Austock Group

Austock Group Limited
Full Year Results

For the year ending 30 June 2008

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Contents

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Summary

- Underlying revenue up 22%
- Underlying profit before tax down 12%
- Cash stable
- 1c unfranked dividend declared

- Impairment charges of $2.7 million
- Losses from discontinued operations $5.3 million

- On-going restructure benefits to exceed $5 million
- Market conditions expected to persist well into 2009

Financial overview

Operating result ($m unless stated) *(excluding Life benefit funds)*			
Year ended 30 June	**2008**	**2007**	**Var**
Revenue	**71.7**	**59.0**	***22%***
Operating costs	(61.9)	(47.9)	*(29%)*
Profit before income tax	**9.8**	**11.1**	***(12%)***
Tax	(1.7)	-	
Profit after tax[1]	**8.1**	**11.1**	***(27%)***
Impairment charges	(2.7)	-	
Losses from discontinued operations	(5.3)	-	
Net profit	**0.1**	**11.1**	
Profit before tax margin	14%	19%	
Profit after tax margin	11%	19%	
Basic EPS	7.0c	10.8c	
Diluted EPS	7.0c	10.8c	

[1] *Underlying result excludes Life benefit funds, impairment and discontinued operations losses*

- Reported results impacted by discontinued operations and impairment provisions
- Revenue growth and underlying result solid despite difficult markets

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Non recurring items

Non recurring items ($m)	
Year ended 30 June	**2008**
Underlying profit after tax	**8.1**
Losses from discontinued operations - Property USA	
Operating costs	*(1.9)*
Impairment charge	*(2.5)*
Business closure provision	*(0.9)*
Impairment charges	
APX	*(1.6)*
ABC Learning Centres	*(0.2)*
API	*(0.9)*
Reported profit after tax	**0.1**

- Property USA business discontinued in June 2008
  - Operating costs primarily represent legal and labour costs
  - Impairment charges represent previously capitalised costs, primarily labour and legal costs
  - Business closure represents commitments such as leases and redundancy costs
- APX – includes total carrying value and receivable
- ABC Learning Centres represents shares given in lieu of Director fees
- API represents holding received as part of Ceramic acquisition in 2007

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Balance sheet

Balance sheet ($m) *(excluding Life benefit funds)*			
Year ended 30 June	**2008**	**2007**	**Var**
Cash and cash equivalents	33.4	33.8	*(1%)*
Trade receivables and payables	3.4	0.4	*779%*
Financial assets	8.6	4.9	*77%*
Property, plant and equipment	1.8	1.9	*(4%)*
Tax assets and liabilities	6.4	3.6	*77%*
Intangibles	15.9	17.2	*(7%)*
Borrowings	(7.2)	(7.8)	*(8%)*
Other assets and liabilities	(13.2)	(9.2)	*43%*
NET ASSETS	**49.3**	**44.8**	***10%***

- Most significant adjustment for Life benefit funds impacts Financial Assets ($100m) and Other Liabilities ($108m)
- Solid balance sheet to pursue growth

Cashflow statement

Reconciliation of movements ($m) *(excluding Life benefit funds)*			
	Six months ended		Year ended
Six months ended	31 Dec 2007	30 Jun 2008	30 Jun 2008
OPENING CASH	**38.4**	**51.5**	**38.4**
Less Benefit Funds Cash	(4.5)	(4.5)	(4.5)
NET AUSTOCK CASH *(Underlying)*	**33.8**	**47.0**	**33.8**
CASHFLOWS FROM OPERATIONS			
Underlying net profit before tax	9.5	0.3	**9.8**
Less non operational items			
Discontinued operations	-	(2.8)	**(2.8)**
Interest received	(1.0)	(1.2)	**(2.2)**
Add back non cash items			
Revenue accruals	(0.5)	(6.5)	**(6.9)**
Share based payments	0.5	1.5	**2.0**
Depreciation and amortisation	0.5	0.7	**1.2**
Other non cash items	3.7	(0.2)	**3.5**
Tax paid	(1.9)	(2.3)	**(4.2)**
CASHFLOWS FROM OPERATIONS	**10.9**	**(10.5)**	**0.4**
FINANCING AND INVESTING CASHFLOWS			
Investments	(4.5)	(2.1)	**(6.6)**
Proceeds from IPO	10.8	-	**10.8**
Proceeds from return of capital	-	1.5	**1.5**
Dividend paid	(3.0)	(2.5)	**(5.5)**
Other financing and investing cashflows	(0.9)	0.0	**(0.9)**
FINANCING AND INVESTING CASHFLOWS	**2.4**	**(3.2)**	**(0.8)**
CLOSING NET AUSTOCK CASH *(Underlying)*	**47.0**	**33.4**	**33.4**
Add Benefit Funds Cash	4.5	2.7	2.7
CLOSING CASH *(per full year accounts)*	**51.5**	**36.1**	**36.1**

Second half cashflow

- Impacted by:
  - Reduced operational performance
  - Revenue accrued in late June

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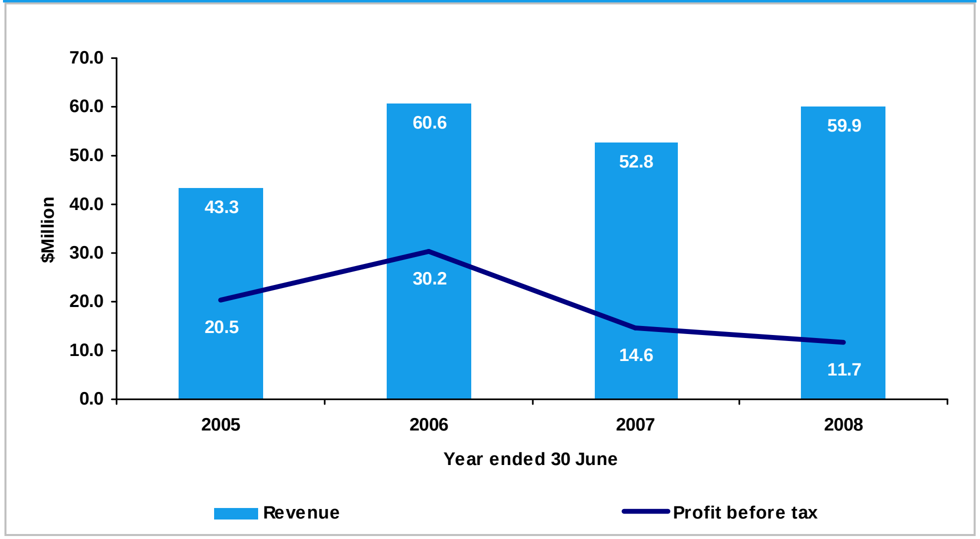
Segment review

Corporate and Securities



Corporate Finance

- Key appointments with expansion of Sydney presence and addition of Treasury Risk Advisory
- FY09 transactions already announced include:
  - Sims Group
  - Queensland Gas
  - Northern Energy Corporation

Research

- Coverage increased to 130 stocks, focused on key competencies:
  - Resources, infrastructure, emerging, agribusiness, energy and financial services
- Continued recognition by Starmine
  - #1 against peers for stock recommendations and earnings predictions accuracy

Institutional Sales

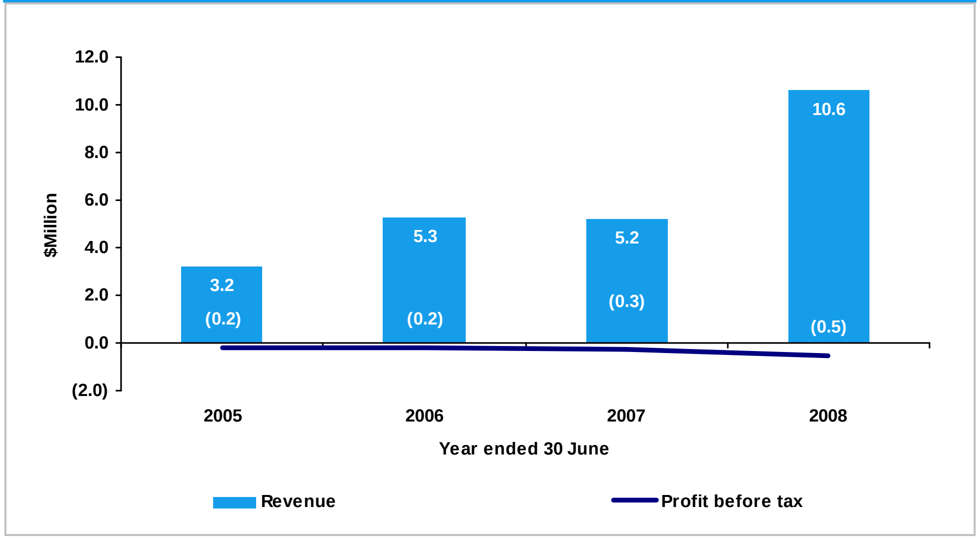
- Market share maintained

Private Wealth

- Restructured into four key businesses (Private Clients, Adviser Broking, Private Portfolio Management, Financial Planning)
- Addition of comprehensive Financial Planning service offering
- Addition of new IT platforms

Segment review *cont'd*

Investment Management *(excluding Life benefit funds)*



- Revenue up 102% due to:
  - Full year contribution from Austock Funds Management Limited
    - *previously Ceramic Funds Management Limited – acquired March 2007*
  - First contribution from Austock Property Services

Property

- Impacted by difficult global market and restrictive equity capital markets
- 21% FUM increase, a significant result given the market
- Significant restructure:
  - Senior management change
  - Closure of Chicago office

Life

- Imputation Bond heading toward critical mass
  - Six new investment options
  - 73% increase in FUM

Asset Management

- 17% decline in FUM driven by a combination of net outflows and market movements
- Continuing product development
  - Launch of Private Portfolio Service

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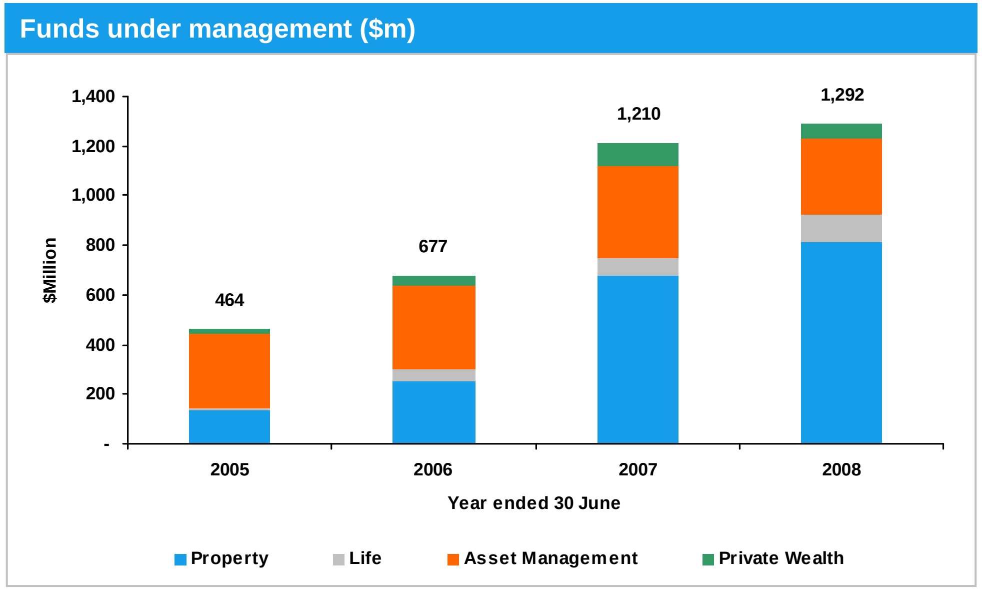
Funds under management



- FUM up 7%
  - a solid achievement in a market dominated by declines
    - ASX 200 down 16%
    - ASX 300 Property down 39%
    - Small Ords down 24%
- Inflows remain reasonable, led by $55 million in Austock Life, a 77% increase over PCP

Restructure initiatives

Corporate and Securities

- Closure of Brisbane Securities office
- Conclusion of UK joint venture agreement
- Corporate and Securities management restructure

Investment Management

- Closure of Property USA operations
- Property management restructure

Other

- Exit APX investment
- Decrease Group overhead costs

Summary

- Overall headcount decreased by 15% over FY08
- Total benefit from restructure initiatives identified, including those yet to be implemented, expected to generate in excess of $5 million annualised cost benefit
- Total headcount and cost savings in addition to discontinued operations

Investments

Corporate and Securities

- Commencement of Treasury Risk Advisory team
- Commencement of comprehensive Financial Planning team

Investment Management

- Continue to develop in-house and 3rd party distribution channels

Other

- Increased stake in Newreg Pty Ltd
  - Parent company of Registries Limited

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Strategy and outlook

- Seek opportunities to grow the business in a bear market

- Increase scale and preserve cash position through:
  - Sharing the risk on future investments
  - Diversifying risk on current investments
  - Seek out mergers and acquisitions that make sense strategically, financially and culturally

Recap

- Cash remains strong
- Underlying business remains strong
- Continue to actively manage costs
- Ready to take advantage of opportunities

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Appendices

Financial overview *(Life benefit funds reconciliation)*

Operating results reconciliation ($m)						
	2008			2007		
Year ended 30 June	Reported	Benefit Funds	Underlying	Reported	Benefit Funds	Underlying
Revenue	**77.1**	**5.4**	**71.7**	**66.3**	**7.3**	**59.0**
Operating costs	(78.1)	(16.2)	**(61.9)**	(49.2)	(1.3)	**(47.9)**
Profit before income tax	**(1.0)**	**(10.8)**	**9.8**	**17.1**	**6.0**	**11.1**
Tax	1.7	3.4	**(1.7)**	(1.7)	(1.7)	**-**
Profit after tax	**0.7**	**(7.4)**	**8.1**	**15.4**	**4.3**	**11.1**
Impairment losses	(2.7)	-	**(2.7)**	-	-	**-**
Losses from discontinued operations	(5.3)	-	**(5.3)**	-	-	**-**
(Profits) / losses due to policyholders	7.4	7.4	**-**	(4.3)	(4.3)	**-**
Net profit	**0.1**	**-**	**0.1**	**11.1**	**0.0**	**11.1**

Life benefit funds

- Under accounting standard AASB 1038, Austock is required to aggregate the financial statements of the Life Benefit Funds into the Group's accounts
- Exclusion of the Life benefit funds for the purposes of reporting underlying earnings is consistent with treatment in prior years
- The result of the benefit funds represents the interests of the funds' policyholders:
  - Revenue includes policyholders' distribution and interest income
  - Costs mainly comprise the revaluation of their investments
- Shareholders do not share in any of the risk or benefits of the underlying investments of the Life benefit funds.

Balance sheet *(Life benefit funds reconciliation)*

Balance sheet reconciliation ($m)						
	2008			2007		
Year ended 30 June	**Reported**	**Benefit Funds**	**Underlying**	**Reported**	**Benefit Funds**	**Underlying**
Cash and cash equivalents	36.1	(2.7)	**33.4**	38.4	(4.5)	**33.8**
Trade receivables and payables	5.5	(2.1)	**3.4**	3.6	(3.2)	**0.4**
Financial assets	108.2	(99.6)	**8.6**	73.1	(68.2)	**4.9**
Property, plant and equipment	1.8	-	**1.8**	1.9	-	**1.9**
Tax assets and liabilities	9.0	(2.6)	**6.4**	2.0	1.6	**3.6**
Intangibles	15.9	-	**15.9**	17.2	-	**17.2**
Borrowings	(7.2)	-	**(7.2)**	(7.8)	-	**(7.8)**
Other assets and liabilities	(119.8)	106.6	**(13.2)**	(82.8)	73.7	**(9.2)**
NET ASSETS	**49.7**	**(0.4)**	**49.3**	**45.6**	**(0.8)**	**44.8**

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