



Austock
Group

Austock Group Limited
Annual General Meeting

25 October 2011

Presented by
Steven Gregg, Executive Chairman
Paul Masi, Managing Director / CEO

Chairman's Address

Steven Gregg
Executive Chairman

Managing Director's Address

Paul Masi
Managing Director / CEO

Contents

1. Core Focus Through 2011
2. Financial Overview
3. Segment Review

Core Focus Through 2011

Corporate Finance and Securities

- Stable team who have now been together for 2 years and have established a new client base
- Corporate pipeline strong but ultimate deal flow will be impacted by market conditions

Property Funds Management

- Stabilised and profitable
- Searching for organic and acquisitive growth strategies however taking a prudent approach to growth

Life Investments

- Acquisition of Druids completed on 1 July 2011. FUM now ~\$250m
- Expectations of profits in 2012
- Continued strong net FUM inflows
- Successful launch of ChildBuilder™ bond product
- Focus on expanding distribution network

New Initiatives in 2011

- New Melbourne office. New offices in Adelaide, Perth and the Gold Coast
- Strengthened Sydney footprint across all businesses
- Significantly broadened Private Wealth business through hiring of experienced advisers
- Launch of Austock Capital Management and SMA products

Financial Overview: Operating Result

Operating Results (\$m unless stated)

Year ended 30 June	2011	2010	Change
Revenue			
Corporate & Securities	25.5	27.6	(8%)
Investment Management	8.5	7.2	18%
Other	2.0	0.7	nm
	36.0	35.5	1%
Personnel costs	(22.9)	(23.9)	(4%)
Operating costs	(12.5)	(12.3)	2%
Underlying profit / (loss)	0.6	(0.7)	nm
Other significant staff related costs	(2.6)	(6.3)	(59%)
Income tax benefit	0.6	1.0	(40%)
Impairment reversals / (charges)	1.1	0.2	nm
Profit from sale of Registries	4.8	–	nm
Reported profit / (loss) after tax	4.5	(5.8)	nm

- Overall a positive result in what remains a difficult operating environment. Profit of \$0.6m for the 2H
- Corporate revenue steady at \$10.7m. 2H was \$7.2m
- Brokerage down \$1.5m on year but 2H up 11% on 1H
- Property revenue up by \$0.9m due to AEU debt refinancing fee
- Life revenue up \$0.6m in line with FUM growth
- Other Investment Management revenue down by \$0.2m
- Other income includes dividends from Newreg, house positions, interest income and private equity performance fees
- Impairments include revaluations of previously acquired property management rights

nm: not meaningful

Note: Excludes Life benefit funds

Financial Overview: Expense Analysis

Expenses (\$m unless stated)

Year ended 30 June	2011	2010	Change
Personnel	22.9	23.9	(4%)
Occupancy	1.7	1.5	13%
Communication	0.8	0.8	-
Finance	0.3	0.5	(40%)
Dealing & settlement	4.3	4.2	2%
Marketing, travel & entertainment	1.2	1.2	-
Depreciation	0.6	0.7	(14%)
General administration	3.6	3.4	6%
Total Expenses	35.4	36.2	(2%)
Other significant staff related costs			
Termination, share based (non cash), bonus and retention payments	2.6	6.3	

- Commissions down \$0.6m in line with lower brokerage. Base labour costs basically in line with 2010 levels
- Occupancy costs included move to new Melbourne premises in October 2010
- Finance (interest) costs decreased due to debt being repaid in July 2010
- Dealing & settlement costs increase due to Life business commissions increasing \$250k in line with FUM growth during the year
- General administration included legal costs (\$600k), insurance (\$655k), IT costs (\$700k), audit (\$260k) and tax advice (\$160k)

Financial Overview: Cashflow Statement

Cashflow (\$m unless stated)

<u>Year ended 30 June</u>	<u>2011</u>	<u>2010</u>
CASHFLOWS FROM OPERATIONS		
Customer receipts	32.1	33.6
Supplier payments	(37.6)	(35.1)
Interest paid	(0.3)	(0.4)
Tax refund (payment)	0.6	0.9
Operating Cashflow	(5.2)	(1.0)
Principal account	(0.1)	(1.7)
Interest received	0.7	0.7
Dividend received	0.6	0.4
Related loans	0.1	(0.1)
Proceeds from borrowings	0.3	0.8
Repay borrowings	(2.7)	(3.4)
Guarantee payment	–	(1.8)
Sale proceeds	7.4	–
Business purchase	(0.3)	–
Other	(0.9)	(0.3)
Total Cashflow	(0.1)	(6.4)
Opening cash*	14.5	20.9
Closing cash*	14.4	14.5

- Customer receipts lower than revenue of \$36m due to a \$2.2m corporate receivable and \$1.3m of dividend and interest income being reclassified
- Supplier payments of \$37.6m generally in line with total expenses allowing for non-cash items such as share based payments and depreciation – offset by the 2010 provisions for bonuses and termination payments
- Bank debt associated with the 2007 Ceramic acquisition now fully repaid
- Sale proceeds comprises divestment of Newreg (Registries)

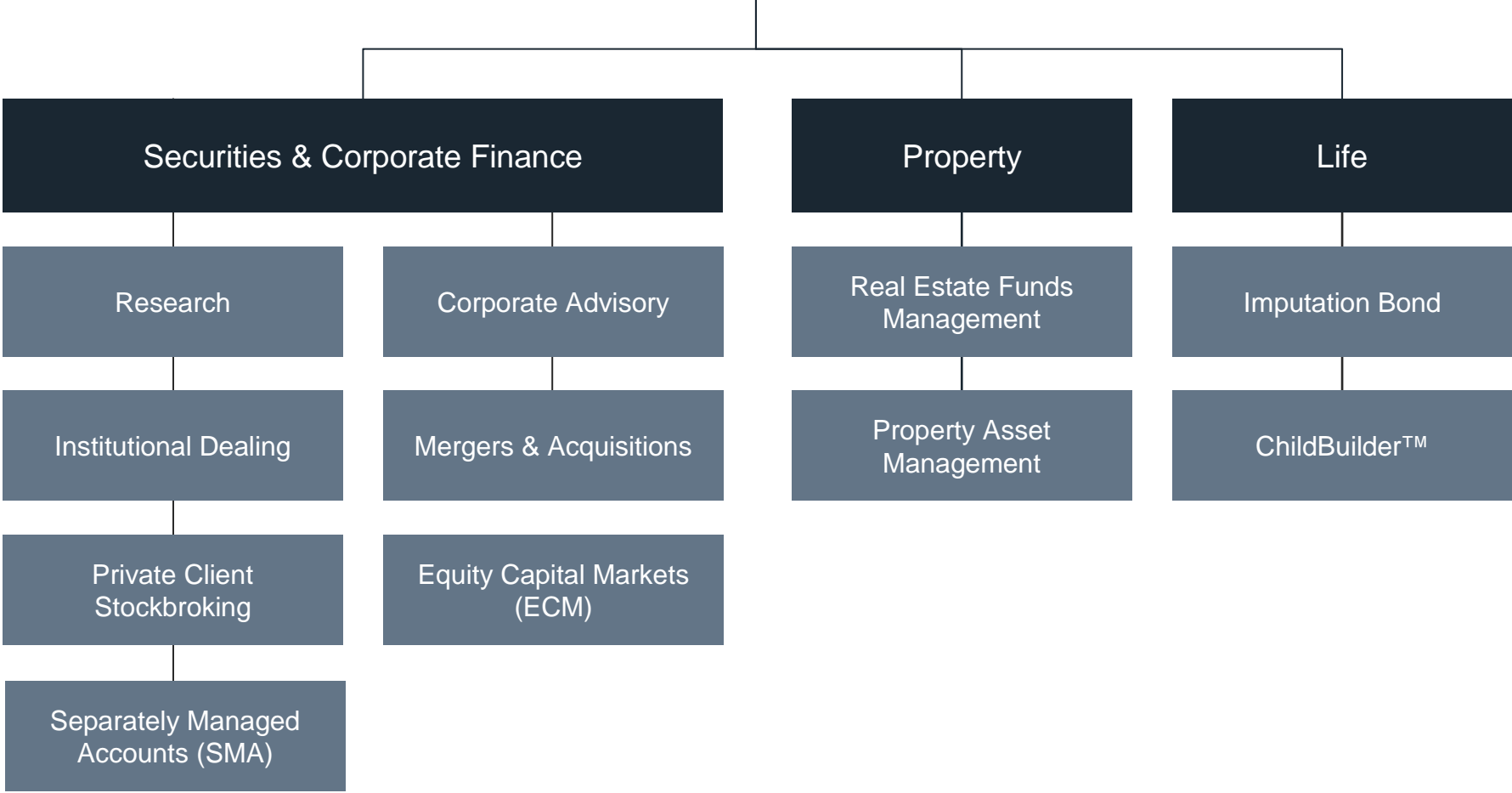
Financial Overview: Balance Sheet

Balance Sheet (\$m unless stated)

Year ended 30 June	2011	2010
ASSETS		
Cash	14.4	14.3
Trust cash	0.0	0.2
Receivables	4.1	2.1
Financial assets	2.5	9.6
Other assets	0.5	1.2
Plant & equipment	1.0	0.9
Intangible assets	7.2	5.4
Deferred tax asset	6.3	6.1
Income tax refund	0.6	0.8
Total assets	36.6	40.6
LIABILITIES		
Payables	1.3	2.0
Provisions	2.9	2.9
Other liabilities	4.4	5.8
Borrowings	0.2	2.6
Deferred tax liability	—	0.8
Total liabilities	8.8	14.1
Net assets	27.8	26.5

- Receivables include payment for a completed corporate finance deal (\$2.2m), Penson (\$0.6m) and property management fees for 4th Qtr
- Financial assets include house positions, investment in Newreg sold during year (\$7.8m)
- Other assets including prepaid insurance
- Intangible assets include software (\$278k), property management rights (\$3m, revalued from \$2m in 2010) and goodwill on consolidation / acquisition of \$3.9m (increased by \$0.9m due to Minc Wealth Management)
- Deferred tax assets include \$4.9m for carried forward losses
- Payables include Penson trading account of \$0.7m
- Provisions include annual leave and LSL of \$2.5m and office restoration of \$0.4m
- Other liabilities include GST, bonus provision, payroll related accruals, commissions for June, deferred consideration for Austock Capital Management and other accruals

Segment Review: Organisational Chart



Segment Review: Corporate Finance & Securities

Securities

Private Wealth

- Significant expansion of Private Wealth team nationally with experienced advisers hired in Melbourne, Sydney, Adelaide, Perth and the Gold Coast
- Introduction of new products including SMA, portfolio management tools, international share trading, broadened options advisory and specialty small resources deal exposure

Institutional

- Tough and volatile market conditions prevailed through 2011
- Team stable and poised to benefit from increasing traded volumes

Research

- Initiated coverage on a record 28 companies in 2011
- Hiring of new experienced analysts to broaden mid-cap coverage in 2012
- Consistent strong performance in Starmine and other peer analyst awards

Corporate Finance

- Targeted marketing initiatives implemented in 2010 coming to fruition with several mandates signed with new clients across a variety of sectors
- Increasing proportion of deals from underwriting and other ECM activities. 2011 also included M&A mandates
- Despite poor market conditions and increased competition from global banks in the small and emerging markets space, Corporate maintained revenue and increased market share through 2011
- Strong performance in ECM competitor league tables. Austock consistently ranks in the Top 10 and outperforms its Australian peers

Segment Review: Investment Management

Property Funds Management

- Management focus over the past year has been to successfully complete critical milestones to ensure protection and stabilisation of unit holder interests
- Business well-positioned to take advantage of suitable expansion opportunities
- Team has already examined several potential transactions however a prudent approach is required to ensure the right transaction is identified
- Recently awarded Property Investment Research (PIR) 2011 A-REIT of the Year, the Commonwealth Bank / Australian Property Institute (NSW) 2011 Property Trust Industry Award and the Ernst & Young Joe Curlewis Property Trust Industry Award

Across the portfolio

- Completed debt refinancing of all funds on more attractive terms than previously
- Completed a \$30.4m non-renounceable rights issue in AET
- Completed an ASX compliance listing of ASIF
- Recommended distributions in AEU, ASIF and ACF funds

Life Investments

- \$80.4m FUM inflows into Imputation Bond
- Launched ChildBuilder bond product.
- Acquired Druids Friendly Society with \$15.5m FUM on 1 July 2011.
 - Resulted in a 41% increase in FUM from 2010 (including Druids) across the business to ~\$250m.
 - Business forecast to become profitable in 2012.
- Broadened relationships across key Dealer groups through BDM hires in NSW and QLD. 2012 will see further expansion into WA market.
- Continued focus on innovative product development.

Segment Review: New Initiatives in 2011

Austock Capital Management (ACM)

- Acquisition completed on 31 May 2011.
- Introduction of Separately Managed Accounts (SMA) and broadened portfolio management services to Austock Private Wealth client base.
- High profile and experienced principals, recognised in the Australian market, managing the ACM business.

Other

- Divestment of Newreg (Registries) for \$7.4m.
- New offices opened in Perth, Adelaide and the Gold Coast demonstrating Austock's commitment to invest in and grow the Private Wealth business nationally.

“Austock continues to develop the platform in challenging markets. The Group is poised to benefit from a recovering market environment”

Paul Masi, Managing Director

Matters for Consideration

Matters for Consideration – Ordinary Business

Item 1: Financial Reports

To receive and consider the Financial Report of the Company and the Reports of the Directors and Auditor for the financial year ended 30 June 2011.

Matters for Consideration – Ordinary Business

Item 2: Adoption of Remuneration Report

To consider, and if thought fit to pass, the following ordinary resolution:

“That for the purposes of section 250R(2) of the Corporations Act 2001 (Cth), the Remuneration Report of the Company for the financial year ended 30 June 2011 as disclosed in the Directors’ Report be adopted.”

This resolution is advisory only and does not bind the directors of the Company.

Valid proxy votes received 85,799,795

FOR	AGAINST	ABSTAIN	OPEN (Non-Chairman)
50,549,493 (58.92%)	35,110,268 (40.92%)	13,116,025	140,034 (0.16%)

Matters for Consideration – Ordinary Business

Item 3: Election of Director

To consider, and if thought fit to pass, the following ordinary resolution:

“That Mr Andrew John Brown, having been nominated for election as a Director of the Company in accordance with Rule 11.1(k) of the Company’s Constitution and, being eligible and having consented to hold office, be elected as a Director of the Company.”

Valid proxy votes received 94,395,492

FOR	AGAINST	ABSTAIN	OPEN (Non-Chairman)
16,445,832 (17.42%)	77,868,460 (82.49%)	6,163,764	81,200 (0.09%)

Poll