management of the Generation Life Limited Benefit Funds which are disclosed in note 7.

AASB 9 Financial Instruments

AASB 9 was issued in December 2014 and introduces changes to certain classification and measurement requirements for financial assets and financial liabilities, impairment assessment for financial assets, and changes to hedge accounting requirements. This standard becomes mandatory for the Group's 30 June 2019 financial statements.

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 for the Group as a lessee. 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. This will impact the accounting treatment of the Group's operating leases for its premises.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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.

4. Estimates

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 2017.

5. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report as at and for the year ended 30 June 2017.

6. Financial Instruments

Excluding policyholder assets and liabilities, there are no financial instruments recognised and measured at fair value. The Group has determined that the carrying values of financial instruments carried at amortised cost approximate fair value. These financial instruments are represented by cash and cash equivalents, trade receivables, interest in term deposits and trade payables, which 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 presented.

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

7. Revenue

	Half year ended 31 Dec 2017 \$'000	Half year ended 31 Dec 2016 \$'000
<i>Operating activities</i>		
Fee income - Life	4,202	3,772
Fee income – Funds administration	183	188
<i>Interest revenue</i>		
Interest income on bank deposits	145	71
Other income	152	25
Total revenue	4,682	4,056

Notes to the Interim Condensed Consolidated Financial Statements (continued)

8. Personnel expenses

	Half year ended 31 Dec 2017 \$'000	Half year ended 31 Dec 2016 \$'000
Salaries and related expenses	2,385	2,233
Share based payments		
- LTI arrangements	141	-
- Issuance of shares	2,302	-
Termination benefits	219	-
Personnel expenses	5,047	2,233

Pursuant to a subscription agreement dated 1 May 2017 between Mr Robert Coombe and Austock 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 was 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 and the fair value of the shares at the grant date of 18 July 2017 has been accounted for as a share based payment under the requirements of AASB 2 *Share Based Payment*.

9. Marketing and promotional expenses

	Half year ended 31 Dec 2017 \$'000	Half year ended 31 Dec 2016 \$'000
Marketing and promotional	140	160
Rebranding expenses – Generation Life	168	-
Marketing and promotional expenses	308	160

10. Issued capital

	Number	\$'000
Balance at 1 Jul 2017	113,188,421	39,192
Issued during the period	11,353,717	5,042
Balance at 31 Dec 2017	124,542,138	44,234

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)

11. 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.

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 2017 \$'000	As at 30 Jun 2017 \$'000
Assets		
Cash and cash equivalents	30,939	11,413
Other assets	880	19,547
Financial assets	774,361	695,897
Deferred tax assets	1	2,473
Total assets	806,181	729,330
Liabilities		
Trade and other payables	559	528
Current tax liabilities	3,540	2,415
Other liabilities	18	2,844
Deferred tax liabilities	8,153	5,810
Policyholder liabilities	793,911	717,733
Total liabilities	806,181	729,330
Net assets	-	-

Notes to the Interim Condensed Consolidated Financial Statements (continued)

11. Policyholder balances (cont'd)

	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Revenue		
Interest income	707	2,377
Distribution income	3,221	1,949
Unrealised gains on assets designated as fair value through profit or loss	20,622	22,245
Revaluation of policyholders liabilities	86	51
Realised gains on sale of investments	13,245	401
Premium revenue for Life insurance contracts	-	3
Other revenue	1,163	161
Total revenue	39,044	27,187
Expenses		
Dealing and settlement expenses	107	151
Other expenses – benefit funds	26	11
Management fees paid by benefit funds	3,100	2,704
Policyholder withdrawals - insurance	99	79
Total expenses	3,332	2,945
Net profit before tax	35,712	24,242
Income tax expense	(9,323)	(7,165)
Profit attributable to policyholders	26,389	17,077

12. Dividends

A final fully franked dividend of \$1,121,168 (one cent per ordinary share) for 2017 was paid on 11 October 2017 (2016: 1,031,884). The Company declared an interim dividend of one cent per ordinary share, fully franked, totaling \$1,245,421 to be paid on 5 April 2018. The Company's Dividend Reinvestment Plan will be in operation for this dividend.

13. Contingent liabilities

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

- Bank guarantee facility of \$350,000 (2017: nil) in respect of the lease of the Company's business premises;
- Bank guarantee facility of \$29,337 (2017:nil) in respect of the lease of the Company's business premises in Sydney;
- Direct debit facility of \$2,000,000 (2017: \$50,000) this facility was increased in October 2017 due to an increase in direct debit requests, and is used for the client's accounts as part of the Austock Life Business;
- Direct debit facility of \$10,000 (2017: \$10,000) to be used for client's accounts as part of the Bonds Custodian business; and
- Credit card facility of \$60,000 (2017: \$60,000) used by the business development managers as part of the Austock Financial Services business.

14. Subsequent events

Other than the declaration of an interim dividend of \$0.01 per ordinary share fully franked to be paid on 5 April 2018, there has been no matter or circumstance occurring subsequent to 31 December 2017 that has significantly affected the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Independent Auditor's Review Report



Independent Auditor's Review Report

To the shareholders of Austock Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying Interim Financial Report of Austock 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 Austock 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 2017 and of 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.

The Interim Financial Report comprises:

- Consolidated statement of financial position as at 31 December 2017.
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises Austock Group Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The Interim Period is the six months ended 31 December 2017.

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 (continued)



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 2017 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 Austock Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim 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

21 February 2018