ASX / Media Release

AUSTOCK GROUP ANNOUNCEMENT

HALF YEAR RESULTS TO 31 DECEMBER 2010

- **Net profit after tax of $3.9 million compared to a loss of $0.9 million in 2009.**
- **Corporate outlook is improving.**
- **Cash of $16.6m - debt free.**
- **Property business now stabilised and focused on growth.**
- **Continued strong growth in FUM of 18% in Life business.**

22 February 2011: Austock Group Limited (ASX:ACK) today announced a net profit after tax of $3.9 million for the half year ended 31 December 2010 compared to a loss of $0.9 million in 2009. The result included the profit (including fees and dividends) associated with the sale of 16.7% of Newreg Pty Ltd (the holding company of Registries Limited) of $6.3 million.

Although, Corporate revenue was $3.2 million compared to $5.4 million in 2009, the outlook remains positive based on mandated roles that are expected to be completed during the 2nd half of the year.

After a slow start to the half, monthly average Institutional brokerage for the December quarter was nearly 12% higher than the 12 month rolling average. Improvement is evident and we are working hard to accelerate progress. The cost base remains very scalable and has the ability to deal with considerably more activity without the need to increase costs. The third quarter has started well in what is typically a slow period.

The Private Clients Team has changed significantly over the last 6 months. The short term focus is on Managed Discretionary Accounts, Portfolio Management & Construction and the creation of the Small Resources Dealing Team.

The Property Funds Management business has worked hard to stabilise the platform, which has included the finalisation of a new $180 million debt facility for the Australian Education Trust on 31 December 2010. Focus is now on growth opportunities.

The Life Funds Management business continued to show strong funds growth from $175 million to $207 million during the period which reflected the increased investment in business development activity. This business has minimal impact on group profitability but should become profitable during 2012 if funds under management continue to grow at expected levels.

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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, securities and private wealth advisory, as well as investment management businesses, Austock Property and Austock Life. Austock Life manages the successful Imputation Bond product, which allows investors to access a suite of highly-rated global and Australian fund managers via a tax-effective investment platform.

Austock has offices in Melbourne and Sydney along with international affiliations. Austock is a Pooled Development Fund that invests in and develops financial services businesses under a tax-efficient structure.

AUSTOCK GROUP LIMITED

(ABN 90 087 334 370)

Appendix 4D

Half Year Report
For The Half Year Ended 31 December 2010

(Previous corresponding period: Half Year Ended 31 December 2009)

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	3%	To	33,838
Profit/(Loss) from ordinary activities after income tax attributable to members	Up	n/a	To	3,866
Net profit/(loss) attributable to members	Up	n/a	To	3,866

Dividends (Distributions)

	Amount per security	Franked amount per security
Current period		
Interim dividend	-	-
Previous corresponding period		
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	18.90 cents	23.50 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
Austock Financial Planning Pty Limited	30 Sep 2010 (loss of control)	(37)	(128)

Dividend payments

	Date paid / payable	Amount per security	Total dividend $'000
Current period			
Nil	Nil	Nil	Nil
Previous corresponding period			
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 Limited

ABN: 90 087 334 370

Interim Financial Report
31 December 2010

Corporate Information

Company Directors

Mr Steven Gregg	Non Executive Chairman
Mr Paul Masi	Managing Director and Chief Executive Officer
Mr Kevin Franklin Clarke	Non Executive Director
Mr Victor David Cottren	Non Executive Director
Mr Christopher Alan Sadler	Non Executive Director

Company Secretaries
Ms Amanda Jane Gawne
Mr Adrian Seamus Hill

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Banker
National Australia Bank
330 Collins Street
Melbourne VIC 3000

Auditor
KPMG
147 Collins Street
Melbourne VIC 3000

Contents

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 2010. 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, Independent Non Executive Chairman
Mr Paul Masi, Managing Director and Chief Executive Officer
Mr Kevin Franklin Clarke, Independent Non Executive Director
Mr Victor David Cottren, Independent Non Executive Director
Mr Christopher Alan Sadler, Independent Non Executive Director
Mr Timothy David Boyle, Non Independent Non Executive Director (resigned 26 October 2010)

Review and results of operations

The consolidated net profit attributable to members of the Company is $3,866 thousand (2009: $876 thousand loss).

Auditor's independence declaration

The auditor's independence declaration is included on page 5 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, 22 February 2011

Auditor's Independence Declaration

KPMG

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 2010 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

M Craig

Mitch Craig
Partner

Melbourne

22 February 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Directors' Declaration

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

1. the financial statements and notes set out on pages 7 to 20, 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 2010 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, 22 February 2011

Consolidated Interim Statement of Comprehensive Income for the six months ended 31 December 2010

	Notes	Half year ended 31 Dec 2010 $'000	Half year ended 31 Dec 2009 $'000
Revenue	**7**	33,838	32,837
Personnel expenses		(12,041)	(13,801)
Occupancy expenses		(827)	(739)
Communication expenses		(406)	(416)
Finance expenses		(166)	(254)
Dealing and settlement expenses		(2,412)	(2,376)
Marketing and promotional expenses		(693)	(699)
Depreciation and amortisation expenses		(342)	(357)
General administrative expenses		(2,323)	(2,181)
Policyholder loss on assets at fair value through profit or loss		(699)	(1,296)
Realised losses		-	(12)
Member withdrawals attributable to policyholders		(77)	(77)
Profit before income tax expense		13,852	10,629
Income tax expense		(2,059)	(1,453)
Profit after income tax		**11,793**	**9,176**
Profit attributable to policyholders		(7,927)	(10,052)
Net Profit/(Loss) attributable to members of the company		**3,866**	**(876)**
Other comprehensive income			
Net change in fair value of financial assets taken to equity, net of tax		-	4,637
Net change in fair value of financial assets transferred to profit or loss, net of tax		(4,517)	-
Other comprehensive income for the period, net of tax		**(4,517)**	**4,637**
Total comprehensive income attributable to members of the company		**(651)**	**3,761**
Earnings per share			
Basic (cents per share)		3.41	(0.76)
Diluted (cents per share)		3.41	(0.76)

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

Consolidated Interim Statement of Financial Position as at 31 December 2010

	Notes	As at 31 Dec 2010 $'000	As at 30 Jun 2010 $'000
Assets			
Cash and cash equivalents	**10**	25,132	23,801
Trade and other receivables		1,940	2,117
Income tax receivable		-	530
Other assets		1,390	3,575
Financial assets		198,618	168,789
Property, plant and equipment		1,033	946
Deferred tax assets		8,765	10,128
Intangible assets		5,330	5,391
Total assets		242,208	215,277
Liabilities			
Trade and other payables		1,088	2,164
Tax liabilities		278	-
Borrowings		295	2,600
Other liabilities		4,073	5,906
Provisions		2,744	2,867
Deferred tax liabilities		816	871
Policyholder liability - life investment contracts		198,479	166,516
Policyholder liability - life insurance contracts		7,765	7,848
Total liabilities		215,538	188,772
Net assets		**26,670**	**26,505**
Equity			
Issued capital	**11**	44,643	43,926
Reserves	**12**	(6,202)	(1,746)
Retained earnings		(11,819)	(15,685)
Policyholder equity – life insurance contracts		48	10
Total equity		**26,670**	**26,505**

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 2010

	Issued capital $'000	Reserves $'000	Retained earnings $'000	Policyholder equity $'000	Total equity $'000
Period end 31 Dec 2010					
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)
Total comprehensive income for the period	**-**	**(4,517)**	**3,866**	**-**	**(651)**
Policyholder net profit for the period	-	-	-	38	38
Equity settled benefits	554	293	-	-	847
Transfer to issued capital	163	(163)	-	-	-
Acquisition of treasury shares	-	(69)	-	-	(69)
Balance at 31 Dec 2010	**44,643**	**(6,202)**	**(11,819)**	**48**	**26,670**
Period end 31 Dec 2009					
Balance at 1 Jul 2009	43,044	(6,553)	(9,981)	847	27,357
Net loss for the period	-	-	(876)	-	(876)
Net change in fair value of financial assets, net of tax	-	4,637	-	-	4,637
Total comprehensive income for the period	**-**	**4,637**	**(876)**	**-**	**3,761**
Policyholder net profit for the period	-	-	-	160	160
Equity settled benefits	708	209	-	-	917
Transfer from issued capital	(108)	24	84	-	-
Acquisition of treasury shares	-	(5)	-	-	(5)
Balance at 31 Dec 2009	**43,644**	**(1,688)**	**(10,773)**	**1,007**	**32,190**

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 2010

	Half year ended 31 Dec 2010 $'000	Half year ended 31 Dec 2009 $'000
Cash flows from operating activities		
Receipts from customers	18,671	20,322
Payments to suppliers and employees	(20,420)	(22,659)
Proceeds from sale of trading shares	285	901
Payments for trading shares	(252)	(1,044)
Finance and borrowing costs	(141)	(163)
Income tax received	842	1,116
Net cash flows used in operating activities	**(1,015)**	**(1,527)**
Cash flows from investing activities		
Interest received	1,161	800
Dividends received	500	13
Payment for property, plant and equipment	(395)	(10)
Payment for intangibles	(42)	(4)
Payment for sale of business	-	(50)
Payment for benefit fund investments	(28,326)	(24,443)
Proceeds from sale of assets	7,383	487
Payment for treasury shares	(66)	(492)
Repayments received from related entities	-	55
Amounts advanced to related entities	-	(183)
Net cash flows used in investing activities	**(19,785)**	**(23,827)**
Cash flows from financing activities		
Payment of guarantee obligation	-	(1,803)
Proceeds from borrowings	254	708
Repayment of borrowings	(2,560)	(1,125)
Contributions by investors	42,093	34,099
Withdrawals by investors	(17,656)	(9,381)
Net cash flows from financing activities	**22,131**	**22,498**
Net increase/(decrease) in cash held	1,331	(2,856)
Cash at beginning of the period	23,801	29,705
Cash at the end of the period	**25,132**	**26,849**

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 2010.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at Level 12, 15 William Street Melbourne 3000 or at 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 2010.

This consolidated interim financial report was approved by the Board of Directors on 22 February 2011. 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 2010. 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.

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 2010.

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 2010.

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) Benefit Funds

This operating segment covers the operating performance of the underlying benefit funds in the Austock Life business, the results of which are all attributable to policyholders, not shareholders.

(d) Unallocated services

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

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	Benefit Funds $'000	Unallocated services $'000	Eliminations $'000	Consolidated total $'000
Revenue						
External revenue	10,165	4,573	12,530	6,570	-	33,838
Inter-segment revenue	-	-	-	3,242	(3,242)	-
Segment revenue	10,165	4,573	12,530	9,812	(3,242)	33,838
Result						
Segment result	**(3,438)**	**1,127**	**10,703**	**5,460**	**-**	**13,852**
Income tax expense						(2,059)
Profit attributable to policyholders						(7,927)
Consolidated net profit after tax						**3,866**
Other segment information						
Realised & unrealised losses	-	-	699	-	-	699

For the period ended 31 Dec 2009	Corporate & Securities $'000	Investment Management $'000	Benefit Funds $'000	Unallocated services $'000	Eliminations $'000	Consolidated total $'000
Revenue						
External revenue	14,711	3,446	14,527	153	-	32,837
Inter-segment revenue	-	-	-	2,382	(2,382)	-
Segment revenue	14,711	3,446	14,527	2,535	(2,382)	32,837
Result						
Segment result	**(241)**	**(27)**	**12,254**	**(1,357)**	**-**	**10,629**
Income tax expense						(1,453)
Profit attributable to policyholders						(10,052)
Consolidated net loss after tax						**(876)**
Other segment information						
Realised & unrealised losses	12	-	1,296	-	-	1,308

Notes to the Consolidated Interim Financial Statements (continued)

7. Revenue

	Half year ended 31 Dec 2010 $'000	Half year ended 31 Dec 2009 $'000
Operating activities		
Rendering of services		
Corporate activities	3,096	5,371
Brokerage and commission	6,685	8,753
Property management	2,955	2,060
Fund management	101	138
Life office	1,418	1,135
Interest revenue		
Interest income on bank deposits	216	287
Interest income from other related parties	2	4
Other revenue		
Dividend income	503	-
Revaluation increase of investments	73	32
Realised gains	21	24
Gain on sale of investment	4,813	-
Gain on disposal of subsidiary	81	-
Other income	1,344	505
Benefit funds revenue		
Interest income	904	555
Distribution income & contribution	1,584	902
Revaluation increase of investments	10,042	13,071
Total revenue	**33,838**	**32,837**

Notes to the Consolidated Interim Financial Statements (continued)

8. Disposal of subsidiaries

On 30 September 2010 the Group disposed of its 100% interest in Austock Financial Planning Pty Limited ('Financial Planning'). The proceeds on disposal of $40,000 were received in cash.

The profit/(loss) from Financial Planning is analysed as follows:

	Half year ended 31 Dec 2010 $'000	Half year ended 31 Dec 2009 $'000
Loss for the period	(37)	(128)
Gain on disposal	81	-
	44	**(128)**

The following were the results of Financial Planning for the period:

	Half year ended 31 Dec 2010 $'000	Half year ended 31 Dec 2009 $'000
Revenue	108	272
Expenses	(164)	(477)
Profit before income tax	(56)	(205)
Income tax benefit	19	77
	(37)	**(128)**

The net assets of Financial Planning at the date of disposal were as follows:

	30 Sep 2010 $'000
Net assets disposed of	(41)
Gain on disposal	81
Total consideration	**40**
Satisfied by cash	**40**

A gain of $81 thousand was recognised in revenue on the disposal of Financial Planning. No tax charge or credit arose on the transaction.

9. Investments

On 27 August 2010 the Group announced the sale of its 16.7% shareholding in Newreg Pty Limited for a consideration of $7.3 million to a subsidiary of Boardroom Limited. Completion and settlement of the transaction occurred in November 2010 resulting in a gain of $4,813 thousand being recognised in the statement of comprehensive income. Prior to the sale a fully franked dividend of $0.5 million was received, which has also been recognised in the statement of comprehensive income.

Notes to the Consolidated Interim Financial Statements (continued)

10. Cash and cash equivalents

	As at 31 Dec 2010 $'000	As at 30 Jun 2010 $'000
Cash at bank (a)	25,039	23,570
Cash held on trust	93	231
	25,132	**23,801**

(a) $8,536 thousand (30 June 2010: $9,330 thousand) is restricted as it belongs to Austock Life Limited benefit funds.

11. Issued capital

	As at 31 Dec 2010 Number	As at 31 Dec 2010 $'000	As at 30 Jun 2010 Number	As at 30 Jun 2010 $'000
Issued and paid up capital				
Fully paid ordinary shares (a)	133,928,412	44,301	133,928,412	43,584
Partly paid ordinary shares (b)	5,153,580	342	5,153,580	342
Options (c)	-		-	-
		44,643		**43,926**

	Half year ended 31 Dec 2010 Number	Half year ended 31 Dec 2010 $'000	Year ended 30 Jun 2010 Number	Year ended 30 Jun 2010 $'000
(a) Fully paid ordinary shares				
Balance at beginning of period	133,928,412	43,584	133,928,412	42,594
Transfer from share based payment reserve	-	163	-	-
Equity settled benefits	-	554	-	990
Balance at end of period	**133,928,412**	**44,301**	**133,928,412**	**43,584**

	Half year ended 31 Dec 2010 Number	Half year ended 31 Dec 2010 $'000	Year ended 30 Jun 2010 Number	Year ended 30 Jun 2010 $'000
(b) Partly paid ordinary shares				
Balance at beginning of period	5,153,580	342	5,153,580	342
Balance at end of period	**5,153,580**	**342**	**5,153,580**	**342**

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)

11. Issued capital (continued)

	Half year ended 31 Dec 2010 Number	Half year ended 31 Dec 2010 $'000	Year ended 30 Jun 2010 Number	Year ended 30 Jun 2010 $'000
(c) Options				
Balance at beginning of period	-	-	1,025,000	108
Equity settled benefits	-	-	-	91
Cancelled during the period	-	-	(1,025,000)	-
Transfer to retained earnings	-	-	-	(199)
Balance at end of period	**-**	**-**	**-**	**-**

12. Reserves

	As at 31 Dec 2010 $'000	As at 30 Jun 2010 $'000
Financial asset reserve (a)	-	4,517
Share buy back reserve (b)	(4,325)	(4,325)
Treasury shares reserve (c)	(2,620)	(2,551)
Share based payments reserve (d)	743	613
Balance at the end of period	**(6,202)**	**(1,746)**

	Half year ended 31 Dec 2010 $'000	Year ended 30 Jun 2010 $'000
(a) Financial asset reserve		
Balance at beginning of period	4,517	306
Net change in fair value of financial assets, net of tax	(4,517)	4,211
Balance at end of period	**-**	**4,517**

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

	Half year ended 31 Dec 2010 $'000	Year ended 30 Jun 2010 $'000
(b) Share buy back reserve		
Balance at beginning of period	(4,325)	(4,325)
Balance at end of period	**(4,325)**	**(4,325)**

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 2010 $'000	Year ended 30 Jun 2010 $'000
(c) Treasury shares reserve		
Balance at beginning of period	(2,551)	(2,476)
Acquired during the period	(69)	(108)
Disposed during the period (transfer to retained earnings)	-	33
Balance at end of period	**(2,620)**	**(2,551)**

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 2010 the Group held 21,057,939 fully paid (30 June 2010: 20,577,934) and 1,280,160 partly paid (30 June 2010: 1,280,160) shares in the Company. During the period 480,005 fully paid shares were acquired. 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 2010 $'000	Year ended 30 Jun 2010 $'000
(d) Share based payments reserve		
Balance at beginning of period	613	(58)
Transfer to retained earnings	-	24
Transfer to issued capital	(163)	-
Equity settled benefits	293	647
Balance at end of period	**743**	**613**

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.

Notes to the Consolidated Interim Financial Statements (continued)

13. Dividends

There were no dividends paid during the period ended 31 December 2010 (2009: nil).

14. Share based payments

The Group has an ownership based compensation scheme for executives and senior employees. During the six months ended 31 December 2010 a total number of 4,977,383 (2009: 3,328,000) ordinary shares were granted to certain employees. From this total number, 1,575,794 vest over a 12 month period from grant date, 1,575,794 vest over a 24 month period from grant date and 1,825,795 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 $751 thousand (2009: $917 thousand) relating to equity settled share based payment transactions in the form of ordinary shares.

15. Commitments and contingencies

Claim by Liquidators of ZYX Learning Centres Limited (formerly ABC Learning Centres Limited) (In Liquidation) (Receivers and Managers Appointed)("ABC")

On 14 December 2010 letters of demand were received in relation to certain payments made to the Group during the 6 months prior to ABC going into voluntary administration on 6 November 2008. The liquidators are claiming these payments are recoverable as preference payments under section 588FE and 588FF of the Corporations Act 2001.

Details of the payments in question are as follows:

1. $1.0 million in corporate advice fees paid by ABC to Austock Corporate Finance Pty Ltd on 14 October 2008 in relation to the partial sale of the ABC US business to Morgan Stanley Private Equity in June 2008; and

2. $1,671,310 in fees paid by ABC to Austock Property Services Pty Ltd on 4 November 2008 for property services.

The Group does not dispute that the payments were received.

The Group has received legal advice and does not consider the payments are preferential and recoverable by the liquidator.

A formal response to the claim is being prepared and will be submitted to the liquidators in due course.

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 is claiming damages in the amount of $7.4 million.

Austock Securities Limited denies Mr Groves' allegations and will vigorously defend 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.

Bank guarantee facilities

On 12 July 2010, the Group increased its bank guarantee facilities by $1,045,106 for the purposes of satisfying its obligations under the lease agreement for the new Melbourne premises located at Level 12, 15 William Street.

Notes to the Consolidated Interim Financial Statements (continued)

16. Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 31 December 2010.

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, which comprises the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 comprising a statement 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.

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 2010 and its performance for the half-year 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)

KPMG

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 2010 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

M Craig

Mitch Craig
Partner

Melbourne

22 February 2011