



CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

Austock Group Limited AGM
Tuesday 26 October 2010

Slide 1 – Chairman's address

Ladies & Gentlemen

It is with great pleasure I have the opportunity to address you, the shareholders of Austock, for the first time in the capacity as Chairman of your Company.

My name is Steven Gregg and I have worked in a number of different roles across the financial services sector, both in Australia and abroad. I joined the Austock board in November 2009, predominantly due to the significant opportunities Austock presents as one of Australia's largest independent financial services, investments and corporate advisory firms.

2010 has been a year characterised by enormous challenges to both global financial markets and your Company. In my letter to shareholders in the 2010 Annual Report, I referred to extraordinary volatility and continued economic uncertainty that has resulted in a lack of confidence across the investment market. This directly affected the performance of our Securities businesses and, to a lesser degree, our investment management operations through the year.

Despite these difficulties and of particular highlight was our number 8 ranking for capital raisings in Australia for the 6 months ending 30 June 2010. This is an outstanding effort by the team; particularly in the knowledge that they were more highly ranked than global investment banking houses Goldman Sachs, Morgan Stanley, Deutsche Bank and Citigroup.

On the investment management side of the business, the Property Funds Management team have also done fantastically well to navigate through the hurdles presented by the insolvency of their major tenant. Consequently, our flagship fund, the Australian Education Trust, has seen this reflected in the increase in its share price, from 25 cents at the beginning of the financial year to 71.5 cents at close yesterday.

The Life Investments business experienced strong growth of its funds under management in 2010 of \$66.2 million, to \$175 million FUM by 30 June, and we anticipate, with continued investment into this business, even stronger growth over the coming 12 months.

I will pass you over to Paul Masi shortly to run through other operational and financial highlights across the Group for the 2010 financial year.

2010 has been a year of leadership and management change within Austock. Apart from myself, Kevin Clarke joined the board through the year. Kevin brings a wealth of industrial experience to the Company. In addition, we welcome our new CEO / MD,



Paul Masi. The Board and I are delighted an individual of the calibre and experience of Paul has chosen to join our team and we all look forward to working with him over the coming years as we seek to further develop the business.

I would like to commend my fellow Directors and senior management in navigating the business through the past 12 months.

Tim Boyle departs today as a director of the Company. I would like to acknowledge and thank Tim for his contribution over the past 3 years.

Austock is an organisation that invests in and builds sustainable returns in financial services businesses, through a tax effective pooled development fund structure. This strategy of the company remains intact despite the GFC. We continue to invest our time and capital into businesses that we believe will provide the strongest return to shareholders over time.

I've been very disappointed with the share price performance since joining the organisation however recognise it's reflective of our recent financial performance. I'm confident that under the leadership of Paul Masi, the newly installed management team and the mandated pipeline of deals, that we will return to profitability in the short term.

The remuneration report includes significant termination payments which have negatively impacted financial performance. These circumstances are unfortunate and perhaps could have been dealt with better but in the main were unavoidable due to contractual and statutory entitlements.

In closing, I would like to firstly thank staff for their hard work through 2010. It has been difficult year however staff have worked through the challenges with great resilience and I'm hopeful that all the hard work will be rewarded in the future.

To farewell the past and to characterise your Company's progression forward, we have recently relocated our Melbourne offices to significantly enhanced premises. For those who have yet to visit the new offices, I'm certain you will immediately recognise the uplift to the company's image.

I would now like to hand over to our CEO / Managing Director, Paul Masi, for an update on the business.

Thank you Paul.



Slide 2 – Managing Director’s address

Thank you, Steven.

For those I have yet to meet my name is Paul Masi and I was appointed MD / CEO of the Austock Group in March 2010.

Possibly reflective of several of Steven’s previous comments, I elected to join Austock as I could see the foundations of a strong business, despite the GFC, and great opportunities for strong growth in the future.

Key to organisations operating in a services industry, like ours, are the people employed within the company. I can confidently say that, having now worked within the business for several months along-side many of the staff, Austock has a quality team of individuals who have the ability and drive to return this company to profitability.

Slide 3 – Contents Page

We released our results and our Annual Report and Financial Statements on the 27 August.

It is my intention to run through 4 items today:

1. Core Focus Through 2010
2. Financial Overview
3. Segment Review
4. Strategy & Outlook

There will be ample time after we have considered a number of resolutions for questions, and the directors & senior management will stay back at the conclusion of the AGM should you wish to pose any direct questions.

Slide 4 – Core Focus Through 2010

1. **Revitalised Board & Senior Leadership Team**
 - New directors include Steven Gregg (non-executive chairman) and Kevin Clarke (non-executive director).
 - Tim Boyle stepping down from Board.
 - Paul Masi appointed Chief Executive Officer
 - Several senior hires across, predominantly, the Corporate & Securities businesses
2. **Alignment of Corporate & Securities Businesses**
 - Alignment of Research, Equity Capital Markets, Corporate Finance and Institutional Sales
 - Core common focus is being the leading investment and corporate adviser in the mid-cap and emerging company segment

3. Growth of Life FUM

- FUM increased by 42% to \$175m with limited distribution capability
- Investment in distribution resources, combined with new product during 2010, is expected to result in significant increase in FUM in 2011
- Imputation product now includes >30 investment portfolio options, with product access via over 100 Dealer Groups
- New product development activities with recent launch of the ChildBuilder™ Bond product

4. Stabilisation of the Property business

- Major tenant issues resolved
- Debt financing remains the final stage of restructuring
- Well-positioned to explore growth opportunities via acquisition or new product development

Slide 5 – Financial Overview: Operating Result

The table illustrates the 2010 operating results of the Group. As discussed in previous years, we are required by accounting standards to aggregate Life Benefit Funds into our accounts.

All financials on the following slides will exclude the impact of these because Austock shareholders do not derive any benefit or detriment due to the financial result of the Benefit Funds. The aggregation of these financials results tends to distort the true operational performance of Austock Group.

Of note are the following:

Revenue:

- Corporate revenue of \$10.7m off low base with virtually a new team
- Brokerage revenue down. Institutional-related due to continued “tough” trading conditions
- Austock Property Services (APS) was restructured effective June 2009 resulting in a \$2.8m decline in revenue.
- Property Funds Management income also down due to asset sales program of \$84m to meet AET debt amortisation targets
- Life revenue increased by \$0.5m due to increased FUM of net \$52m
- Other revenue includes dividends and interest received to Group

Expenses:

- Personnel costs down 13.7% from 2009
- Base labour and commissions decreased from \$27.7m to \$23.9m reflecting the restructuring initiatives undertaken in the 1H'09
- Other significant staff related costs include:
 - Termination payments associated with exiting directors and senior executives

- Share based payment expense (non-cash) increased as a result of the Employee Share Trust share allocations made in June 2009 and allocations to new directors and senior staff during the year
- Bonus and retention payments

Other financial highlights:

- Operating cash outflow of \$1.0m indicating the Company's resilient to tough market conditions

Slide 6 – Organisational Chart

This slide illustrates Austock's organisational structure, as it stands today.

In its simplest form, the business comprises 3 core revenue streams:

- Corporate and Securities;
- Property; and
- Life.

I will now provide an update on each of the operations that comprise each business unit.

Slide 7 – Segment Review: Corporate & Securities

Corporate Finance:

- New leadership team with appointments of several senior staff in deal generation roles
- Aggressive deal chasing resulting in more than 25 mandates through 2010; majority are new clients across a spectrum of industries. Deals of note include:
 - a. Corporate advisor to Slater & Gordon in relation to a \$57m acquisition and \$40m underwritten capital raising
 - b. Lead manager and underwriter for the \$177m IPO of Gerard Lighting, which included a \$85m capital raising
 - c. Other capital raising and corporate advisory roles with companies including Dyesol, Australian Education Trust, Catalpa, Mineral Resources, Pluton, Service Stream, Sims Metal Management and Northern Energy
- Focus on deal generation and establishing long-term client relationships in the mid-cap and emerging company space

Research:

- Rated best-resourced and credentialed research house of the non-globally aligned brokers
- Team produced 1,180 reports in 2010, plus numerous notes and calls in response to investor queries
- Consistently rated highly in the mid-cap and emerging company space in regional and national independent surveys, such as Starmine, East Coles, Australia Stockbroker Awards and Asia Money

- Specialist industry focus sectors include resources, agribusiness, mining services, infrastructure and emerging markets

Slide 8 – Segment Review: Corporate & Securities

Institutional Trading:

- Business cyclical to market traded volumes, which were depressed in 2010
- Appointment of new co-head of institutional trading, based in Sydney. Sydney market is key to the growth of this business
- Increase corporate product flow through alignment with Research, Corporate Finance and Equity Capital Markets
- Focused client management

Private Client & Financial Planning:

- Increase number of advisers and geographic focus. Strategy will include attracting experienced advisers with existing client books, as well as training new advisers
- Focus on increased revenue, by adviser
- Growth of the Asian Desk to gain a stronger foothold within the Australian Asian communities
- Enhance client stickiness with broader internal cross-selling of other Group products
- Enhanced client share-of-wallet through targeted research, corporate product flow and end-to-end client servicing (within our Private Client product suite)
- Merging of Structured Sales and Private Clients
- Need to invest in product to strongly differentiate our value proposition

Slide 9 – Segment Review: Investment Management

Property Funds Management:

- Growth of FUM through organic and non-organic means. With major tenant administration and receivership at an end, team significantly freed-up to focus on growth strategies
- Property at the bottom of the cycle with only premium commercial end of market commencing rebound. Several opportunities presenting themselves however many aggressive and growing players likely to compete on deals
- Refinancing AET debt (term ends 30 June 2011) an immediate operational focus

Life:

- Core focus remains distribution; replicating the successes of 2010. Focus on the NSW and QLD markets with two new Sydney-based BDMs
- New product development launch in August with the ChildBuilder™ Bond
- Further expansion of the Imputation Bond's investment menu
- Continued positive research coverage, including "Highly Recommended" rating with Zenith Investment Partners

Slide 10 – Summary & Outlook

Corporate & Securities Market Positioning:

- Position Austock as the premium mid-cap and emerging companies specialist
- Client identification as the long-term & committed player to this space in the Australian market
- Pricing product appropriately for issuers and investors alike

Relationship Nurturing:

- Identify & establish long-term corporate relationships with high-opportunity mid-cap and emerging companies

Growth of Private Client Business:

- Expand adviser network, both in numbers and geographically
- Continued focus on Asian Desk and growing networks into the Australian Asian communities
- Invest to develop a differentiated value proposition

Continue Momentum in Strong FUM Growth in Life:

- Focus on distribution via BDM networks
- New product development and broader imputation bond investment options
- Continue to expand investment options on platform

Growth in Property FUM:

- Identify and transaction organic and or non-organic growth initiatives

Slide 11 – Quote

“Austock is very well positioned as the committed mid-cap market specialist”

Slide 12 – Matters for Consideration

I will now pass you back over to Steven to review Shareholder Resolutions.

Thank you.