

## ASX Announcement

29 February 2012

### Half Year Results to 31 December 2011

- Net loss before tax and impairments of \$3.4 million
- Agreed to sell Securities business
- Austock to become a focused fund manager with stable and predictable earnings
- Continued strong growth in Life FUM to \$263 million

29 February 2012: Austock Group Limited (ASX: ACK) today announced a net loss after tax of \$11.8 million. The result included non-cash impairment charges of \$3.0 million and a de-recognition of deferred tax assets of \$5.1 million in relation to carried forward tax losses. The impairment charges were a consequence of the terms agreed for the sale of the Securities business including the sale of plant and equipment for nominal consideration and the write-down of goodwill.

On a normalised basis the net loss before tax was \$3.4 million compared to \$3.1 million for the prior corresponding period. Retail brokerage and portfolio management revenue increased by 60% due to an increase in advisers from 26 at 31 December 2010 to 43 at 31 December 2011 and opening of offices in Gold Coast, Perth and Adelaide. Institutional brokerage remains depressed and declined by 25% compared to 2010. Corporate revenue was up by 21% but remains at historically low levels.

The Property Funds Management business has continued a period of stability with FUM remaining at \$555 million between 30 June 2011 and 31 December 2011. The Life Funds Management business has continued to show strong funds growth from \$232 million at 30 June 2011 to \$263 million at 31 December 2011.

The sale of the Securities business is expected to be completed by mid March 2012. When this occurs Austock Group will become a focused funds management business with over \$800 million funds under management. The Austock Group corporate structure will be reduced significantly with the overall number of employees to be reduced from 130 at 31 December 2011 to fewer than 30 staff. Due to the nature of the funds management business, earnings will become stable and predictable. Further restructuring costs will be incurred in the second half including non-cash acceleration of the Share Based Payments expense of \$1.7 million and restructuring costs of up to \$1 million. These costs will be offset to a certain extent by the write back of employee provisions that will no longer be required.

#### For further information please contact:

**Paul Masi**  
Managing Director, Austock Group Limited  
Telephone: (02) 9233 9611

## **About Austock Group:**

Austock Group is an independent, publicly listed diversified investment and financial services group. It has a culture and track record of being prepared to invest to build sustainable returns for its clients and shareholders. Founded in 1991, the company now comprises corporate and securities, private wealth and investment management businesses. Austock has offices in Melbourne, Sydney, Perth, Adelaide and the Gold Coast, along with international affiliations.

Austock is a Pooled Development Fund that invests in and develops financial services businesses under a tax-efficient structure.

### *Austock Property*

Austock Property Funds Management Limited (Austock Property) is a property funds management business built around non-traditional and niche sub-sectors of the property market. Austock Property offers a mix of listed property, wholesale property and unlisted retail property funds to investors. Current market conditions require a conservative approach and Austock Property aims to ensure investments are secured with long-term cash flows, viable tenants, minimal risk and value growth. Our experienced property team currently manages real estate assets of approximately \$555 million.

Austock Property has a successful track record in managing real estate assets and is the Responsible Entity (RE) for the ASX listed Australian Education Trust (ASX:AEU), The Australian Social Infrastructure Fund (ASX:AZF) the unlisted Austock Childcare Fund and the wholesale CIB Fund.

The Funds collectively represent over 5,000 institutional and retail unitholders and own in excess of 400 properties across Australia & New Zealand.

### *Austock Life*

Austock Life is one of the leading specialist issuer of insurance bonds. Its core Imputation Bond product offers investors an expansive investment menu and strategy-based avenues for incorporating "tax-paid" lump sums into financial plans to meet life-event objectives. These include education funding, home ownership and estate planning as an accessible alternative to superannuation.

Austock Life operates as a registered life insurance company under the Life Insurance Act 1995 and also holds an Australian Financial Services Licence under the Corporations Act. As an emerging financial products provider, the company's business strategy is to use its life office structure to design, manufacture and distribute creative "tax-paid" investment products.

**AUSTOCK GROUP LIMITED**  
(ABN 90 087 334 370)

**Appendix 4D**

**Half Year Report**  
**For The Half Year Ended 31 December 2011**  
(Previous corresponding period: Half Year Ended 31 December 2010)

*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	Down	22%	To	16,667
Profit/(Loss) from ordinary activities after income tax attributable to members	Down	n/a	To	(11,778)
Net profit/(loss) attributable to members	Down	n/a	To	(11,778)

**Dividends (Distributions)**

	Amount per security	Franked amount per security
<b>Current period</b>		
Interim dividend	-	-
<b>Previous corresponding period</b>		
Interim dividend	-	-

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

Please refer to the attached media release for an explanation of the result.

**Net Tangible Assets per Security**

	Current period	Previous corresponding period
Net tangible assets backing per security	10.28 cents	18.85 cents

## AUSTOCK GROUP LIMITED

(ABN 90 087 334 370)

### 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
-	-	-	-

### Dividend payments

	Date paid / payable	Amount per security	Total dividend \$'000
<b>Current period</b>			
Nil	Nil	Nil	Nil
<b>Previous corresponding period</b>			
Nil	Nil	Nil	Nil

### Details of dividend reinvestment plans in operation

Currently there is no dividend reinvestment plan in operation

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
AG Fund Pty Limited	50%	50%
Pemeca Pty Limited	25%	25%
Pemeca No. 2 Pty Limited	20%	20%



**Austock**  
Group

**Austock Group Limited**

ABN: 90 087 334 370

Interim Financial Report  
31 December 2011

---

## Corporate Information

**Company Directors**

Mr Steven Gregg  
Mr Paul Masi  
Mr Martin Edward Ryan  
Mr William Eric Bessemer

Executive Chairman  
Managing Director and Chief Executive Officer  
Non Executive Director  
Non Executive Director

**Company Secretaries**

Ms Amanda Jane Gawne  
Mr Adrian Seamus Hill

**Registered Office**

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

**Share Register**

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

**Banker**

National Australia Bank  
330 Collins Street  
Melbourne VIC 3000

**Auditor**

KPMG  
147 Collins Street  
Melbourne VIC 3000

---

## Contents

	<b>Page</b>
Directors' Report	4
Auditor's Independence Declaration	6
Directors' Declaration	7
Consolidated Interim Statement of Comprehensive Income	8
Consolidated Interim Statement of Financial Position	9
Consolidated Interim Statement of Changes in Equity	10
Consolidated Interim Statement of Cash Flows	11
Notes to the Consolidated Interim Financial Statements	12
Independent Auditor's Review Report	20

## Directors' Report

The directors of Austock Group Limited (the "Company") submit herewith the consolidated interim financial report of the Company and its controlled entities (the "Group") for the six months ended 31 December 2011. 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 Steven Gregg, Executive Chairman  
 Mr Paul Masi, Managing Director and Chief Executive Officer  
 Mr Martin Edward Ryan, Non Executive Director (appointed 20 December 2011)  
 Mr William Eric Bessemer, Non Executive Director (appointed 9 February 2012)  
 Mr Victor David Cottren, Non Executive Director (resigned 25 October 2011)  
 Mr Kevin Franklin Clarke, Non Executive Director (resigned 20 December 2011)  
 Mr Christopher Alan Sadler, Non Executive Director (resigned 9 February 2012)

### Review and results of operations

The consolidated net loss after tax attributable to members of the Company is \$11.8 million (2010: \$3.9 million profit). This is shown in detail as follows:

\$'000	Half year end 31 Dec 2011	Half year end 31 Dec 2010	Movement	Change %
Corporate activities	3,749	3,096	653	+21%
Brokerage and commission	7,356	6,685	671	+10%
Property fund management	2,343	2,955	(612)	-21%
Life office and fund management	1,936	1,519	417	+27%
Interest and dividend income	526	221	305	+138%
Revaluation increase	-	73	(73)	-
Realised gains	-	21	(21)	-
Gain on disposal of subsidiary	-	81	(81)	-
Other income	757	400	357	+89%
<b>Total revenue</b>	<b>16,667</b>	<b>15,051</b>	<b>1,616</b>	<b>+11%</b>
Personnel expenses	(12,716)	(12,041)	(675)	+6%
Occupancy expenses	(990)	(827)	(163)	+20%
Communication expenses	(404)	(406)	2	-0%
Finance expenses	(33)	(166)	133	-80%
Dealing and settlement	(2,194)	(2,099)	(95)	+5%
Marketing and promotion	(604)	(693)	89	-13%
Depreciation and amortisation	(326)	(342)	16	-5%
General administration	(2,304)	(1,585)	(719)	+45%
Loss on assets at fair value	(517)	-	(517)	-
<b>Total expenses</b>	<b>(20,088)</b>	<b>(18,159)</b>	<b>(1,929)</b>	<b>+11%</b>
<b>Profit/(loss) before income tax</b>	<b>(3,421)</b>	<b>(3,108)</b>	<b>(313)</b>	<b>+10%</b>
Impairment expense	(3,042)	-	(3,042)	-
Newreg related gains	-	6,257	(6,257)	-
Income tax benefit/(expense)	(5,315)	717	(6,032)	nm
<b>Statutory reported result after tax</b>	<b>(11,778)</b>	<b>3,866</b>	<b>(15,644)</b>	<b>nm</b>

nm: not meaningful

## Directors' Report (continued)

On a comparable basis, the result for the half year was similar to the prior period. Corporate revenues remain subdued. Brokerage and commission revenue increased 10% on the back of increased activity from Private Wealth advisers and consistent with expansion in employee numbers (17) and opening of new offices in Gold Coast, Perth and Adelaide. Institutional brokerage remained depressed, down 25% from the prior period.

Property fund management revenue showed an increase of 14% on a like for like basis.

Life office revenue increased by 27% as a result of funds under management being some \$52 million on average higher than the prior period and the acquisition of the Druids funds effective 1 July 2011.

Expenses were up 11%. Personnel expenses were up 6% due to increases in employees (8 overall at period end), increase in commissions as a result of higher Private Wealth brokerage, offset by lower share based payments expense due to the departure of two senior staff. Occupancy expenses were up 20% due to the opening of new offices in Gold Coast, Perth and Adelaide. General administration costs increased due to incurring legal fees defending legal actions associated with Groves and the ABC liquidator and the settlement with the ABC liquidator.

As a consequence of the expected completion of the sale of the Austock Securities business in mid-March, the balance sheet was subject to review based upon the terms of the transaction. As a result, the impairment charges were made to property, plant and equipment \$0.8 million; and intangible assets including software and goodwill of \$2.2 million. The carrying value of the deferred tax assets in relation to carried forward tax losses and employee leave provisions was also considered unlikely to be recovered due to the sale of the Securities business and the transfer of the Securities employees. As a consequence, deferred tax assets of \$5.1 million were impaired and this impact is shown in income tax expense.

During the second half and based upon completion of the sale of the Securities business, additional costs of up to \$2.1 million are likely to be recorded in relation to the acceleration of the share based payments expense and restructuring costs at the Austock Group corporate structure.

### Subsequent events

Other than the subsequent events as disclosed in note 16 of the interim financial report, there has not been any matter or circumstance occurring subsequent to the end of the half year ended 31 December 2011 that has significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the interim financial report and forms part of this directors' report.

### Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Mr Steven Gregg  
Chairman  
Melbourne, 29 February 2012

## Auditor's Independence Declaration



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

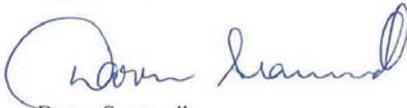
To: the directors of Austock Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



KPMG



Darren Scammell  
*Partner*

Melbourne

29 February 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

## Directors' Declaration

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

1. the financial statements and notes set out on pages 8 to 19, are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the Group's financial position as at 31 December 2011 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 Steven Gregg  
Chairman  
Melbourne, 29 February 2012

## Consolidated Interim Statement of Comprehensive Income for the six months ended 31 December 2011

	Notes	Half year ended 31 Dec 2011 \$'000	Half year ended 31 Dec 2010 \$'000
Revenue	7	16,667	21,308
Personnel expenses		(12,716)	(12,041)
Occupancy expenses		(990)	(827)
Communication expenses		(404)	(406)
Finance expenses		(33)	(166)
Dealing and settlement expenses		(2,194)	(2,099)
Marketing and promotional expenses		(604)	(693)
Depreciation and amortisation expenses		(326)	(342)
General administrative expenses		(2,304)	(1,585)
Loss on assets at fair value through profit or loss		(517)	-
Impairment expense	8	(3,042)	-
Result attributable to policyholders, net of tax		(176)	7,927
<b>Profit/(loss) before income tax expense</b>		<b>(6,639)</b>	<b>11,076</b>
Income tax benefit/(expense)		(5,315)	717
<b>Profit/(loss) after income tax</b>		<b>(11,954)</b>	<b>11,793</b>
Loss/(profit) attributable to policyholders		176	(7,927)
<b>Net profit/(loss) attributable to members of the company</b>		<b>(11,778)</b>	<b>3,866</b>
<i>Other comprehensive income</i>			
Net change in fair value of financial assets transferred to profit or loss, net of tax		-	(4,517)
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>(4,517)</b>
<b>Total comprehensive income attributable to members of the company</b>		<b>(11,778)</b>	<b>(651)</b>
<b>Earnings per share</b>			
Basic (cents per share)		(10.63)	3.41
Diluted (cents per share)		(10.63)	3.41

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

## Consolidated Interim Statement of Financial Position as at 31 December 2011

	Notes	As at 31 Dec 2011 \$'000	As at 30 Jun 2011 \$'000
<b>Assets</b>			
Cash and cash equivalents	10	9,940	14,401
Trade and other receivables		4,141	4,076
Income tax receivable		145	574
Other assets		953	504
Financial assets		1,837	2,452
Property, plant and equipment		594	1,007
Deferred tax assets		779	6,353
Intangible assets		4,800	7,193
Policyholder assets		264,224	235,954
<b>Total assets</b>		<b>287,413</b>	<b>272,514</b>
<b>Liabilities</b>			
Trade and other payables		1,002	1,351
Borrowings		710	185
Other liabilities		1,616	4,344
Provisions		3,507	2,891
Deferred tax liabilities		5	-
Policyholder liabilities		264,207	235,944
<b>Total liabilities</b>		<b>271,047</b>	<b>244,715</b>
<b>Net assets</b>		<b>16,366</b>	<b>27,799</b>
<b>Equity</b>			
Issued capital	11	45,245	45,232
Reserves	12	(5,968)	(6,293)
Retained earnings		(22,928)	(11,150)
Policyholder equity		17	10
<b>Total equity</b>		<b>16,366</b>	<b>27,799</b>

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

## Consolidated Interim Statement of Changes in Equity for the six months ended 31 December 2011

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Policyholder equity \$'000	Total equity \$'000
<b>Period end 31 Dec 2011</b>					
Balance at 1 Jul 2011	45,232	(6,293)	(11,150)	10	27,799
Net loss for the period	-	-	(11,778)	-	(11,778)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(11,778)</b>	<b>-</b>	<b>(11,778)</b>
Policyholder net profit for the period	-	-	-	7	7
Equity settled benefits	151	251	-	-	402
Transfer from issued capital	(138)	138	-	-	-
Acquisition of treasury shares	-	(64)	-	-	(64)
<b>Balance at 31 Dec 2011</b>	<b>45,245</b>	<b>(5,968)</b>	<b>(22,928)</b>	<b>17</b>	<b>16,366</b>
<b>Period end 31 Dec 2010</b>					
Balance at 1 Jul 2010	43,926	(1,746)	(15,685)	10	26,505
Net profit for the period	-	-	3,866	-	3,866
Net change in fair value of financial assets, net of tax	-	(4,517)	-	-	(4,517)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(4,517)</b>	<b>3,866</b>	<b>-</b>	<b>(651)</b>
Policyholder net profit for the period	-	-	-	38	38
Equity settled benefits	554	293	-	-	847
Transfer from issued capital	163	(163)	-	-	-
Acquisition of treasury shares	-	(69)	-	-	(69)
<b>Balance at 31 Dec 2010</b>	<b>44,643</b>	<b>(6,202)</b>	<b>(11,819)</b>	<b>48</b>	<b>26,670</b>

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

## Consolidated Interim Statement of Cash Flows for the six months ended 31 December 2011

	Half year ended 31 Dec 2011 \$'000	Half year ended 31 Dec 2010 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	16,128	15,770
Payments to suppliers and employees	(21,627)	(19,584)
Proceeds from sale of trading shares	446	285
Payments for trading shares	(562)	(252)
Finance and borrowing costs	(121)	(141)
Income tax received	694	716
<b>Net cash flows used in operating activities</b>	<b>(5,042)</b>	<b>(3,206)</b>
<b>Cash flows from investing activities</b>		
Interest received	433	257
Dividends received	73	500
Payment for property, plant and equipment	(289)	(395)
Payment for intangibles	(63)	(42)
Proceeds from sale of assets	-	7,383
Payment for treasury shares	(65)	(66)
Net payment for business acquisition	(32)	-
<b>Net cash flows from/(used in) investing activities</b>	<b>57</b>	<b>7,637</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	712	254
Repayment of borrowings	(188)	(2,560)
<b>Net cash flows from/(used in) financing activities</b>	<b>524</b>	<b>(2,306)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(4,461)</b>	<b>2,125</b>
Cash at beginning of the period	14,401	14,471
<b>Cash at the end of the period</b>	<b>10 9,940</b>	<b>16,596</b>

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

---

## Notes to the Consolidated Interim Financial Statements

### 1. Reporting entity

Austock Group Limited (the "Company") is a company domiciled in Australia. This consolidated interim financial report comprises the Company and its controlled entities (the "Group") as at and for the six months ended 31 December 2011.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at Level 12, 15 William Street Melbourne 3000 or at [www.austock.com](http://www.austock.com).

### 2. Statement of compliance

This consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2011.

This consolidated interim financial report was approved by the Board of Directors on 29 February 2012. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### 3. Significant accounting policies

The accounting policies applied by the Group in its consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2011. In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current interim reporting period and relevant to the Group. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods.

### 4. Estimates

The preparation of an interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Other than those noted below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

Management has reassessed the carrying value estimates of property, plant and equipment; intangible assets; and deferred tax assets. Refer to note 8 for further information.

### 5. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2011.

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

### 6. Segment reporting

The Group operates in a number of operating segments that form the basis of decision making within the Group for the allocation of resources and assessing performance. These operating segments have been determined by the complementary nature of the products and services within each segment. The principal products and services within each segment are as follows:

#### (a) Corporate and Securities

This operating segment provides an integrated range of stockbroking, research and corporate advisory services in the equity capital markets for emerging growth enterprises. The focus on emerging companies in both a listed and unlisted corporate environment allows this operating segment to grow with their client base by providing a specifically tailored service approach to solving client needs.

#### (b) Investment Management

This operating segment provides specialised investment management services in direct and indirect property funds management; and life insurance based products within a tax paid investment environment. The focus of this operating segment is to build a platform of funds under management as the basis for solid and sustainable returns using innovative and proven management investment strategies.

#### (c) Unallocated services

This operating segment represents those operations within the Group that do not belong to any of the above key business segments.

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

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

### 6. Segment reporting (continued)

For the period ended 31 Dec 2010

	Corporate & Securities \$'000	Investment Management \$'000	Unallocated services \$'000	Eliminations \$'000	Consolidated total \$'000
<b>Revenue</b>					
External revenue	10,165	4,573	6,570	-	21,308
Inter-segment revenue	-	-	3,242	(3,242)	-
Segment revenue	10,165	4,573	9,812	(3,242)	21,308
<b>Result</b>					
Segment result	<b>(3,438)</b>	<b>1,127</b>	<b>5,460</b>	-	<b>3,149</b>
Income tax benefit					717
Consolidated net profit after tax					<b>3,866</b>
<b>Other segment information</b>					
Realised & unrealised losses	-	-	-	-	-

### 7. Revenue

	Half year ended 31 Dec 2011 \$'000	Half year ended 31 Dec 2010 \$'000
<b>Operating activities</b>		
<i>Rendering of services</i>		
Corporate activities	3,749	3,096
Brokerage and commission	7,356	6,685
Property management	2,343	2,955
Fund management	129	101
Life office	1,807	1,418
<i>Interest revenue</i>		
Interest income on bank deposits	453	216
Interest income from other related parties	-	2
<i>Other revenue</i>		
Dividend income	73	503
Revaluation increase of investments	-	73
Realised gains	-	21
Gain on sale of investment	-	4,813
Gain on disposal of subsidiary	-	81
Other income	757	1,344
<b>Total revenue</b>	<b>16,667</b>	<b>21,308</b>

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

### 8. Impairment expense

As a result of the sale of the Austock Securities business, management has reassessed the carrying value estimates of property, plant and equipment and intangible assets, with the resulting decrease representing an impairment expense being recognised in the statement of comprehensive income. Refer to note 16 for further information.

Furthermore, management has reassessed the carrying value of deferred tax assets with the resulting decrease representing a reversal of a prior year income tax benefit recognised in the statement of comprehensive income. Accordingly, the expense attributable to the reduction of deferred tax assets is shown on the income tax expense line of the statement of comprehensive income.

	Half year ended 31 Dec 2011 \$'000
Property, plant and equipment	820
Intangible assets	2,222
<b>Impairment expense</b>	<b>3,042</b>
Deferred tax assets	5,072
<b>Income tax expense</b>	<b>5,072</b>

### 9. Transfer of business

On 1 July 2011 Austock Life Limited was the recipient of a transfer of business from Druids Friendly Society Limited ('Druids'). The transfer was approved by APRA under the Financial Sector (Business Transfer and Group Restructure) Act 1999. The transfer has resulted in the Company taking on all the assets and liabilities of Druids' six benefit funds and its management fund. The total increase in funds under management at the date of transfer was approximately \$15.5 million, and \$0.465 million was recognised as revenue in the statement of comprehensive income under other income.

### 10. Cash and cash equivalents

	As at 31 Dec 2011 \$'000	As at 30 Jun 2011 \$'000
Cash at bank	9,882	14,364
Cash held on trust	58	37
	<b>9,940</b>	<b>14,401</b>

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

### 11. Issued capital

	As at 31 Dec 2011		As at 30 Jun 2011	
	Number	\$'000	Number	\$'000
<b>Issued and paid up capital</b>				
Fully paid ordinary shares (a)	133,928,412	44,903	133,928,412	44,890
Partly paid ordinary shares (b)	5,153,580	342	5,153,580	342
		<b>45,245</b>		<b>45,232</b>
	Half year ended 31 Dec 2011		Year ended 30 Jun 2011	
	Number	\$'000	Number	\$'000
<b>(a) Fully paid ordinary shares</b>				
Balance at beginning of period	133,928,412	44,890	133,928,412	43,584
Transfer from/(to) share based payment reserve	-	(138)	-	163
Equity settled benefits	-	151	-	1,143
Balance at end of period	<b>133,928,412</b>	<b>44,903</b>	<b>133,928,412</b>	<b>44,890</b>
	Half year ended 31 Dec 2011		Year ended 30 Jun 2011	
	Number	\$'000	Number	\$'000
<b>(b) Partly paid ordinary shares</b>				
Balance at beginning of period	5,153,580	342	5,153,580	342
Balance at end of period	<b>5,153,580</b>	<b>342</b>	<b>5,153,580</b>	<b>342</b>

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

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

### 12. Reserves

	As at 31 Dec 2011 \$'000	As at 30 Jun 2011 \$'000
Financial asset reserve (a)	-	-
Share buy back reserve (b)	(4,325)	(4,325)
Treasury shares reserve (c)	(3,067)	(3,003)
Share based payments reserve (d)	1,424	1,035
<b>Balance at the end of period</b>	<b>(5,968)</b>	<b>(6,293)</b>

#### (a) Financial asset reserve

	Half year ended 31 Dec 2011 \$'000	Year ended 30 Jun 2011 \$'000
Balance at beginning of period	-	4,517
Net change in fair value of financial assets, net of tax	-	(4,517)
Balance at end of period	-	-

The financial asset reserve records revaluations of available for sale financial assets.

#### (b) Share buy back reserve

	Half year ended 31 Dec 2011 \$'000	Year ended 30 Jun 2011 \$'000
Balance at beginning of period	(4,325)	(4,325)
Balance at end of period	<b>(4,325)</b>	<b>(4,325)</b>

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

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

### 12. Reserves (continued)

	Half year ended 31 Dec 2011 \$'000	Year ended 30 Jun 2011 \$'000
<b>(c) Treasury shares reserve</b>		
Balance at beginning of period	(3,003)	(2,551)
Acquired during the period	(64)	(452)
Balance at end of period	<b>(3,067)</b>	<b>(3,003)</b>

The treasury shares reserve represents the cost of shares held by the trustee of equity compensation plans that the Group is required to include in its consolidated financial statements. At 31 December 2011 the Group held 21,455,502 fully paid (30 June 2011: 24,004,553) and 1,280,160 partly paid (30 June 2011: 1,280,160) shares in the Company. During the period 495,147 fully paid shares were acquired and 3,044,198 were withdrawn upon vesting. This reserve will be reversed with any surplus or deficit on sale shown as an adjustment to share capital when the underlying shares are no longer held. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

	Half year ended 31 Dec 2011 \$'000	Year ended 30 Jun 2011 \$'000
<b>(d) Share based payments reserve</b>		
Balance at beginning of period	1,035	613
Transfer (to)/from issued capital	138	(163)
Equity settled benefits	251	585
Balance at end of period	<b>1,424</b>	<b>1,035</b>

The share based payments reserve represents the cumulative difference between the total share based payment expense in the statement of comprehensive income and the cash outflow made to acquire the underlying equity instruments. Once the equity instruments have been fully vested and are released from the equity compensation plans, any difference remaining is transferred to retained earnings.

### 13. Dividends

There were no dividends paid during the period ended 31 December 2011 (2010: nil).

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

### 14. Share based payments

The Group has an ownership based compensation scheme for executives and senior employees. During the six months ended 31 December 2011 a total number of 6,104,167 (2010: 4,977,383) ordinary shares were granted to certain employees. From this total number, 1,000,000 vest immediately, 4,520,834 vest over a 12 month period from grant date, 166,667 vest over a 24 month period from grant date and 416,666 vest over a 36 month period from grant date. The fair value of the shares granted was based on the market price on grant date.

Included in the statement of comprehensive income under personnel expenses is \$0.4 million (2010: \$0.8 million) relating to equity settled share based payment transactions in the form of ordinary shares.

### 15. Commitments and contingencies

#### Claim by Edmund Groves

Austock Securities Limited was served with legal proceedings on 13 October 2010 by Edmund Groves which claimed an order to sell 5 million shares in Austock Group Limited on 28 February 2008 was not executed and he suffered loss as a result. Mr Groves originally claimed damages in the amount of \$7.4 million. By an amended statement of claim dated 21 July 2011 the amount claimed was reduced to \$4.7 million. By a further amended statement of claim dated 10 October 2011 the amount claimed was further reduced to \$3.1 million.

Austock Securities Limited denies Mr Groves' allegations and is vigorously defending the proceedings.

#### Other claims

During the ordinary course of business the Group receives claims from third parties. All existing claims have been denied and will be vigorously defended.

### 16. Subsequent events

On 9 February 2012, the Group announced the sale of the Austock Securities business to Intersuisse Holdings Pty Ltd ("Intersuisse") with expected completion due in mid-March 2012. Intersuisse is 46% owned by Phillip Brokerage Pte Ltd, a part of the Phillip Group of Companies based in Singapore. At this time, an estimate of the financial effect of this subsequent event is a loss of \$2.1 million in relation to employee leave provisions, share based payments and restructuring initiatives in Austock Group Limited. This will be recognised in the statement of comprehensive income for the year ending 30 June 2012.

## Independent Auditor's Review Report



### **Independent auditor's review report to the members of Austock Group Limited**

#### **Report on the financial report**

We have reviewed the accompanying interim financial report of Austock Group Limited ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

#### *Directors' responsibility for the interim financial report*

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Austock Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

## Independent Auditor's Review Report (continued)



### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Austock Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Darren Scammell  
*Partner*

Melbourne

29 February 2012