

AUSTOCK GROUP LIMITED

(ABN 90 087 334 370)

Appendix 4D

Half Year Report

For The Half Year Ended 31 December 2016

(Previous corresponding period: Half Year Ended 31 December 2015)

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	8%	To	4,056
Profit from ordinary activities after income tax attributable to members	Down	-67%	To	75
Net profit attributable to members	Down	-67%	To	75

Dividends (Distributions)

	Amount per security	Franked amount per security
Current period		
Final 2016 dividend paid 29 September 2016	1 cent	100%
Interim 2017 dividend	1 cent	100%
Ex-dividend date	03 April 2017	
Record date	04 April 2017	
Payment date	20 April 2017	
Previous corresponding period		
Final 2015 dividend paid 30 September 2015	1 cent	100%
Interim 2016 dividend	1 cent	100%
Ex-dividend date	3 March 2016	
Record date	7 March 2016	
Payment date	31 March 2016	

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

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

For further information contact Enzo Silverii – Investor Relations.

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Net Tangible Assets per Security

	Current period	Previous corresponding period
Net tangible assets backing per security	6.73 cents	6.77 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 2017 dividend	20 April 2017	1 cent	1,032
Final 2016 dividend	29 September 2016	1 cent	1,032
Previous corresponding period			
Interim 2016 dividend	31 March 2016	1 cent	1,032
Final 2015 dividend	30 September 2015	1 cent	1,032

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
Nil	N/A	N/A



Austock Group Limited

ABN: 90 087 334 370

Interim Condensed Consolidated
Financial Report 31 December 2016

Corporate Information

Company Directors

Mr Frederick George Albion Beaumont QC
Mr William Eric Bessemer
Mr Jonathan James Tooth
Mr Ross James Higgins

Independent Non-Executive Chairman
Chief Executive Officer and Executive Director
Non-Executive Director
Executive Director

Company Secretary and Chief Financial Officer

Mr Enzo Silverii

Registered Office

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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

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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 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the interim period are set out below. Directors were in office for the entire period unless otherwise stated:

Mr Frederick George Albion Beaumont QC	Independent Non-Executive Chairman
Mr William Eric Bessemer	Chief Executive Officer and Executive Director
Mr Jonathan James Tooth	Non-Executive Director
Mr Ross James Higgins	Executive Director

Result and review of operations

	Half year end 31 Dec 2016 \$'000	Half year end 31 Dec 2015 \$'000	Movement \$'000
Life office management fees	3,960	3,646	314
Interest and dividend income	71	103	(32)
Other income	25	-	25
Total revenue	4,056	3,749	307
Personnel expenses	(2,233)	(2,234)	1
Occupancy expenses	(260)	(165)	(95)
Communication expenses	(48)	(46)	(2)
Finance expenses	(8)	(6)	(2)
Advisor expenses	(1,073)	(1,012)	(61)
Marketing and promotion	(160)	(159)	(1)
Depreciation and amortisation	(61)	(70)	9
General administration	(1,108)	(988)	(120)
Total expenses	(4,951)	(4,680)	(271)
Profit/(loss) before income tax	(895)	(931)	36
Austock Life management fund benefit			
Note 1	1,137	1,157	(20)
Profit before tax	242	226	16
Deferred tax expense	(167)	-	(167)
Statutory reported result after tax	75	226	(151)

Note 1: For income tax purposes the Group's major subsidiary, Austock Life is determined to be a single taxpayer comprising policyholder benefit funds and a management or shareholder 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 (continued)

Result

The underlying profit of Austock Group Limited ('the Group') for the interim period to 31 December 2016 ('the first half' or '1H17') was \$242,000, 7% higher than in the corresponding prior comparative period ('pcp' or '1H16') to 31 December 2015 of \$226,000. Total Group revenue of \$4.056m increased 8% on the pcp whilst total expenses increased by 6%.

Increased revenues primarily reflect FUM growth, which over the last four financial years has achieved a compound growth rate of over 20% per annum. Pleasingly, our FUM growth in 1H17 has increased from disappointing growth in 1H16, with \$46.9m added, a 100% increase on 1H16. The key KPIs were inflows of \$66.6m, and withdrawals and maturities pleasingly down by 29% to \$35.9m. This FUM growth will have a positive impact on revenues in the second half of 2017 and future years.

Costs increased from \$4.680m to \$4.951m, an increase of 6%. Historically the Group has a greater burden of costs in the first half, and the increase is mainly attributable to general administration and higher rental costs associated with ending shared leasing arrangements with the former Group broking and property subsidiaries. We are managing costs to our current marketing and distribution model and maintaining a strong cost control culture across our operations.

Product Sales Results

- Total new Investment Bonds taken out in the first half were a record 1,030 (975 pcp). This comprised 556 Imputation Bonds and impressive ChildBuilder numbers of 474 bonds (up 21% pcp).
- Savings Plans (especially for ChildBuilder) are growing strongly (nearing \$1m per month) representing just on 8% of the half's inflows.

Distribution Channels

- 1H17 saw increased Dealer Group and supporting Financial Adviser numbers. New business of \$60.5m was received from 131 Dealer Groups and 915 individual Financial Advisers. We have consistently added between 15 and 20 new Advisers each month over the past year.
- Premium advice groups, including Commonwealth Private, NAB's Garvan Wealth Management, AMP Financial Planning and ANZ's RI Advice entered our Top 20 Dealer Groups during 1H17.
- Directly channelled business - where no Financial Adviser is involved - also grew to 12% for the first half (1H16: 5%).

Balance Sheet & Capital

- The Life business has sound buffer capital levels above APRA statutory reserve requirements, and the Group has free cash levels to accommodate the Life business's organic growth strategy
- The Group has no debt.

Dividend Policy

- An interim dividend of 1 cent per share fully franked was declared on 21 February 2017, in line with previous halves.
- Over the FY14-FY17 period of transitioning Austock Life as AGL's sole business and for Life to reach its critical FUM mass for profitable operations, the Company's strategy has been to reinvest otherwise emerging profits into Life's organic growth.
- Over the same period, the dividend policy has been to pay fully franked dividends predominantly sourced from the retained profits from the divestment of the Group's property business in FY13.
- The Board has determined that following this dividend the policy will be reviewed in detail. It is anticipated that the Company's future dividend policy after FY17 will be aligned to underlying profits.

Directors' Report (continued)

Outlook

We are positive about what the monumental changes to the superannuation system will mean for discretionary investing outside of superannuation, and particularly for the insurance bond sector. Our business is being positioned to be at the forefront to take advantage of opportunities post 30 June 2017.

Subsequent events

There has been no matter or circumstance occurring subsequent to 31 December 2016 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 F G A Beaumont QC
Chairman
Melbourne, 23 February 2017

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 2016 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

23 February 2017

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and a member firm of the KPMG network
of independent member firms affiliated with
KPMG International, a Swiss entity.

Liability limited by a scheme approved under
Profession Standards Legislation.

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 2016 and of its performance for the six months ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

On behalf of the Directors



Mr F G A Beaumont QC
Chairman
Melbourne, 23 February 2017

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2016

	Notes	Half year ended 31 Dec 2016 \$'000	Half year ended 31 Dec 2015 \$'000
Revenue	7	4,056	3,749
Personnel expenses		(2,233)	(2,234)
Occupancy expenses		(260)	(165)
Communication expenses		(48)	(46)
Finance expenses		(8)	(6)
Advisor expenses		(1,073)	(1,012)
Marketing and promotional expenses		(160)	(159)
Depreciation and amortisation expenses		(61)	(70)
General administrative expenses		(1,108)	(988)
Profit attributable to policyholders, net of tax	10	17,077	4,051
Profit before income tax expense		16,182	3,120
Income tax benefit		970	1,157
Profit after income tax		17,152	4,277
Profit attributable to policyholders, net of tax	10	(17,077)	(4,051)
Net Profit attributable to members of the Company		75	226
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to shareholders of the Company		75	226
Earnings per share (EPS)			
➤ Basic, profit for the period attributable to ordinary equity holders of the parent		0.07	0.22
➤ Diluted, profit for the period attributable to ordinary equity holders of the parent		0.07	0.22

The accompanying notes 1 to 13 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position as at 31 December 2016

	Notes	As at 31 Dec 2016 \$'000	As at 30 Jun 2016 \$'000
Assets			
Cash and cash equivalents	8	1,984	3,125
Investments – term deposits		3,037	2,054
Income tax receivable		549	1,835
Trade and other receivables		527	521
Other assets		329	182
Property, plant and equipment		313	31
Deferred tax assets		1,521	1,727
Intangible assets		649	660
Policyholder assets	10	688,745	645,750
Total assets		697,654	655,885
Liabilities			
Trade and other payables		129	159
Other liabilities		366	629
Provisions		822	798
Policyholder liabilities	10	688,745	645,750
Total liabilities		690,062	647,336
Net assets		7,592	8,549
Equity			
Issued capital	9	34,716	34,716
Retained earnings		(27,124)	(26,167)
Total equity		7,592	8,549

The accompanying notes 1 to 13 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 31 December 2016

	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000
Period end 31 Dec 2016			
Balance at 1 Jul 2016	34,716	(26,167)	8,549
Net profit for the period	-	75	75
Total comprehensive income for the period	34,716	(26,092)	8,624
Dividend paid	-	(1,032)	(1,032)
Balance at 31 Dec 2016	34,716	(27,124)	7,592
Period end 31 Dec 2015			
Balance at 1 Jul 2015	34,716	(26,241)	8,475
Net profit for the period	-	226	226
Total comprehensive income for the period	34,716	226	226
Dividend paid	-	(1,032)	(1,032)
Balance at 31 Dec 2015	34,716	(27,047)	7,669

The accompanying notes 1 to 13 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows for the six months ended 31 December 2016

	Notes	Half year ended 31 Dec 2016 \$'000	Half year ended 31 Dec 2015 \$'000
Cash flows from operating activities			
Receipts from customers		2,927	2,595
Payments to suppliers and employees		(4,214)	(3,822)
Finance and borrowing costs		(9)	(5)
Income tax received		2,459	1,102
Net cash flows from/(used in) operating activities		1,163	(130)
Cash flows from investing activities			
Interest received		39	103
Payment for property, plant and equipment		(328)	(16)
Term deposit reinvested		(983)	(34)
Net cash flows (used in)/ from investing activities		(1,272)	53
Cash flows from financing activities			
Dividends paid		(1,032)	(1,032)
Net cash flows used in financing activities		(1,032)	(1,032)
Net decrease in cash held		(1,141)	(1,109)
Cash at beginning of the period	8	3,125	2,153
Cash at the end of the period	8	1,984	1,044

The accompanying notes 1 to 13 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 2016. 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 2016 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 2016.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 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 23 February 2017. 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 2016.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The following standards have been issued and are applicable to the Group for its 30 June 2019 annual consolidated financial statements and thereafter, with earlier application permitted. These standards are not expected to have a significant impact on the annual consolidated financial statements or the interim condensed consolidated financial statements of the Group.

- AASB 9 *Financial Instruments*, covers mainly: i) the classification and measurement of financial assets and financial liabilities; ii) the new impairment model for recognition of expected credit losses; and iii) a new hedge accounting model.
- AASB 15 *Revenue from Contracts and Customers*, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede current revenue recognition guidance and clarifies how to i) identify a performance obligation in contract; ii) determine whether a company is a principle or an agent; and iii) determine whether the revenue from granting a license should be recognised at a point in time or over time.

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 2016.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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 2016.

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, 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 in the Austock Life Limited Benefit Funds are excluded from this note as there is no entitlement to shareholders of the Group. These are primarily level 1 financial instruments.

7. Revenue

	Half year ended 31 Dec 2016 \$'000	Half year ended 31 Dec 2015 \$'000
Operating activities		
Fee income - Fund administration	3,772	3,471
Fee income - Life	188	175
<i>Interest revenue</i>		
Interest income on bank deposits	71	103
Other income	25	-
Total revenue	4,056	3,749

8. Cash and short-term deposits

	As at 31 Dec 2016 \$'000	As at 30 Jun 2016 \$'000
Cash at bank and in hand	1,234	1,575
Short-term deposits	750	1,550
	1,984	3,125

9. Issued capital

	As at 31 Dec 2016 Number	\$'000	As at 30 Jun 2016 Number	\$'000
Issued and paid up capital				
Fully paid ordinary shares	103,188,421	34,716	103,188,421	34,716
		34,716		34,716

Notes to the Interim Condensed Consolidated Financial Statements (continued)

10. Policyholder balances

	As at 31 Dec 2016 \$'000	As at 30 Jun 2016 \$'000
Assets		
Cash and cash equivalents	10,432	5,540
Other assets	1,417	19,251
Financial assets	676,893	616,842
Deferred tax assets	3	4,117
Total assets	688,745	645,750
Liabilities		
Trade and other payables	487	400
Current tax liabilities	204	5,267
Other liabilities	8	19
Deferred tax liabilities	5,954	4,130
Policyholder liabilities	682,092	635,934
Total liabilities	688,745	645,750
Net assets	-	-

	As at 31 Dec 2016 \$'000	As at 31 Dec 2015 \$'000
Revenue		
Interest income	2,377	2,889
Distribution income	1,949	3,528
Unrealised gains on assets designated as fair value through profit or loss	22,245	93
Revaluation of policyholders liabilities	51	69
Realised gains on sale of investments	401	2,704
Premium revenue for Life insurance contracts	3	1
Other revenue	161	160
Total revenue	27,187	9,444
Expenses		
Dealing and settlement expenses	151	145
Other expenses – benefit funds	11	33
Management fees paid by benefit funds	2,704	2,423
Policyholder withdrawals - insurance	79	93
Total expenses	2,945	2,694
Net profit before tax	24,242	6,750
Income tax expense	(7,165)	(2,699)
Profit attributable to policyholders	17,077	4,051

Notes to the Interim Condensed Consolidated Financial Statements (continued)

11. Dividends

A final 2016 fully franked dividend of \$1,031,884 (\$0.01 per ordinary share) was paid on 29 September 2016 (2015: 1,031,884).

The Company has declared an interim dividend of one cent per ordinary share fully franked totaling \$1,031,884 to be paid on 20 April 2017.

12. 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 (2016: nil) in respect of the lease of the Company's business premises;
- Direct debit facility of \$500,000 (2016: \$50,000) this facility was increased in August 2016 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 (2016: \$10,000) to be used for client's accounts as part of the Bonds Custodian business; and
- Credit card facility of \$60,000 (2016: \$60,000) used by the business development managers as part of the Austock Financial Services business.

13. Subsequent events

Other than the declaration of an interim dividend of \$0.01 per ordinary share fully franked to be paid on 20 April 2017, there has been no matter or circumstance occurring subsequent to 31 December 2016 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

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

- i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the Interim Period ended on that date; and
- ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

We have reviewed the accompanying Interim Financial Report of Austock Group Limited.

The Interim Financial Report comprises:

- the condensed consolidated statement of financial position as at 31 December 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information; and
- 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 ending 31 December 2016.

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Independent Auditor's Review Report (continued)



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*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility 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 2016 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 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*.



KPMG



Rachel Milum
Partner

Melbourne

23 February 2017