

CHAIRMAN'S AND MANAGING DIRECTOR'S ADDRESSES

Austock Group Limited AGM
Thursday 29 October 2009

Page 2 – Chairman's address

Ladies & Gentlemen

We have heard a lot about the Global Financial Crisis over the past 12 months. One thing for certain is that it has dominated and shaped our business significantly in the past year.

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 and despite some structural changes that I'll leave for Tim Boyle to discuss with you.

I would like to commend my fellow Directors and senior management in navigating the business through the past 12 months. It has been a tough ride and we had to make tough decisions but I'm pleased to say that the signs are favourable.

This is my last day on the Board and as your Chairman and I leave you highly optimistic about Austock's future. I've been involved with the Group for 14 years and I've seen the company grow from a small, boutique Melbourne stockbroking business to the diverse financial services organisation it is today.

I'm pleased to announce the appointment of Chris Sadler as Chairman who will continue to drive the strategy in the future and the imminent restructure of the Board.

I would now like to hand over to our Managing Director, Tim Boyle, for an update on the business.

Thank you Tim.

Page 3 – Managing Director's address

Thank you Bill for all your help and support over the period and from all our staff, directors and shareholders for your 14 years of dedicated service as Chairman of Austock Group. Thank you.

Austock is a survivor and one of a handful of Australian, independent investment and financial services groups.

Prior to the Global Financial Crisis, we endured the slings and arrows relating to the failing of several firms that we had listed and supported. This adversely impacted our reputation and revenue. We suffered as an organisation, but we survived.

Then the GFC arrived and ravished the financial services sector globally and locally. Some global organisations required substantial support to survive. Some did not survive. Again we suffered as an organisation, but we survived.

Perversely we stand here today a stronger, leaner and more focused organisation, but not without some loss. In the last 2 years we have had to write off more than \$23.6 million in impairments; mainly from business decisions made long ago in more optimistic times.

We reduced our payroll to \$11.6m in 2H09, from a peak of \$19.3m in the previous corresponding period. As a means to protect as many jobs as possible, while maintaining revenue generation capacity, all of my direct reports and other management, the Board and I all agreed to a reduction in pay.

We have done what was necessary to ensure the firm survived the GFC with its intellectual capital intact. The tide has turned and our focus is squarely on profitable revenue, but from a much lower cost base.

We have cash, we have pro-actively managed our costs, we have good people and are a very compliant group of businesses.

Reaffirming Austock's strong position:

- We have taken the favourable employment markets to attract the highest calibre individuals available who share our vision of building a premium financial services business.
- Our research product is rated as a leader amongst our peers.
- Our Life business is swimming against the tide in its sector in achieving monthly gross inflows of up to \$7 million. Even in the darkest hours of the GFC the Life company still received positive net inflows.
- We have completed substantial restructures resulting in the closure of some business units that did not fit the business strategy or would not be self funding in the near term

- We have a stronger management and origination team
- We have taken our medicine and cleaned the balance sheet of any items that could potentially impact our ability to return to profitability
- We are a very heavily monitored organisation because of our range of businesses affording regulation by the ASX, APRA & ASIC.

Page 4 – Content Page

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

It is my intention to review the highlights of the financials, update shareholders on our restructure and finally provide some commentary with respect to Austock's 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.

Page 5 – Core Focus Through 2009

So what did we do in 2009?

1. As I mentioned, our company has been affected by the GFC like all other financial services companies and banks over the past 18 months.
2. Directors and senior management had to respond to the crisis as it unfolded.
3. There were 2 key elements to our response:
 1. Firstly, we elected to focus on core, profitable businesses only. This resulted in the divestment of the Australian Pacific Exchange and Austock Asset Management; as well as the closure of the Agribusiness fund, API fund and, more recently, the Treasury Risk Advisory business. Austock would have been required to invest significant sums of capital into each of these businesses to make them profitable in the short to medium term. In an environment of heightened uncertainty, fear and irrational market behaviour, the Board recognised that conserving cash was critical and the ongoing funding of these businesses was untenable.
 2. Secondly, we ran through every expense item across the business and undertook sweeping changes. I will review the quantum of the cost savings later in this presentation, however some of the broader initiatives your Board and senior management undertook to strip costs from the business quickly included:
 1. The closure of the Brisbane and Chicago offices;
 2. Management agreed to voluntary salary reductions;
 3. We reviewed and decreased headcount; and
 4. We generally managed all expenses.

4. As a result of these actions the cost base is very scalable and these foundations are providing opportunities to leverage the platform as market conditions become increasingly favourable.

So in summary we focused on cash and costs. We focused on core business units with near term potential and we rolled out an aggressive restructuring program that has now provided us with a scalable platform for growth.

Page 6 – Financial Overview: Summary

1. 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.
2. As a summary of our performance in 2009:
 - a. Austock reported revenues of \$40m, which was a 43% decrease from 2008;
 - b. The underlying loss before tax was \$1.3m, which represented a decline from \$11.1m in 2008;
 - c. Annuity revenue held steady at \$10.9m; and
 - d. Our cash reserves remained strong at \$20.6m.

Page 7 – Financial Overview: Operating Result

1. This slide provides a summary of our operating result for the period.
2. Starting with revenue, we recorded a 43% decline from 2008 to \$40m. This was almost exclusively an outcome of both declined trading volumes and the evaporation of the corporate finance deal pipeline in second half 2009.
3. I would like to make particular mention of the investment management business which performed consistently through the period, despite the divestment of the Asset Management business in May. I believe this reaffirms the past strategic direction of the Board in pursuing annuity revenue sources that are not directly correlated to market cycle peaks and troughs.
4. In the full year results presentation on 27 August, I alluded to the difficulty in removing costs from the business at the same rate as the decline in revenue. Cost reductions take time to implement; whereas revenue can drop off a cliff virtually overnight.
5. We implemented a company-wide expense review in 1H09 where all expenses lines across all Group companies were questioned. The outcome of this exercise saw total Group expenses fall by 37% to \$41.3m for the period.
6. Personnel costs declined 35% through both voluntary salary decreases and headcount reductions. As I mentioned earlier, 2H09 personnel costs were \$11.6m, versus \$19.3m in the previous corresponding period, representing a decrease of 40%.
7. The other point to note is the decline in operating costs through the period from \$16.2m to \$13m. This, again, is a direct reflection on our response to the GFC.
8. The underlying loss before tax was \$1.3m.

9. The other item of significant on this slide is the impairment charge. I will discuss this on the next slide.
10. Other items in the financial statements that have not been demonstrated on this slide but are worth mentioning include the following:
 1. Austock's net asset position at 30 June was \$26.5m, of which \$20.6m comprised cash.
 2. Operating cashflow through the year was negative \$6.8m, which directly reflects the mismatch between the acute decline in revenue and the slower decrease in expenses I mentioned earlier.
 3. Austock has total debt of \$4.5m, the majority of which relates to a facility used within our property division.
 4. Finally, our balance sheet carrying value for the Registries investment is \$2.5m.

The key observation from the GFC is that it was impossible to cut costs at the same rate as revenue fell and maintain the integrity of the business. We are fortunate that we had committed staff, cash reserves and low levels of debt.

Page 8 – Financial Overview: Overview of Impairments

1. We've discussed impairments a lot over the past 24 months and I'm not going to run through each item again, other than to say Impairment charges for the period predominantly relate to write-offs and write-downs within the property funds management business.
2. ABC's insolvency affected us and we incurred \$4m in bad debts.
3. The outcome of these impairments is a clean and simple balance sheet.
4. The only other item on this slide that I will pick up on is the final item, School development trusts.
5. This charge relates to Austock's exposure in relation to supporting school development trusts managed by Austock Property and other school related entities. Negotiations are continuing with various parties which, if successful, may result in recovery of some of this investment.
6. This remains the last of the legacy issues within the property business.

Page 9 – Segment Review: Organisational Chart

1. This slide demonstrates Austock's organisational structure, as it is today. This is the model in which we have entered 2010 and we believe will return Austock to profitability quickly.
2. In its simplest form, the business comprises 2 core revenue streams:
 1. Corporate and Securities on the left; and
 2. Investment Management on the right.
3. I will now provide an update on each of the operations that comprise each business unit.

Page 10 – Segment Review: Corporate & Securities

Corporate Finance

1. The financial year started optimistically for Corporate finance in 2009, however things slowed dramatically in the second half.
2. Despite this, Corporate remained active in the market and completed a number of transactions. Foremost, was our advisory role in a high profile merger transaction totalling some several billion dollars.
3. It's encouraging to see our team continuing to attract and win such high calibre transactions in what had become an increasingly competitive market; particularly through a period when the total market deal pipeline dried up.
4. That said, Corporate's current pipeline is steadily improving and we anticipate considerable revenue growth through 2010.
5. It's encouraging to see increased ECM-type mid-market transactions back in the market following a 12 month hiatus. This is certainly an area where Austock has achieved strong historical earnings.
6. Our Corporate team has also been actively recruiting, with two senior management hires. They have both hit the ground running and their enthusiasm and professionalism have added considerably to the group and there are more origination hires in the pipeline.

Austock Research

7. Austock Research has continued to perform well and collect awards along the way. Of note in 2009 includes:
 - a. A top 3 rating against peers for stock recommendations and earnings predictions accuracy in the Starmine Thomson annual rankings. 2 of our analysts, ranked #1 and #3 respectively for accurate stock picking in the most recent annual survey.
 - b. We also received a #2 ranking, of non-global investment banks, of all research houses in Australia in the 2009 BRW East Coles survey results.
8. Austock conducted its 6th annual agribusiness conference through the period. This is now a recognised annual event on the financial services calendar.

Page 11 – Segment Review: Corporate & Securities

Institutional Sales

1. The Institutional sales team was particularly affected by the onset of the GFC, with declining trading volumes.
2. The team used the opportunity to review its offering and focus on account management. Individual team members reorganised client communication channels and processes and a new CRM tool was implemented. This has resulted in a more focused, higher touch service offering that is increasingly sought in the market.
3. This team, in particular, is highly leveraged to an improving market and will increasingly benefit from the input of the new equity capital markets team, which has already started to gain traction.

Private Wealth

4. 2009 saw the commencement of our new financial planning team. In a very short timeframe, the team grew funds under administration from start-up to

\$130m. We have high confidence in this team to continue this growth through 2010 and 2011.

5. With full exposure to the GFC and having to manage private client portfolios affected by market declines, Private Wealth revenues declined in the period.
6. Recently, however, things are looking brighter with several new retail advisers joining the Sydney and Melbourne teams and both the economy and market showing increasing signs of recovery.
7. Consistent and quality product from our Corporate team will amplify the performance of both the Private Wealth and Institutional Sales teams in 2010.

Page 12 – Segment Review: Investment Management

Property

1. Austock property was exposed to ABC's collapse through the period. In particular, our listed social infrastructure fund, the Australian Education Trust, has been at the forefront of ABC's insolvency, being the major landlord.
2. Important to AET was a positive result recently in the Federal Court over ABC's administrators & receivers. Coupled with the refinancing of AET's debt facilities, the future looks brighter for AET.
3. The last hurdle remaining is the sale of the ABC1 centres. We anticipate this will occur in the current financial year.
4. Austock property is now well placed to participate in the corporate structural activities that have already commenced in the property sector.

Life

5. Life FUM surpassed \$140m in October this year and the imputation fund now regularly exceed \$4m net inflows each month and has received up to \$7m in a single month. This is an outstanding achievement, given the market lows of December, January and February.
6. The team now has dedicated and exclusive business development staff solely focused on growing FUM.

Page 13 – Segment Review: Other

1. With respect to other developments within the company, there are several I wish to raise.
2. In 2H09, Austock formed a strategic relationship with State Equity Group, a corporate advisory firm based in Melbourne. State Equity acts as a referral vehicle for companies that don't fit Austock's model.
3. Since the relationship first commenced, Austock has introduced a number of mandates.
4. We will continue to monitor this relationship and actively seek to grow the deal pipeline through 2010.
5. Austock's investment in Registries Limited continues to outperform initial expectations. Registries has transferred a large number of share registers over the past 12 months and the pipeline remains very strong, particularly as corporate activity continues to grow across the Australian market.

6. As I mentioned earlier, Austock divested APX, Asset Management and Agribusiness through the period. We will continue to examine potential opportunities, that add value to the Group, as they arise.

Page 14 – Capital Structure & Staff Trust

1. With the restructuring that has occurred within Austock over the past 12 months as a result of the GFC, there have been a number of staff departures and, more recently, senior hires.
2. At the same time, we have undergone generational change at senior management and Board level.
3. Both of these factors have affected the composition of the share register.
4. I thought today would be a good opportunity to update shareholders on our current capital structure and provide some information about our new staff share trust.
5. As of today, 19.6% of all shares on issue in your company are held by staff.
6. A further 13.6% of the existing shares on issue have recently been acquired by the staff share trust.
7. Finally, the remaining 66.8% of issued capital is owned by a number of you, our non-staff shareholders.
8. I would like to say upfront that employee share entitlements in the trust will only vest in the event staff remain with Austock for three years from the entitlement allocation date and those staff perform adequately through the period.
9. As a result, assuming all staff were to meet the vesting conditions and receive their respective allocations, staff would collectively own up to 33.2% of issued capital.

Page 15 – Summary & Outlook

1. Strategically, Austock is well positioned for a market recovery and the 2010 year:
 - We have completed an extensive restructuring program;
 - The cost base is highly scalable;
 - We continue to improve the calibre of staff through selective and targeted hiring.
2. The result, while disappointing, reflects tough market conditions across the industry.
3. We are actively seeking new board members and senior executives to implement Austock's long term growth strategy.
4. Finally, the market is showing signs of recovery and this has led to the improvement of our deal pipeline. This will flow through to Group earnings across the period.

Page 16 – Quote

2009 has been a difficult year for most financial services organisations in Australia, yet Austock has survived and is a more robust firm for it.

Austock will deepen its presence in core businesses and will enter 2010 with a leaner, cleaner and simpler model.



The coming year will see Austock aggressively and selectively pursue revenue opportunities.

I will now pass you over to Bill to review shareholder resolutions.

Page 17 – Matters for consideration

Page 22 – Questions

Now I would like to respond to shareholder questions?