

**TEYS LIMITED**

**ACN 009 118 861**

**PRELIMINARY FINAL REPORT  
GIVEN TO THE ASX UNDER LISTING RULE 4.3A**

**30 June 2009**

## Appendix 4E Preliminary Final Report

<b>Name of Entity</b>	TEYS Limited
<b>ACN</b>	009 118 861
<b>Financial Period Ended</b>	30-June-2009
<b>Previous Corresponding Reporting Period</b>	30-June-2008

### Results for Announcement to the Market

	30 June 2009	30 June 2008	Percentage increase /(decrease)
<b>Revenue from ordinary activities</b>	\$9,594,612	\$9,447,140	1.56%
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	(\$5,882,714)	(\$477,535)	1133%

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividends (if any)	N/A	N/A

<b>Earnings per share</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>
Basic Earnings per Share	-0.05 cents	-0.01 cents
Diluted Earnings per Share	-0.05 cents	-0.01 cents

### Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Teys Limited Acquired Teys Proprietary Limited (TPL) on 1 July 2008 via a share for share exchange, whereby TPL shareholders received 825 shares in Teys for every 1 share they held in TPL (the Acquisition). For the purpose of accounting for the Acquisition, TPL has been treated as the acquirer, since the TPL shareholders obtained 65% of the expanded share capital of Teys Limited as a result of the Acquisition. This is described as a reverse acquisition.

## NTA Backing

	30 June 2009	30 June 2008
Net tangible asset backing per ordinary security	-0.09 cents	-0.17 cents

- 1 This report has been prepared in accordance with Australian Accounting Standards, including interpretation, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and other standards acceptable to ASX.
- 2 This report and the accounts upon which the report is based use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 No final dividend has been declared for the current year and no dividend was declared or paid for the previous year. Accordingly there is no dividend or distribution reinvestment.

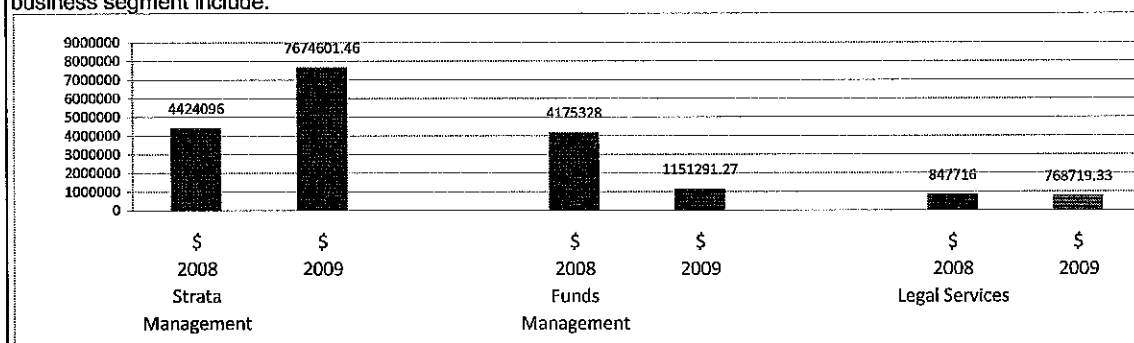
### Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

#### Full Year Result

The financial result for the period ending 30 June 2009 was a \$5,882,714 net operating loss, down from \$477,535 net operating loss from the previous year. The loss includes an impairment loss of \$2,593,328 compared with \$30,513 for the 2008 reporting period.

#### Revenue

The 2009 financial year saw a 2% increase in revenue from ordinary activities, up from \$9,447,140 in 2008 to \$9,594,612 for 2009. The 2009 revenue was dominated by the Strata Management Segment which counterbalanced the decrease in revenue generated by Funds Management. Key comparison points for revenue generated by each business segment include:



#### Expenses

The Group's expenses before interest, taxes, depreciation, amortisation and impairment for the reporting period were \$12,126,078. Abnormal items for the reporting period included the impairment loss of \$2,593,328 and the costs of settling legal claims of \$203,599.

During and since the end of the financial year, the Directors have implemented a number of strategies to reduce expenditure. These include:

- Reduce head office staff numbers for an annualised saving of in excess of \$2.15 million;
- Reduce overheads, including occupation costs by \$2 million per annum;
- Reduce travel costs by a further \$200,000 per annum; and
- Selling off assets to reduce debt and reduce expenditures

#### Segment Review

##### Strata Management

In South East Queensland, where the Strata Management segment of the Group has been long established, our organic growth rate is particularly strong. Cash flow from these businesses remains unaffected by the Global Financial Crisis and the Group intends to pursue a single focus on Strata Management. However, administering the geographic spread of the Strata Management businesses throughout Australia has proven challenging and may not be viable at this point in time. To this end, the Group has entered agreements to sell its Western Australian portfolio and its share in its office at Kawana Waters, Queensland.

**Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position**

*Funds Management*

This segment has struggled as a result of the global financial crisis and falling domestic appetite for investments in property trusts and mortgage trusts. Revenue from this segment has fallen by over 70% compared to the previous financial year. Consequently, after taking into account matched expenses, this segment is not contributed to earnings for the group. Therefore, as announced on the 3rd July 2009, the group intends to divest itself from its funds management operations. The sale of the funds management segment is subject to shareholder approval and the approval of the company's bankers. Shareholder approval will be sort at the Annual General Meeting unless a general meeting is held prior. If approved, it would divest the Group from a number of claims and allegations made against it in relation to various funds and companies managed by the Group.

*Legal Services*

On 28 August 2009, the Group announced the sale of its legal services division. This division is not contributing to the net earnings of the group.

**The results of segments that are significant to an understanding of the business as a whole.**

Refer to Note 22 for the results of segments that are significant to an understanding of the business as a whole.

**Control Gained Over Entities Having Material Effect**

Refer to Note 21 for details of entities over which the Group has gained control in operation.

**Loss of Control Gained Over Entities Having Material Effect**

The Group did not lose control of any entities in the period.

**Details of Associates and Joint Venture Entities**

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Refer to Note 8 for details of associates.

**Audit/Review Status**

**This report is based on accounts to which one of the following applies:**

This report has not been subject to audit or review, however when it is audited, the audit report is likely to be modified in relation to the uncertainty of the ability of the group to continue as a going concern. Refer note 1b of this report for further details.

**Signed By (Director)**



Michael John Teys

Director

Date

31-Aug-09

TEYS LIMITED  
AND CONTROLLED ENTITIES  
ACN 009 118 861

INCOME STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Group	
	Note	2009	2008
		\$	\$
Revenue from operating activities	3(a)	9,594,612	9,447,140
Other revenue	3(b)	102,636	84,876
Employee benefits expenses		(6,836,009)	(4,646,052)
Administration expenses		(4,116,469)	(3,400,363)
Marketing expenses		(131,153)	(55,593)
Occupancy expenses	4(a)	(802,480)	(507,821)
Depreciation, amortisation, impairment		(2,244,877)	(105,973)
Finance costs	4(a)	(705,209)	(1,150,350)
Shareholder and share registry costs		(199,132)	-
Other expenses from ordinary activities		(40,836)	(3,273)
Share of net profits of associates		<u>207,221</u>	<u>97,372</u>
<b>(Loss)/profit from ordinary activities before income tax</b>		(5,171,696)	(240,037)
Income tax (expense) relating to ordinary activities		<u>(555,492)</u>	<u>(196,348)</u>
<b>(Loss)/profit from ordinary activities after income tax</b>		(5,727,188)	(436,385)
Profit attributable to minority equity interests		<u>155,526</u>	<u>41,150</u>
<b>(Loss)/profit attributable to members of the parent entity</b>		<u>(5,882,714)</u>	<u>(477,535)</u>

The accompanying notes form part of these financial statements.

**TEYS LIMITED  
AND CONTROLLED ENTITIES**

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**BALANCE SHEETS  
AS AT 30 JUNE 2009**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	398,684	358,881
Trade and other receivables	6	444,042	2,552,689
Other current assets	7	153,694	943,591
<b>TOTAL CURRENT ASSETS</b>		<u>996,420</u>	<u>3,855,161</u>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using equity method	8	292,528	254,340
Investment property	9	1,200,000	1,616,959
Plant and equipment	11	705,330	548,044
Deferred tax assets		-	555,492
Intangible assets (Management contracts)	12	927,098	-
Intangible assets (Goodwill)	12	7,792,087	5,014,260
<b>TOTAL NON-CURRENT ASSETS</b>		<u>10,917,043</u>	<u>7,989,095</u>
<b>TOTAL ASSETS</b>		<u>11,913,463</u>	<u>11,844,256</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	2,533,357	3,051,337
Financial liabilities	14	926,886	3,853,157
Current tax liabilities		(31,713)	68,306
Short-term provisions	15	363,964	241,827
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,792,494</u>	<u>7,214,627</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	14	7,655,398	6,130,579
Long-term provisions	15	124,230	67,023
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>7,779,628</u>	<u>6,197,602</u>
<b>TOTAL LIABILITIES</b>		<u>11,572,122</u>	<u>13,412,229</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>341,341</u>	<u>(1,567,973)</u>
<b>EQUITY</b>			
Contributed equity	16	8,517,232	900,005
Share based payment reserve		116,900	-
Accumulated losses		(8,207,614)	(2,324,899)
Parent interest		426,518	(1,424,894)
Minority equity interest		(85,177)	(143,079)
<b>TOTAL EQUITY</b>		<u>341,341</u>	<u>(1,567,973)</u>

The accompanying notes form part of these financial statements.

**TEYS LIMITED  
AND ITS CONTROLLED ENTITIES  
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**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2009**

	<u>SHARE CAPITAL</u>		Accumulated Losses \$	Loyalty Option \$	Share based payment reserve \$	Minority Equity Interests \$	Total \$
	Ordinary \$	Convertible Preference \$					
<b>CONSOLIDATED GROUP</b>							
<b>Balance at 1 July 2007</b>	500,000	400,005	(1,815,161)	-	-	(96,380)	(1,011,536)
Loss attributable to members of parent entity	-	-	(508,047)	-	-	-	(508,047)
Profit attributable to minority interest	-	-	-	-	-	41,150	41,150
Dividends paid attributable to minority interest	-	-	-	-	-	(87,849)	(87,849)
Disposal of investment in TEYS Private	-	-	1,398	-	-	-	1,398
Accumulated losses from TEYS Private	-	-	(3,090)	-	-	-	(3,090)
<b>Balance at 30 June 2008</b>	500,000	400,005	(2,324,900)	-	-	(143,079)	(1,567,973)
Loss attributable to members of parent entity	-	-	(5,882,714)	-	-	-	(5,882,714)
Profit attributable to minority interest	-	-	-	-	-	155,526	155,526
Dividends paid attributable to minority interest	-	-	-	-	-	(97,625)	(97,625)
Shares issued capital raising	5,000,000	-	-	201,496	-	-	5,201,496
Shares issued on acquisition of Teys Proprietary Ltd	3,337,000	-	-	-	-	-	3,337,000
Share based payment	-	-	-	-	116,900	-	116,900
Capital raising cost	(921,269)	-	-	-	-	-	(921,269)
<b>Balance at 30 June 2009</b>	7,915,731	400,005	(8,207,614)	201,496	116,900	(85,177)	341,342

TEYS LIMITED  
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CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Group	
		2009	2008
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		11,067,126	8,130,027
Payments to suppliers and employees		(11,388,587)	(7,592,413)
Interest received		15,877	11,876
Dividends received		169,033	104,501
Finance costs		(657,900)	(742,755)
Income tax paid		-	(116,903)
Dividends paid		(97,624)	(87,849)
<b>Net cash (used in)/provided by operating activities</b>	<b>24 (a)</b>	<b>(892,075)</b>	<b>(293,516)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(338,022)	(182,683)
Proceeds from sale of a subsidiary, less cash disposed		46,876	-
Payment for the acquisition of management contracts		(551,175)	-
Payment for acquisition of additional interest in a subsidiary, less net assets acquired		(3,365,437)	(4,822,960)
Payment for the cost of reverse acquisition		(367,735)	-
Payment for the acquisition of investment property		-	(1,616,959)
Loans provided to related parties		62,649	(283,873)
Repayments of loans from related parties		(69,020)	92,725
<b>Net cash (used in)/provided by investing activities</b>		<b>(4,581,864)</b>	<b>(6,813,750)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from capital raising		5,000,000	-
Shares issued to TEYS Limited for reverse acquisition		-	-
Proceeds from share based payment		-	-
Proceeds from loyalty option		201,496	-
Payment for the cost of capital raising		(921,269)	-
Proceeds from borrowings		2,775,141	7,012,107
Repayment of borrowings		(1,541,626)	(97,031)
<b>Net cash provided by/(used in) financing activities</b>		<b>5,513,742</b>	<b>6,915,076</b>
Net (decrease)/increase in cash and cash equivalents		39,803	(192,190)
Cash and cash equivalents at beginning of year		358,881	551,071
<b>Cash and cash equivalents at end of year</b>	<b>5</b>	<b>398,684</b>	<b>358,881</b>

The accompanying notes form part of these financial statements.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**NOTE 1: INTRODUCTION**

The financial report covers the consolidated entity of Tey Limited (formerly Global Approach Limited) and controlled

**Currency**

The financial report is presented in Australian currency. The functional currency of Tey Limited, the parent entity, is

**Reporting period**

The preliminary financial report is presented for the year ended 30 June 2009. The comparative reporting period ended at 30 June 2008.

**Registered office**

Suite 71, Lower Deck, Jones Bay Wharf

Ph: (02) 9562 6500

Fax (02) 9562 6555

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Consolidate Preliminary Financial Statements of Tey Limited and subsidiaries for the year ended 30 June 2009 do not include all the notes of the type that would normally be included within the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Group as the full financial report.

**a) Basis of preparation**

The Consolidated Preliminary Financial Statements have been prepared on an accrual basis and are based on historical costs as modified by the revaluation of certain non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Unless otherwise detailed in this note, accounting policies have been consistently applied by the entities in the Group, and are consistent with those applied in the 30 June 2009 annual report.

**b) Going Concern**

The accounts have been prepared on a going concern basis, which contemplates the continuity of strata management activity and the realisation of the assets to facilitate the settlement of liabilities. The directors consider that the outlook presents significant challenges and have taken considerable steps to preserve cash and secure additional finances.

The Group incurred a loss after tax attributable to members of the parent entity for the year of \$5,882,714 (2008: loss \$477,535), it has net assets at the end of the financial period of \$341,341 (2008: net liabilities \$1,567,973) and has a surplus of current liabilities over current assets of \$2,796,074 (2008: net current liabilities \$3,359,467).

At 30 June 2009, the Group's total borrowings were \$8,582,282 of which \$926,886 are due within one year as follows. The overdraft of \$350,000 is due on 30 September 2009. Borrowings of \$240,000, are due within a year in accordance with the normal arrangements under borrowing facilities. \$300,000 is immediately due because of the sale of the Como business (refer Note 20 (i)). The remainder is attributed to current lease liability. Refer note 14 for further details of

The directors consider the Group to be a going concern based on the following assumptions which the directors consider reasonable:

- The Group has announced after the year end, on 7 August 2009 its intention to sell some or all of its investments in strata businesses. The proceeds of these sales are expected to be sufficient, and to be realised in adequate timescales, to meet the Groups obligations under its borrowing agreements, its obligations to all other creditors, and its operational cash requirements. Subsequent to this announcement:

On 10 August the Group entered an agreement to sell its strata management portfolio in Como for \$378,600. This amount is sufficient to meet the underlying security amount of \$300,000 that this business provided in relation to the Groups borrowings, and has been re-classified from non-current to current liabilities accordingly in this report.

On 17 August the Group entered into a contract to sell its 60% interest in Tey Sunshine Coast Pty Ltd for \$900,000. The sale proceeds will be used to reduce debt and meet its obligation to creditors.

On 28 August 2009, the Group entered into an agreement to sell its legal business for \$55,000. There was no underlying security in relation to this business, and this amount will be used to continue meet the Group's obligations to creditors.

**TEYS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) *Going Concern (ctd)***

- The Groups Investments in strata businesses have been impaired to expected realisable amounts. Investments in strata businesses are assumed to be able to be disposed of without incurring significant closure costs and are assumed to be able to be disposed of together with their related office and equipment leases being assigned as part of the arrangements.
- Other non strata assets have been impaired to their expected recoverable amounts.
- The Group continues to reduce expenditures, particularly head office expenses, as fast as reasonably possible.
- The Group has an overdraft facility which at 30 June 2009 was \$350,000. This facility has been extended to \$890,600 and expires on 30 September 2009.

The Group's ability to settle its debt obligations and to continue to meet the cash needs of its ongoing daily operations is contingent on the successful sales of Group assets as detailed above. The outcome of these asset sales cannot presently be determined with certainty, although the directors anticipate a successful completion of these asset sales and receipt of proceeds in time to meet the Groups debt obligations and its obligations to other creditors and its daily operational requirements and accordingly have prepared the financial report on the going concern basis.

**c) *Principles of consolidation***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TEYS Limited as at 30 June 2009 and the results of all subsidiaries for the year then ended. TEYS Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of TEYS Limited.

**d) *Acquisition of TEYS Proprietary Limited by TEYS Limited***

On 1 July 2008, TEYS Limited acquired 100% of the issued capital in TEYS Proprietary Limited ("TPL") for \$6,336,000. Consideration for the Acquisition was in the form of 330,000,000 fully paid ordinary shares in the Company at an issue price of \$0.0192 per share issued to the shareholders of the TPL.

In accordance with applicable accounting standards, for the purposes of accounting for the Acquisition, TPL has been treated as the acquirer, since TPL shareholder's obtained a greater ownership of the expanded share capital of TEYS Limited after the Acquisition transaction. This is described as a reverse acquisition. For other purposes, including entitlement to dividends, Teys Limited remains the Parent company of the combined Group.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Acquisition of TEYS Proprietary Limited by TEYS Limited**

Reverse acquisition accounting applies only to the business combination transaction at the acquisition date and does not apply to transactions after the reverse acquisition transaction. It further applies only to the consolidated financial statements.

This financial report discloses the consolidated financial statements of the Group as if TPL is the acquirer for accounting purposes and TEYS Limited is the acquiree. The consolidated financial statements are presented as 'a continuation' of the financial statements of TPL, the legal subsidiary.

Because the consolidated financial statements represents a continuation of the financial statements of TPL, the legal subsidiary of Teys Limited, the legal parent:

- fair value adjustments arising at Acquisition were made to TEYS Limited assets not those of TPL.
- the costs of business combination is based on the notional amount of shares that TPL would need to issue to acquire a 65% ownership of TEYS Limited shares that TPL's shareholders did not own after the Acquisition date, times the fair value of TPL's shares at the acquisition date.
- retained earnings and other equity balances in the consolidated financial statements at the date of acquisition are the retained earnings and other equity balances of TPL immediately before the Acquisition.
- the amount recognised as issued equity instruments in the consolidated financial statements has been determined by adding the cost of the Acquisition to the issued equity of TPL immediately before the business combination
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of Acquisition reflects the equity structure of TEYS Limited, including the equity instruments issued by TEYS Limited to effect the Acquisition.
- the results for the year ended 30 June 2009 comprise the results of TPL (the acquirer for accounting purposes) and its controlled entities, and the results of TEYS Limited (the acquiree for accounting purposes) and its controlled entities from 1 July 2008, i.e. the date of Acquisition.
- the results for the year ended 30 June 2008 comprise those of TPL (the acquirer for accounting purposes) and its controlled entities prior to the Acquisition.
- the balance sheets presented as at 30 June 2009 comprise the balance sheet of the combined Group as at 30 June 2009. The balance sheet for the comparative period is the balance sheet of TPL as at 30 June 2008 before the Acquisition.

**e) Segment Reporting**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation.

While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

**f) Revenue**

Revenue from strata management, legal services and funds management are recognised over the respective periods to which the service was performed as well as expenses incurred on behalf of customers.

Revenue from the rendering of other services is recognised upon the delivery of the service to the customers. Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Income Statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

TEYS Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax asset resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each Group entity is then subsequently assumed by the parent entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated Group to apply from 1 July 2004. The tax consolidated Group has entered into a tax funding agreement whereby the current taxes are allocated to the members of the tax consolidated Group as follows:

The Group has applied the Stand-Alone Taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidation Group. The tax funding agreement provides each member of the tax consolidated Group to pay a tax equivalent amount to or from the parent in accordance with their current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgment of the consolidated return and payment of the tax liability.

The deferred taxes are allocated to members of the tax consolidated Group in accordance with the principles of AASB 112.

**h) Business Combinations**

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***i) Impairment of assets***

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Income Statement.

***j) Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Balance Sheet.

***k) Investment in Associates***

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Group's share of post-acquisition reserves of its associates.

***l) Development Property***

The Groups development projects include costs incurred for current and future development of the property in Mt. Druitt. Development projects include capitalised construction and development costs and where applicable, borrowing costs incurred on qualifying developments. Development projects are carried at fair value less costs to sell based on the Directors Assessment of that value at each reporting date. Increments and decrements in fair value are included in the income statement in the year in which they arise. On completion of the development, projects are reclassified from development projects to development property held for sale.

***m) Plant and Equipment***

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

***Depreciation***

The depreciable amount of all fixed assets including capitalised lease assets is depreciated over their useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The depreciation method and rates used for each class of depreciable assets are:

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m) Plant and Equipment (ctd)**

<u>Class of Fixed Asset</u>	<u>Depreciation Method</u>
Furniture and fixtures	Diminishing cost and straight-line
Office equipment	Diminishing cost and straight-line
Motor vehicles	Diminishing cost
Leasehold improvements	Straight-line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 3: REVENUE</b>		
<b>(a) Operating Activities:</b>		
Revenue from strata management	7,674,601	4,424,096
Revenue from funds management	1,151,291	4,175,328
Revenue from legal services	768,719	847,716
	<u>9,594,612</u>	<u>9,447,140</u>
<b>(b) Other Revenue:</b>		
Gain on sale of investment - Tey's Real Estate	46,876	-
Interest revenue from other persons	15,877	11,876
Sundry income	39,883	73,000
	<u>102,636</u>	<u>84,876</u>

**NOTE 4: PROFIT/(LOSS) FOR THE YEAR**

<b>(a) Expenses:</b>		
Depreciation	180,736	75,460
Amortisation & Impairment		
Impairment - Goodwill	75,691	30,513
Amortisation charge - Management Contracts	2,031,658	-
Total Depreciation, Amortisation, Impairment	<u>2,288,085</u>	<u>105,973</u>
Impairment loss - Development Property	9 485,979	-
Debt forgiven-TSMT loan (limited recourse)	(529,187)	-
	<u>2,244,877</u>	<u>105,973</u>
Finance costs:		
- External	620,607	532,341
- Related entities	84,602	618,009
	<u>705,209</u>	<u>1,150,350</u>
Bad and doubtful debts:		
- Trade receivables	106,476	9,829
	<u>106,476</u>	<u>9,829</u>
Rental expense on operating leases		
- Minimum lease payments	802,480	507,821

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	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 5: CASH AND CASH EQUIVALENTS</b>		
<b>CURRENT</b>		
Cash at bank and in hand	<u>398,684</u>	<u>358,881</u>
The effective interest rate on short term bank deposits was 2.46% (2008: 2.38%).		
<b>Reconciliation of Cash</b>		
Cash at end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	<u>398,684</u>	<u>358,881</u>
	<u>398,684</u>	<u>358,881</u>
<b>NOTE 6: TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Trade receivables:	437,515	1,927,084
Provision for impairment of receivables	<u>(62,829)</u>	<u>(9,829)</u>
	<u>374,686</u>	<u>1,917,255</u>
Amounts receivable from:		
- Other related parties	<u>44,762</u>	<u>616,539</u>
	<u>44,762</u>	<u>616,539</u>
Other receivables		
	<u>24,594</u>	<u>18,895</u>
	<u>444,042</u>	<u>2,552,689</u>
	<b>Total</b>	<b>Current</b>
Receivables - strata management	123,575	123,575
Receivables - funds management	152,712	26,610
Receivables - legal services	<u>98,399</u>	<u>67,453</u>
	<u>374,686</u>	<u>217,638</u>

**Fair value and Credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

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	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 7: OTHER CURRENT ASSETS</b>		
Transaction cost	-	547,460
Deposit	-	288,925
Others	153,694	107,206
	<u>153,694</u>	<u>943,591</u>

The transaction costs consist of incremental costs directly attributable to the Initial Public Offering (IPO) activities of the Group. These costs are subsequently treated as a direct deduction from equity after the successful listing of the Group on 1 July 2008 with the effective commencement date of trading on 1 August 2008.

**NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Associated companies	<u>292,528</u>	<u>254,340</u>

**(a) Interests are held in the following associated companies:**

Name (unlisted):	TEYS Strata (Brisbane) Pty Ltd
Principal activities:	Strata management
Country of incorporation:	Australia
Shares:	Ordinary 50%

**(b) Movements during the year in equity accounted  
investments in associated companies**

Balance at beginning of the financial year	254,340	261,469
Add: New investment during the year		
Share of associate's profit after tax	207,221	97,372
Less:		
Dividends received	(169,033)	(104,501)
Balance at end of the financial year	<u>292,528</u>	<u>254,340</u>

**(c) Equity accounted profit/(losses) of associates are  
broken down as follows:**

Shares of associates' profit/(losses) before income tax benefit	208,916	139,952
Share of associates' income tax benefits	(1,695)	(42,580)
	<u>207,221</u>	<u>97,372</u>

Shares of associates' profits/(losses) after income tax expense

**(d) Summarised presentation of aggregate assets,  
liabilities and performance of associates**

Current assets	57,422	2,681,168
Non-current assets	48,411	10,546,398
Total assets	<u>105,833</u>	<u>13,227,566</u>
Current liabilities	(20,387)	5,243,507
Non-current liabilities	-	8,281,983
Total liabilities	<u>(20,387)</u>	<u>13,525,490</u>
Net (deficiency)/assets	<u>126,220</u>	<u>(297,924)</u>
Revenues	<u>1,170,433</u>	<u>2,269,484</u>
Profit/(loss) after income tax of associates	<u>414,442</u>	<u>(154,096)</u>



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**NOTE 9: DEVELOPMENT PROPERTY**

		<b>Consolidated Group</b>	
		<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
At fair value:			
Opening balance		1,616,959	-
Acquisitions		69,020	1,616,959
Provision for impairment	4(a)	(485,979)	-
		<u>1,200,000</u>	<u>1,616,959</u>

The development property located in Mount Druitt NSW is held for the purpose of developing the property into residential unit. A loan from TEYS Strata Mortgage Trust was obtained to secure the property (see Note 14 (c)).

The carrying amount of the investment property is the fair value of the property as determined by registered independent appraiser having an appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. An impairment loss of \$485,979 was recognised during the year.

**NOTE 10: NON-CURRENT ASSETS –OTHER FINANCIAL ASSETS**

**(a) Controlled Entities Consolidated**

TEYS Property Funds Limited	Australia	100%
TEYS Legal Pty Ltd	Australia	100%
TEYS Real Estate Pty Ltd	Australia	-
TEYS Strata Proprietary Limited	Australia	100%
TEYS Gold Coast Pty Ltd	Australia	100%
TEYS Sunshine Coast Pty Ltd	Australia	60%
TEYS Property Essentials Pty Ltd	Australia	100%
TEYS Property Essentials Facilities Management Pty Ltd	Australia	100%
TEYS Noosa Pty Ltd	Australia	100%
TEYS Finance Pty Ltd	Australia	-
TEYS Albury Pty Ltd	Australia	100%
TEYS Cleveland Pty Ltd	Australia	100%
TEYS Strata Pty Ltd t/a Teys Bayswater **	Australia	100%
TEYS Strata Pty Ltd t/a Teys Como **	Australia	100%

\* Percentage of voting power is in proportion to ownership

\*\* Only acquired management contracts

**(b) Disposal of Controlled Entity**

On 14 January 2009, the parent entity sold the rent-roll contracts of Teys Real Estate for \$51,680 as a purchase price consideration. Teys Real Estate was deregistered voluntarily on 30 June 2009.

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	Consolidated Group 2009 \$	2008 \$
<b>NOTE 11: PLANT AND EQUIPMENT</b>		
Furniture and fixtures - at cost	443,496	289,311
Less accumulated depreciation	<u>(153,481)</u>	<u>(72,836)</u>
	<u>290,015</u>	<u>216,475</u>
Office equipment - at cost	909,330	664,192
Less accumulated depreciation	<u>(662,659)</u>	<u>(471,979)</u>
	<u>246,671</u>	<u>192,213</u>
Motor vehicles - at cost	150,008	150,008
Less accumulated depreciation	<u>(61,474)</u>	<u>(46,620)</u>
	<u>88,534</u>	<u>103,388</u>
Leasehold improvements - at cost	107,453	42,301
Less accumulated amortisation	<u>(27,342)</u>	<u>(6,333)</u>
	<u>80,111</u>	<u>35,968</u>
<b>Total Plant and Equipment</b>	<u><u>705,330</u></u>	<u><u>548,044</u></u>

**(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Furniture & Fixtures \$	Office Equipments \$	Vehicles \$	Improvements \$	Total \$
<b>Consolidated Group</b>					
Balance at 1 July 2007	231,806	83,494	118,243	37,793	471,336
Additions through purchases	15,900	166,783	-	-	182,683
Depreciation expense	<u>(31,231)</u>	<u>(58,064)</u>	<u>(14,855)</u>	<u>(1,823)</u>	<u>(105,973)</u>
Balance at 30 June 2008	<u>216,475</u>	<u>192,213</u>	<u>103,388</u>	<u>35,970</u>	<u>548,046</u>
Additions through purchases	154,185	118,685	-	65,152	338,022
Depreciation expense	<u>(80,645)</u>	<u>(64,227)</u>	<u>(14,854)</u>	<u>(21,009)</u>	<u>(180,736)</u>
<b>Balance at 30 June 2009</b>	<u><u>290,015</u></u>	<u><u>246,671</u></u>	<u><u>88,534</u></u>	<u><u>80,113</u></u>	<u><u>705,332</u></u>

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	Consolidated Group	
	2009	2008
	\$	\$
<b>NOTE 12: INTANGIBLE ASSETS</b>		
Intangibles (Management contracts)	927,098	-
Goodwill - at cost	7,792,087	5,014,260
	<u>8,719,185</u>	<u>5,014,260</u>

Reconciliation of Opening and closing balances in Intangible assets

<b>As at 1 July 2007</b>	223,504
Acquisitions during the year	4,821,268
Impairment - Goodwill	(30,512)
<b>As at 30 June 2008</b>	<u>5,014,260</u>

<b>As at 1 July 2008</b>	5,014,260
Acquisitions during the year	5,812,242
Impairment - Goodwill	(2,031,626)
Amortisation charge - Management Contracts	(75,691)
<b>As at 30 June 2009</b>	<u>8,719,185</u>

**NOTE 13: TRADE AND OTHER PAYABLES**

	Consolidated Group	
	2009	2008
	\$	\$
<b>CURRENT</b>		
Trade payables		
- Others	977,388	680,071
Sundry payables and accrued expenses	1,555,969	2,371,267
	<u>2,533,357</u>	<u>3,051,338</u>

Sundry payables and accrued expenses include accrued superannuation of a director and a shareholder amounting to \$1,555,969 (2008: \$2,371,267).

**NOTE 14: FINANCIAL LIABILITIES**

**CURRENT**

Bank loans (secured)	(a)	540,000	206,732
Bank overdraft facility (secured)		350,000	-
Lease liabilities (secured)	(b)	36,886	35,206
Related party loans (secured and unsecured)	(c)	-	3,111,219
Other loans (secured)	(d)	-	500,000
		<u>926,886</u>	<u>3,853,157</u>

**NON-CURRENT**

Lease liabilities (secured)	(b)	76,943	108,472
Related party loans (secured and unsecured)		1,200,000	1,673,692
Bank loans (secured)	(a)	6,378,454	4,348,415
		<u>7,655,397</u>	<u>6,130,579</u>

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		<b>Consolidated Group</b>	
		<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE 14: FINANCIAL LIABILITIES (ctd)</b>			
<b>Total current and non-current secured liabilities:</b>			
Bank loans	(a)	7,268,454	4,555,147
Lease liabilities	(b)	113,829	143,677
Related party loans	(c)	1,200,000	100,000
Other loan	(d)	-	500,000
		<u>8,582,283</u>	<u>5,298,824</u>

**(a) Bank loans**

The bank loans total \$7,268,454, \$1,450,000 relates to bank bill facilities with Macquarie (previously with NAB) and other bank loans with Macquarie of \$5,468,454 which relates to a revolving line of credit facility with an interest rate of 7.80% per annum at 30 June 2009. The facilities will expire in 2014.

On 2 June 2009, the Bank provided an overdraft facility of \$350,000 for working capital purposes. Subsequent to that, further \$250,000 was drawn on 2 July 2009 and another \$250,000 on 11 August 2009 was provided by the Bank. The interest is being capitalised into the facility resulting in the total amount outstanding of \$890,600 has been extended to 30 September 2009.

Michael J. Teys, in his personal capacity guarantees the companies obligations to its banker, and has done so since the facilities were granted.

**(b) Lease liabilities**

Lease liabilities represent finance leases of two motor vehicles and leasehold improvements with interest payable at rates from 5.9% pa to 8.5% pa. One of the leases is secured by the vehicle acquired. The liability of the other lease is guaranteed by two subsidiaries, a director and a director-related entity.

**(c) Related party loans**

Unsecured deposit notes were issued to two directors of the parent entity with a balance of \$436,616 at 30 June 2008 were repaid on 28 August 2008.

Another loan from a director-related entity in 2008 of \$100,000 represents a \$250,000 loan facility obtained from a funds provider on behalf of the Company for working capital purposes. This loan was repaid on 7 August 2008.

The loan with TEYS Strata Mortgage Trust amounting to \$1,200,000 as at 30 June 2009 is a limited recourse liability. The loan expires on 30 November 2010. This loan was used to acquire the development property disclosed in Note 10. The liability of the borrower is limited to the aggregate amount available from the development property and to moneys forming part of the property including all amounts available from enforcement against the property (property was valued at \$1,200,000).

All related party loans are unsecured unless otherwise mentioned.

**(d) Other loan**

Other loan represents a loan obtained from a third party which pays interest of 10%. The loan had an initial maturity date of 30 June 2008 but was extended to 31 July 2008. An \$80,000 default fee was charged as a result of the extension of maturity date. The loan was fully repaid on 29 July 2008.

		<b>Consolidated Group</b>	
		<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE 15: PROVISIONS</b>			
<b>CURRENT</b>			
<b>Employee Benefits</b>			
Opening balance at the beginning of the year		241,827	102,011
Annual leave		122,137	139,816
Closing balance at the end of the year		<u>363,964</u>	<u>241,827</u>

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	Consolidated Group	
	2009	2008
	\$	\$

**NOTE 15: PROVISIONS (ctd)**

**NON CURRENT**

**Employee Benefits**

Opening the balance at the beginning of the year	67,023	-
Long service leave	57,207	67,023
Closing balance at the end of the year	124,230	67,023

	Consolidated Group	
	2009	2008
	\$	\$

**NOTE 16: CONTRIBUTED EQUITY**

Fully paid ordinary shares	7,915,731	500,000
Convertible preference shares	400,005	400,005
Loyalty options	201,496	-
	8,517,232	900,005

\* Contributed equity for the comparative period represents the equity balances and equity structure of TPL the Legal subsidiary.

	Consolidated Group	
	2009	2008
	\$	\$

**NOTE 17: RESERVES**

Share-based payments reserve	116,900	-
	116,900	-

**Share-based  
payments  
reserve**

**Movement in the Reserves during the year was as follows:**

<b>As at 1 July 2008</b>	-
Arising on issue of options to directors	116,900
<b>As at 30 June 2009</b>	116,900

**Nature and purpose of reserves**

The share-based payments reserve is used to recognise:

- the fair value of options issued under the Directors and Executives Share Option Plan but not exercised
- the fair value of shares issued to employees

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**NOTE 18: DIVIDENDS**

There were no dividends proposed or paid by the Company during the financial year or in the previous financial year.

	<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Dividend franking account		
30% franking credits available to shareholders of Teys Ltd for subsequent financial years	-	119,371

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking credits that will arise from the payment of dividends recognised as a liability at year-end
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the year-end
- (d) franking credits that the entity may be prevented from distributing in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

**NOTE 19: CONTINGENT LIABILITIES**

**Litigation by Former Employee**

The Group has resolved the outstanding litigation claim brought against one of its subsidiaries (Teys Strata Gold Coast) by a former employee (Ms Sargeant) for an alleged contractual breaches during her employment. The total amount claimed was \$250,000. A cross-claim has been filed by the subsidiary in response to this claim. On 14 August 2009, this claim has been settled for the sum of \$20,000.

**Litigation by Investor of a Fund**

The Group is currently defending a claim by the investor of a fund being managed by one of its subsidiaries, Mr. Kim Burton claimed the sum of \$1,033,342 as damages for alleged contravention of the Trade Practices Act 1974 and the Fair Trading Act of 1987.

**Litigation by Former Senior Executives & Associated Entities**

The Group has resolved the dispute with two former senior executives. The original demand was \$2,100,000. On 2 July 2009, these claims have been settled for \$50,000 to each party inclusive of tax plus legal costs of \$15,000 to each party and the forgiveness of a loan made to Mr. Ruygrok for \$53,599.

The Group received a letter of demand from Heritage National Limited (HNL), claiming a sum of \$1,284,500 plus GST and associated fees and interest and the repayment to HNL of \$7million. The board of HNL comprise a majority of directors who are former employees of the Company. The Group also received a claim from RFA Management Limited (RFAM), claiming a sum of \$1,300,000 and a claim by RFA Finance Limited (RFAF), claiming a sum of \$1,000,000. Both companies are related to HNL. The Group is undertaking various without prejudice negotiations with HNL and RFAM and RFAF regarding these matters. The end result of these negotiations is currently unclear but the directors believe it is unlikely to result in a material liability.

**Litigation by Imagetec Solutions Australia Pty Ltd**

The Group received a claim from Imagetec Solutions Pty Ltd, in the sum of \$112,512. The group has denied the claim.

**Litigation by Westralia Property Management Limited**

TEYS Property Funds Limited as Responsible Entity for Dunsborough Hotel Property Syndicate has received a letter of demand from Westralia Property Management Limited for the sum of \$252,000. It is anticipated that the claim will be covered by retained funds in the property syndicate. The Group intends to divest itself of TEYS Property Funds Limited.

**Litigation by Davron Investments Pty Ltd et al**

TEYS Property Funds Limited as Responsible Entity for TEYS Strata Development Trust – Elway Bridging Fund ARSN 112 939 509 is currently defending a claim from Davron Investments Pty Ltd et al for a sum of approximately \$1 million. TEYS Property Funds Limited has handed the matter to its insurer and paid the excess on the policy. The insurer has indemnified TEYS Property Funds Limited and are meeting the costs of defending the matter. The Group intends to divest itself of TEYS Property Funds Limited.

NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 19: CONTINGENT LIABILITIES (ctd)**

The Group is not expecting any financial impact that will materially effect the financial statements as of 30 June 2009 from the outstanding litigation matters.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years, except as follows:

**NOTE 20: EVENTS SUBSEQUENT TO BALANCE DATE**

**(i) Disposal of Teys Strata t/a Teys Como Pty Ltd**

On 10 August 2009, the Group has entered the agreement to sell its strata management portfolio in Como, Western Australia (included East Perth portfolio) to Exclusive Strata Management Services. The sale price for the business is \$378,600 subject to 40% retention charge payable over 26 weeks from the completion date. The completion date for the sale will be 18 September 2009. Consistent with the market announcement dated 7 August, the sale proceeds will be used to retire the debt.

**(ii) Disposal of Teys Sunshine Coast Pty Ltd**

On 17 August 2009 the Group entered into a contract to sell its 60% interest in Teys Sunshine Coast Pty Ltd to interests associated with the founder and Managing Director of that business. The sale price for the 60% interest is \$900,000. The proceeds of the sale will be used to retire debt consistent with the announcement to the market on 7 August 2009.

**(iii) Disposition of Property Fund Management Division**

On 3 July 2009 the Group announced it had entered into a heads of agreement for the sale of TEYS Property Funds Limited including all of its assets and liabilities. The sale of the funds management company is subject to shareholder approval and the approval of the company's bankers. The sale of TEYS Property Funds Limited would divest the Group from a number of claims and allegations made against it in relation to various funds and companies managed by the company which has also distracted management and placed a heavy cost impost on the Group. This includes claims by interests associated with HNL announced on 24 December 2008 for \$1.2 million and \$7 million and claims by interests associated with RFA for \$1.3 million announced on 5 January 2009.

**(iv) Disposition of Legal Division**

On 28 August 2009 the Group had entered into a contract to sell its shares in Teys Legal Pty Ltd for \$55,000. The sale proceeds will be paid progressively over the next six months. There was no underlying security in relation to this business, and this amount will be used to continue meet the Group's obligations to creditors.

**(v) Divestment Program**

On 20 August 2009 the Group announced that its remaining geographic spread of offices may not be viable in its present form at this time. Therefore, the divestment program has been extended to consider the sale of any and all of its current strata management businesses in order to reduce debt, rationalise operations and maximise shareholder value. Pursuant to the Group's intention to execute a divestment strategy subsequent to balance date, provisions for closures of individual businesses may have to be made depending on the potential sales agreements for each individual assets.

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**NOTE 21: BUSINESS COMBINATION**

**Acquisition of TEYS Proprietary Limited - 100%**

On 1 July 2008, TEYS Limited acquired 100% of the issued capital in TEYS Proprietary Limited ("TPL") for \$6,336,000. Consideration for the Acquisition was in the form of 330,000,000 fully paid ordinary shares in the Company at an issue price of \$0.0192 per share issued to the shareholders of the TPL.

As the described in Note 2(d), the acquisition has been treated as a "Reverse Acquisition" for accounting purposes. Details of fair value of the assets and liabilities and goodwill are as follows:

	\$
Cost of business combination under the reverse acquisition method of accounting	3,724,813
Fair value of net identifiable assets of the acquiree (TEYS Limited)	1,776,321
Goodwill at cost	<u>1,948,492</u>

The assets and liabilities acquired are as follows:

	Fair Value (\$)
Cash and cash equivalents	20,078
Receivables	2,116,940
Other Assets	64,356
Payables	(390,053)
Borrowings	(35,000)
Net identifiable assets acquired	<u>1,776,321</u>

**Business Acquisitions - Strata Management**

	TEYS Cleveland	TEYS Albury	TEYS Gold Coast	Pennisi Real Estate	TEYS Bayswater	TEYS Como
<b>(a) Summary of acquisitions</b>						
Date of Acquisition	31-Jul-08	8-Aug-08	1-Jul-08	23-Sep-08	15-Dec-08	23-Dec-08
Proportion acquired	100%	100%	40%			
Purchase Consideration - cash	1,102,440	726,744	50,000	422,054	1,263,097	412,363
Retention amount						(75,000)
Fair Value of Assets (refer to b below)	169,432	243,668	29,567	-	90,409	13,842
Goodwill at acquisition	<u>933,008</u>	<u>483,076</u>	<u>20,433</u>	<u>422,054</u>	<u>1,172,688</u>	<u>323,521</u>
Revenue post acquisition ***	770,571	662,846	197,736	N/A	438,834	204,110
Net Profit/(Loss) post acquisition ***	225,499	131,444	7,686	N/A	41,479	(166,132)
Annualised Revenue **	840,623	723,105	197,736	N/A	752,287	408,220
Annualised Net Profit/(Loss) **	245,999	143,393	7,686	N/A	71,107	(332,264)
<b>(b) Assets and liabilities acquired</b>						
Cash	95,254	46,158	-	-	-	-
Trade Receivables	215	30,497	-	-	-	-
Plant and Equipment	31,718	39,949	-	-	-	-
Intangibles	156,211	179,837	-	-	130,299	42,623
Trade Payables	(1,750)	(19,116)	29,567	-	-	-
Revenue in advance	(48,855)	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-
Provision for employee benefits	(23,443)	(33,656)	-	-	(39,890)	(13,866)
Tax & duties	(39,918)	-	-	-	-	(14,915)
Net Identifiable assets acquired	<u>169,432</u>	<u>243,668</u>	<u>29,567</u>	<u>0</u>	<u>90,409</u>	<u>13,842</u>

<sup>1</sup> Acquisition on the remainder 40%

<sup>2</sup> Acquisition on the strata management contract only - Pennisi was then integrated to TEYS

<sup>3</sup> Acquisitions on the strata management contract only

\*\*\* Revenue and net profit post acquisition details the revenue and net profit generated to the Group from date of acquisition to 30 June

\*\* Annualised revenue and net profit details revenue and net profit generated to the Group if the acquisitions occurred on 1 July 2008



NOTES TO THE FINANCIAL STATEMENTS  
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## NOTE 27: SEGMENT REPORTING

	Funds Management		Strata Management		Legal Services		Others		Consolidated Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>										
External revenue	1,151,291	4,175,328	7,674,601	4,424,096	768,719	847,716	-	-	9,594,612	9,447,140
Total revenue	1,151,291	4,175,328	7,674,601	4,424,096	768,719	-	-	-	9,594,612	9,447,140
<b>RESULT</b>										
Segment result	687,615	2,499,027	(1,344,250)	688,872	65,187	146,092	(4,247,784)	(2,521,048)	(4,829,233)	812,943
Finance costs	(134,957)	(151,727)	(532,184)	(417,847)	(1,177)	(7,929)	(36,892)	(572,847)	(705,209)	(1,150,351)
Share of net loss of associates	-	(21,849)	207,221	119,221	-	-	-	-	207,221	97,372
Profit before income tax	562,658	2,325,451	(1,669,214)	380,246	64,010	138,163	(4,284,676)	(3,093,895)	(5,327,222)	(240,035)
Income tax expense	(45,607)	(698,420)	(155,526)	(144,735)	(12,083)	(47,032)	(342,276)	693,839	(555,492)	(196,348)
Profit after income tax	517,051	1,627,031	(1,824,740)	245,511	51,927	91,131	(4,626,952)	(2,400,056)	(5,882,713)	(436,384)
<b>ASSETS</b>										
Segment assets	1,422,337	3,166,115	8,014,835	6,928,295	143,210	344,147	2,333,084	1,436,212	11,913,465	11,874,768
<b>LIABILITIES</b>										
Segment liabilities	2,089,799	3,452,822	7,718,615	7,394,987	75,834	243,921	1,687,876	2,320,499	11,572,125	13,412,229
<b>OTHER</b>										
Investments accounts for using the equity method	-	-	292,528	254,340	-	-	-	-	292,528	254,340
Acquisitions of non-current segment assets	-	-	338,022	144,118	-	-	-	2	338,022	144,120
Depreciation and amortisation of segment assets	753	-	129,495	61,701	2,157	1,160	48,332	43,111	180,736	105,973
Impairment charge	(43,208)	-	2,107,349	-	-	-	-	-	2,064,141	-
Share based payment	-	-	-	-	-	-	116,900	-	116,900	-

## (a) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

## (b) Intersegment Charges

Segment revenues, expenses and results exclude transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at an arm's length. These transfers are eliminated on consolidation.

## (c) Business segments

The Group has the following four business segments:

- Funds management segment acts as responsible entity to property funds.
- Strata management segment manages owners corporations/bodies corporate of common properties.
- Legal services segment provides legal services to the members of owners corporations/bodies corporate and property funds.
- Other segments invest in property-related entities.

## (c) Geographical segments

The Group operates predominantly in Australia.

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**NOTE 23: EARNINGS PER SHARE**

The following securities have been classified as ordinary shares and included in basic earnings per share:

**Consolidated**

	2009 \$	2008 \$
<b>a) Earnings used in calculating earnings</b>		
Net loss from continuing operations	(5,882,714)	(477,535)
Net loss attributable to ordinary equity	(5,882,714)	(477,535)
<b>b) Weighted average number of shares</b>		
Weighted average number of shares used	127,443,861	41,250,000
Number for basic earnings per ordinary	(0.05)	(0.01)
Effect of dilution	-	-
Number for diluted earnings per share	(0.05)	(0.01)
	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>

**NOTE 24: CASH FLOW INFORMATION**

**(a) Reconciliation of cash flow from operations  
with (loss)/profit after income tax**

(Loss)/profit after income tax	(5,727,188)	(436,385)
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**Non-cash flows in (loss)/profit:**

Doubtful debt expense	106,476	9,829
Depreciation	180,734	105,973
Impairment loss goodwill and development property	2,593,328	-
Debt forgiven	(529,187)	-
Dividends received from associate	169,033	104,501
Dividends to minority interest	(97,625)	(87,849)
Movement in deferred tax assets and liabilities	555,492	46,743
Gain on sale of subsidiary	(46,876)	-
Share based payment	116,900	-
Share of associated companies' net loss after income tax and dividends	(207,221)	(97,372)

**Changes in asset and liabilities:**

(Increase)/decrease in trade and other receivables	1,440,174	(1,404,617)
(Increase)/decrease in other current assets	960,838	(697,728)
Increase/(decrease) in trade and other payables	(432,522)	1,909,345
Increase in current tax liabilities	(100,019)	47,205
Increase in provisions	125,588	206,839

**Cash flow from operations**

(892,075)	(293,516)
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**(b) Credit Standby Arrangements with Banks**

Commercial bill facility		1,250,000
Overdraft facility	350,000	-
Amount utilised	(350,000)	(1,250,000)
	-	-

The commercial bill facility is a short-term variable interest rate facility provided by an Australian bank as disclosed in Note 14 (b) to the financial statements.

**(c) Loan Facilities**

Loan facility	-	250,000
Amount utilised	-	(100,000)
	-	150,000

The loan facility is obtained by a director-related entity on behalf of the company. Refer to Note 14 (d) to the financial statements.