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Annual General Meeting – Chairman and Chief Executive Officer’s Address

Please find attached the Chairman’s address and Chief Executive Officer’s address to be given to the Over Fifty Group 2009 Annual General Meeting convened for 11:00 am on 29 October 2009.

Yours faithfully

TERRY REID
COMPANY SECRETARY



Over Fifty Group Annual General Meeting 2009 - Chairman's address

In the 2009 financial year, the restructure and repositioning of the Over Fifty Group continued. In broad terms, this involved financial restructuring, dramatic reduction in staff numbers and very substantial reduction in expenses, combined with an increased focus on the Group's core business. John McBain will talk more of these things shortly but there are a few things I want to say about the restructure.

First and foremost, the restructure of the Group involved a huge amount of work by your board of directors and senior executives and this occurred in an environment in which staff numbers were halved and with a reduced number of directors.

Second, all staff, senior executives and executive directors took a substantial reduction in their salary and accepted that there would be no increase before July 2010.

Third, the restructure has been successful and has achieved the outcome I spoke to you about at last year's Annual General Meeting, namely it has put the Group's business in a position to take advantage of opportunities that will increasingly emerge as the economic conditions improve.

The 2009 financial year was a very difficult time for the Group and I want to thank my fellow directors, senior executives and all of our staff for sticking by the business and working so hard to improve the position of the Group.

The Over Fifty Group is in a much stronger position now than it was when I stood before you at last year's AGM and your board is very positive about the future of the Group.

In that regard I want to say a few words by way of profit guidance and dividends. I am obliged to point out that the guidance I will mention assumes that there will be no further write down or material impairment of items on our balance sheet such as for residential construction mortgages or any other one off items that are not considered in determining typical underlying earnings for any of the OFG group entities.

Nevertheless, we expect to achieve an after tax profit for the current financial year of \$6 million. On the basis that this result is achieved we expect to re-commence dividend payments with the declaration of a final dividend for the current financial year. We will be able to say more about this once the half year accounts are finalised.

I would now like to say a few preliminary words about the items for today's Annual General Meeting dealing with the issue of performance rights to executives and the executive option plan. I know that John will be commenting on these things as well.

First, before the decision was made to put these plans to you today, and also the restricted share plan for non executive directors, the Board consulted with an independent expert on director and executive remuneration and they have confirmed that each of the 3 Plans are in line with corporate governance principles.

OFG's performance rights plan was first approved by shareholders at the 2003 Annual General Meeting. However no OFG shares were ever issued under it. The plan you are being asked to approve today is for the same number of Performance Rights, namely 3 million.

You may also recall that in 2006, shareholders approved the issue of 1.1million options to the then Chief Executive Officer. All of these options have lapsed.

The executive option plan which is currently before you is intended to be made available to all senior executives and not just to the Chief Executive Officer.

Currently all executives receive their remuneration by way of annual salary and a cash bonus, which is discretionary. There is no longer term incentive component of remuneration.

In the 2009 financial year all executives, along with all of our staff, agreed to a reduction in their salaries of between 7.5% and 10% and also agreed that there would be no increase before July 2010.

There are three primary objectives behind the performance rights and executive option plans.

They are as follows.

First, in the case of the performance rights plan, to provide non-cash compensation for salary reductions and the salary freeze that occurred last financial year.

Second, again in the case of the performance rights plan, to provide an alternative to cash bonuses which have been paid in previous years. As with the cash bonuses, the granting of performance rights will be at the discretion of the Board and subject to approval by the remuneration committee which is independent of the executives. Also the exercise of these rights will be subject to certain performance hurdles being met by OFG.

The third objective is to provide a longer term incentive to executives. This is the primary purpose of the executive option plan. As you will have seen from the Explanatory Notes provided with the Notice of Meeting, the options do not vest for three years and even then, they only vest if performance hurdles have been met. As you will have also seen, the exercise of the options requires payment of the exercise price.

Having part of executive remuneration based around longer term incentives is consistent with ASX Corporate Governance Principles and Recommendations which recommend that the remuneration of senior executives should have a component which provides a longer term incentive and is performance based. The executive option plan put before you meets these recommendations.

As you will appreciate, it would be inappropriate for any director to vote on any of the resolutions in items 4, 5 and 6 which deal with the Performance Rights Plan, the Executive Option Plan and the Restricted Share Plan for non executive directors. I assure you that no directors will be voting on these items.

I will now hand over to John McBain to say a few words.

**Chief Executive Officer's Address - Over Fifty Group AGM
29 October 2009**

First, can I add my welcome to the 2009 Annual General Meeting and a warm welcome to shareholders who are attending the meeting by way of video link at our Sydney office.

After 20 months in my current position I have to say the 2008/2009 financial year has been one of the most trying of my career however we are fully aware that shareholders have also felt the strain of the prevailing financial conditions.

This year has been one of rebuilding and re-focussing on our core strengths against a backdrop of a difficult global economic climate.

Our team has made good measurable progress towards our goals despite the distraction of the prevailing financial conditions and there has never been any doubt that the strong underlying revenue streams from our core activities will see us through this very difficult period which is precisely what has occurred.

I have listened carefully to the issues you have raised during the year and they generally strike common themes – how we arrived in the current situation – what we have done about it – and what the future holds for us.

Because we believe financial markets are stabilising and because we know that shareholders want us to be forward looking I am going to focus on the present position as well as how we see next year and what it holds for shareholders rather than repeated references to the difficult conditions we have just experienced.

Backdrop

The current board and management team inherited corporate debt of over \$24 million, (now paid down to \$18.2 million), a number of business units that were trading unprofitably (and were likely to continue to do so) and too many non-core business units ranging from reverse mortgage, financial planning, issuance of residential development loans to mortgage broking. This situation was aggravated by extremely high corporate expenses based on a model with over 100 staff and a large board relative to the companies size. (refer corporate debt slide)

As significant shareholders we share the concern many of you have expressed regarding this position. In 2007 you gave us a mandate to clean the situation up and we have concentrated on doing something positive about the structure and potential of the company rather than dwelling in the past.

Strategy

The company has a clear, sensible plan to focus on the core Over Fifty Group operations and dispose of or side-line any area of business that is unprofitable or lacks strong potential. Core operations are defined as Friendly Society management and Property Funds management.

Our strategy is to allow these major divisions to produce good profits without the impediments of either loss making divisions or high corporate expenses. Of course, we would have preferred to carry out these changes in a normal financial environment but at the end of the day we have proceeded with them despite the financial climate.

Beginning in the 2009/2010 financial year both shareholders and the general market will see the results of our improvements and we ask for your continued support to see this transformation through.

By 30 June 2009 the following steps had been taken;

- The Financial Planning unit was sold
- The Reverse Mortgage business discontinued lending and was brought into profit
- All residential construction lending both in the Friendly Society and on the corporate balance sheet was discontinued in 2007 and there are no plans to reinstate this activity
- Since 2007 we have been forced to write off against profit over \$12 million of existing residential construction loans as being unrecoverable
- Only two on – balance sheet residential loans remain to be recovered and we are supervising these directly
- Corporate expenses were reduced by 28% compared to 2007/2008 (refer slide)
- Total staffing reduced from over 100 to 50 (including the recently acquired Eclipse subsidiary)
- Two third of the head office's floor space was sub-leased
- All remaining staff agreed to take a 7.5% - 10% salary reduction

Financial Performance

Key features of the 2008/2009 financial performance are;

- An underlying profit of \$7.2 million after tax.
- A 75% increase in underlying profit between the first and second half of the financial year
- Total funds under management as at October 2009 equal \$1.896 billion
- Corporate loans rolled over and reduced to \$18.2 million at present

- Corporate debt is targeted to reduce to \$10 million by the end of the current financial year
- Both the Reverse Mortgage and Insurance divisions made meaningful contributions to underlying profit (\$2.9 million in total)
- Our 50% interest in mortgage manager – Mortgageport also contributed ahead of budgeted profit.

During the year we completed the acquisition of Eclipse Property Group which brings our total property funds under management to \$878 million. We expect property funds management to be a strong profit contributor in the current financial year and an even stronger factor in the years to come.

What does this mean to shareholders?

Today for the first time in over 12 months as our chairman has stated, we have issued profit guidance for the 12 months ending June 2010. We are also committed to reinstating dividends as we know that many of you rely on this income.

As profits build up in the current financial period we will be in a position to write to shareholders and confirm the amount of the payment. I want you to know that the dividends we have all foregone were invested in paying down corporate debt which is part of good corporate governance.

In 2008 and early 2009 our share price fell as all share markets reacted to the financial downturn. Small listed companies such as ours fell further than most and it is pleasing to see our share price recovering ground to its present level. We have seen our share price treble since April this year alongside larger volumes of share transactions as the market begins showing an interest in the OFG restructure and potential.

We believe the increasing share price is a result of the market undertaking the ongoing process of re-rating its valuation of OFG. An important part of our job is a continuation of the steps we are taking to make the analysts, fund managers and the public aware of this upside.

The Year ahead

We look forward to keeping you up to date as we grow the property funds under management. These are currently at \$878 million and we are working to increase this figure. By way of example, yesterday our property funds management subsidiary, Century Funds Management, exchanged contracts to acquire a new Adelaide office building leased to the SA government in the sum of \$17 million.

This is to be purchased by a new off-balance sheet property fund (Century Property Trust 13) which is being formed on behalf of a group of Century

investors. This will bring property funds under management “FUM” to \$895 million and total Over Fifty Group FUM to \$1.897 billion.

The Friendly Society has a number of new products at an advanced development stage, and we will ensure that policyholders are informed of these as they are approved by the regulator.

In August we held our first policy holder information sessions in Sydney and Melbourne. We intend to continue to hold these briefing sessions as each new product is launched and to continue to provide members with other relevant market information. Our aim is to hold four sessions per year in addition to the annual forum policyholders attended today.

Non – Executive Directors

I wish to say a few words in relation to our non-executive directors.

First, on behalf of myself and the executive of the company I would like offer our sincere thanks to our three non-executive directors for the unstinting support and efforts they have made and continue to make during the repositioning of the group.

These are undoubtedly the most trying business conditions we are likely to experience in our life-times and I cannot imagine undertaking the breadth of changes to the company we have without their wise counsel and the massive amount of time they have contributed.

For these reasons Mr Huljich and myself have proposed the non-executive restricted share plan in resolution 6 and I will be discussing it in further detail later today.

Closing Comments

I would like to pass on my thanks to all the OFG and Century staff both in Sydney and Melbourne. You have shown confidence in our board and senior management and I will be delighted when you have the opportunity to participate in ownership of company shares. You have worked hard and you will have earned this right.

To our senior OFG staff, Matthew Coy, Terry Reid, Jason Huljich, Sean Webster, Troy Dafter, Corey Adkins and Andrea McCarthy a special thank you for your dedication during this period. Also my thanks to the Eclipse Property Group and Mortgageport teams.

I appreciate the long hours you have all put in and can promise you will never have to experience another year of financial conditions such as the one you have just suffered, I am proud of you all.

I want to address shareholders who are Friendly Society Policy holders. Please think of your friendly society investment being linked to your OFG shares. Since demutualisation, you have the right to two income streams, one from each entity.

Maintaining the maximum pool of investment funds in the Friendly Society increases returns to the Society manager (OFG) which impacts positively on earnings, dividend potential and consequently share price.

I am particularly gratified to witness a reduction in bond redemptions to date this year of almost 50% as policyholders begin to feel more in touch with the way in which we are managing their investments and take a more positive and informed view on the financial market recovery. Most commentators agree that exiting investments in the current historic low - point in investment markets is unlikely to maximise an investors return so it is particularly pleasing to see a situation emerging where loyal policyholders will be rewarded as financial markets recover.

Policyholders in the room have seen our presentation regarding the recovery in returns across the Friendly Society bonds. June 2009 was pretty close to the lowest valuation point across the asset classes we invest in and I hope you have taken heart from both the improved prospects for your Friendly Society investments and our corporate profit and dividend guidance – these are the two income streams you deserve.

Finally I wish to thank all shareholders for making the effort to attend today, our staff and directors appreciate the opportunity to meet with you and I wish you all a safe journey home.