

## **CHAIRMAN'S ADDRESS AT GENERAL MEETING ON TUESDAY 19 MARCH 2013**

In my report to shareholders for the half-year ended December 2012 I said that the task of reconstructing Austock, commenced when the present Directors assumed effective control in April 2012, was largely completed. I foreshadowed the resolutions you are asked to consider today, which are effectively the last steps in that reconstruction.

Even before the half-year results were announced, and whilst reconstruction was in progress, your Directors were increasingly focusing on two issues: -

1. The strategic direction of Austock or more particularly its major investment Austock Life; and
2. The effective use of Austock's cash resources.

Directors are firmly of the belief that focusing on growing the Funds Under Management (FUM), and hence the value of Austock Life, offers the best course and the best use of capital. Austock Life is a product leader in its market and continues to grow market share. Projections confirm that internal growth is a far more effective and efficient use of capital than any other proposal so far considered by Directors.

Focusing on Austock Life's organic growth will require continued investment in the businesses' successful marketing and distribution model. This model has underpinned the company's strong FUM performance over recent years.

Austock Life operates under a very scalable business model with a relatively fixed cost base. Analysis confirms the company has been and will continue to drive down costs as a percentage of its FUM. Its Imputation Bond business is high quality and high denomination – average lump sum bond size has consistently been over \$100,000 since the product's inception in 2004 - and important to Life's underlying value. Its FUM is considered to be higher valued "retail" business and is medium to very long-term.

This strategy will impact earnings over the next two years but in the opinion of Directors is a far more efficient use of capital. In that regard, and as previously foreshadowed, Directors have considered whether there is scope to institute a dividend program. As a first step Directors are pleased to advise that they have announced to the ASX today a dividend of \$0.01 per share unfranked with the payment date of Friday, 19 April 2013.

Whilst Directors will strive to pay dividends in the future they will always balance this against capital needs, especially of Austock Life. Directors are particularly mindful of creating value for shareholders and that this will probably be best served by directing funds to the capital needs of Life and enhancing its capital value, especially given Austock's unique tax position.

Directors will in addition continue to investigate appropriate investment opportunities within our area of expertise.

F.G.A. Beaumont QC  
Independent Non-Executive Chairman