



FIG TREE DEVELOPMENTS LTD

CHAIRMAN'S ADDRESS – AGM 27 OCTOBER 2008

Introduction

Ladies and Gentlemen, it is now the advertised time of the meeting of the shareholders of Fig Tree Developments Ltd.

Welcome to the Fig Tree Developments Ltd annual general meeting. I and my fellow Directors are pleased to see you here.

As the necessary quorum is present, I declare the meeting open.

My name is Greg Gardiner and I am the Chairman of Fig Tree Developments Ltd and of this meeting today.

I would like to introduce you to my fellow Directors:

- Mr Stephen Lonie, who stood down as Managing Director on 31 August 2008, but remains on the Board in the capacity of a non executive Director;
- I would like you to join me in welcoming Mr John Krimmer, one of the co-founders of the business and a major shareholder, who will be standing for election today; and
- Mr Tony Roberts a co-founder of the business and a major shareholder, who will also be standing for election today.

On 1 September 2008, we regretfully accepted the resignation of Mr David Jeffries, who was Chair of the Board's Audit Committee. We place on record, our thanks to Mr Jefferies for the contribution he made to the business over a difficult period, and wish him a happy retirement.

I would also like to introduce you to some members of our senior management team:

- Mr Stuart Lummis, who has been with the business since 3 October 2005 in the capacity of Chief Property Officer. On 1 September 2008, Mr Lummis was appointed to the role of Chief Executive Officer, and brings his vast property development and retirement village management experience to this position, as the business prepares for a new chapter; and
- Mr Rob Dubery, our Chief Financial Officer and Company Secretary.

I would like to acknowledge the attendance of our auditor, Ross Walker, from Johnston Rorke, who will answer any questions that you may put to him later in the meeting.

Finally, I would like to acknowledge the attendance of Taylor Fam, Chris Buttery and Clinton McBride from Computershare. Taylor has been appointed the Returning Officer and Computershare will conduct any polls if required.



Ordinary Business

There are three items of ordinary business at today's meeting namely:

1. To receive and consider the Company's financial report and the report of the Directors and the Auditor for the year ended 30 June 2008.
2. To consider and, if thought fit, to pass the Company's remuneration report.
3. The election of Director, myself, Greg Gardiner, as a Director. I will invite Stephen Lonie to chair this agenda item.
4. The election of Director, John Krimmer, as a Director, and
5. The election of Director, Tony Roberts, as a Director.

We will address these items of business in due course.

Other Business

There has been no notice of other business validly given by any shareholder under the *Corporations Act 2001 (Cth)*.

Furthermore, no items of business other than those items on the Notice will be allowed to come before the meeting, because, if any matter of substance were to come before this meeting, it is only fair that proper notice should be given, to enable shareholders who are not able to attend to appoint a proxy.

Voting Procedure

It is not my intention today to require a poll to be held in respect of each resolution. However, I do reserve the right to call a poll if I so determine. Should a poll be required I will advise you of the procedure which we will adopt at that time.

Only shareholders or their duly appointed proxies or corporate representatives can vote on the motions at today's meeting.

What will happen is that I will put the motion to the meeting, ask for the motion to be moved by a shareholder, and seconded by a shareholder, put the motion for questions or comments and then put to a vote by poll. So please note that you will have the opportunity to ask questions or make comments in regard to the resolutions as we address each one in turn.

I will also ask you to ensure that your questions and comments are on the resolution before the meeting and that you do not repeat what has already been addressed by an earlier comment or question – but please ensure that if you do have a query, do not hesitate to ask for clarification.

Visitors

Visitors are not entitled to speak at the meeting without my leave or the leave of the meeting and I have not been made aware of any reason that would compel me to allow any visitor to speak at this meeting today.



Results for the year ended 30 June 2008.

Ladies and Gentlemen, I do not intend to read the Chairman's report at this meeting, as I consider that it has been adequately laid out in the Annual Report, which I am sure you have all had time to review.

I do however remind you, that the Company still faces the following ongoing issues, namely:

- As a co-defendant with former Directors, David Jeffries, and current Directors John Krimmer and Tony Roberts, the Company continues to address a claim by certain former and current Shareholders, represented by Slater & Gordon and funded by litigation founder, IMF (Australia) Ltd, in respect to issues relating to information contained in the Company's prospectus and certain market releases relating to profit down grades that occurred during 2005. The Company and its co-defendants strongly reject these claims and intend to continue to defend the action vigorously. The Company is currently bearing 25% of all costs, in conjunction with the co-defendants D&O insurer, which is currently underwriting the legal costs of the other defendants. The Company has also indemnified these co-defendants by virtue of the Company's Constitution and individual deeds of indemnity with each of the other defendants;
- An attempt by Australian Property Custodian Holdings Ltd, as responsible entity for The Prime Retirement and Aged Care Property Trust (APCH), to repudiate the twelve wholesale management services agreements it has with the Company. The basis of the claim is that, at the time that the SCV Group Limited was managing these villages on behalf of Fig Tree Developments Ltd, as part of an agreed transition process under the Assignment Agreement, SCV Group Limited failed, on the Company's behalf, to meet certain obligations. This matter is currently before the Federal Court and the Company is confident of its position in regard to these twelve contracts. However, if the Federal Court does not find in favour of the Company, it will mean that the Company has only eight remaining wholesale management services agreements in its portfolio.

Your Directors have also continued to consider a range of options to recapitalise the Company but, with the current Shareholder action being prosecuted by Slater & Gordon and the Prime Trust litigation, it is not possible to present shareholders with any feasible plan to recapitalise the Company, at this time.

This Company has only remained in business through the financial support from entities related to its founding shareholders, Mr. John Krimmer and Mr. Tony Roberts, each of which has contributed \$1.5m in loans to 30 June 2008, to support the Company as it attempts to resolve its legacy issues and develop a new future. This \$3m loan was due and payable on 30 June 2008, but, by mutual agreement, this loan term has been extended to 31 October 2008. This \$3.0m loan is ultimately repayable in ordinary shares, subject to shareholder approval, if it cannot be repaid from other resources.



Subsequent to 30 June 2008, these same entities related with the Company's founding shareholders, Mr. John Krimmer and Mr. Tony Roberts, have also provided the Company with an undertaking to provide the Commonwealth Bank of Australia with appropriate security, to enable the Commonwealth Bank of Australia to release a cash security of \$445,000 for the operation of the bank's resident rental collections system. Under this arrangement, the Company has indemnified these entities if there is any draw down against this security, up to an amount of \$445,000. The Facility Agreement, under which these entities have advanced their loan funds, has also been modified to recognise that the Company has now indemnified these entities to include any draw down against this substituted security that may be made by the Commonwealth Bank of Australia, up to a maximum amount of an additional \$445,000.

The availability of these additional funds to the Company has been critical in enabling the Company to continue to work on its initiative to create new profitable opportunities in the aged residential accommodation market, which is where the Company will concentrate its efforts.

As previously mentioned, Mr Stephen Lonie, who has been Managing Director since 3 October 2005 stood down on 31 August 2008 and reverted to a Non-Executive Director role from that date. We thank Mr Lonie for his contribution in guiding the business safely through a number of difficult, complex and significant issues, over the last few years. His contribution has been invaluable to both me and my fellow Directors, and I thank him.

Effective 1 September 2008, Mr Stuart Lummis has taken up the role as the Company's Chief Executive Officer, reflecting the Company's commitment to its future development opportunities. Mr Lummis has extensive property development industry experience, and we wish him every success in this new capacity.

Finally, I would like to express my thanks to my fellow Directors, the dedicated people who serve in this Company and the founding Shareholders, who have stood by this Company in these difficult times, for their continuing support throughout the year.

Ladies and gentlemen – in conclusion

Thank you for your attention today. We will post a copy of this address with the ASX to enable all shareholders to see what has been said today.

Thank you

Greg Gardiner
Chairman

I will now move to the formal business of the meeting.



Chairman's Report

Ladies and gentlemen - the results for year ended 30 June 2008

In the past year, the Company continued to persevere with its attempted restructure. However, despite reasonable expectations that the Company could recapitalise through the successful assignment of its management contracts, SCV Group Limited was unable to complete the transaction.

However, during the financial year, progress was made on many issues, which are summarised as follows:

- In regard to the outstanding Goods and Services Tax (GST) issues with the Australian Taxation Office, the Company reached a satisfactory settlement of this matter on 27 June 2008. The full financial impact of this settlement has been set out in the Annual Report.
- In regard to an obligation arising from the transfer of the control of the Village Life Trust to ING Management Limited in June 2005, the Company has now settled all outstanding matters with the ING Group through a transaction that involved Fig Tree Developments Ltd exchanging its interest in the Welcome Inn properties at Kingston Tasmania and another development property at Cessnock New South Wales, in consideration of a release from certain outstanding obligations and a Commonwealth Bank of Australia unconditional bank guarantee with Housing Tasmania, which was secured by a \$1.4m Company cash deposit with the Commonwealth Bank of Australia, in respect to the Welcome Inn properties. This transaction was agreed and settled on 29 July 2008.
- The Company, as a co-defendant with former Directors, David Jeffries, and current Directors John Krimmer and Tony Roberts, continues to address a claim by certain former and current Shareholders, represented by Slater & Gordon and funded by litigation founder, IMF (Australia) Ltd, in respect to issues relating to information contained in the Company's prospectus and certain market releases relating to profit down grades that occurred during 2005. The Company and its co-defendants strongly reject these claims and intend to continue to defend the action vigorously. The Company is currently bearing 25% of all costs in conjunction with the co-defendants D&O insurer, which is currently underwriting the legal costs of the other defendants. The Company has also indemnified these co-defendants by virtue of the Company's Constitution and individual deeds of indemnity with each of the other defendants.

As shareholders will note, the Company has limited financial capacity to support these indemnities, if they are required.

- As noted previously, the Assignment Agreement with the SCV Group Limited was not completed, as SCV Group Limited invoked the finance clause in the Assignment Agreement to terminate the settlement process on 15 February 2008. The Company subsequently settled the assignment of eighteen of its retail management service agreements with the SCV Group Limited for \$550,000 on 23 April 2008.



- Since 30 June 2008, Fig Tree Developments Limited has agreed, in principal, to sell the shares in Village Life Management Ltd, the holder of an Australian Financial Services License, to the SCV Group Limited for \$99,110, as the final part of the transition of the assignment of the retail management services agreements to the SCV Group Limited. This transaction is still being documented at this date, but is expected to settle during October or November 2008. As part of this transaction, the Moe and Dromana villages continue to be managed by SCV Group Limited, as part of this process.
- The final significant issue being addressed by the Company relates to an attempt by Australian Property Custodian Holdings Ltd, as responsible entity for The Prime Retirement and Aged Care Property Trust (APCH), to repudiate the twelve wholesale management services agreements with the Company. The basis of the claim is that, at the time that the SCV Group Limited was managing these villages on behalf of Fig Tree Developments Ltd, as part of an agreed transition process under the Assignment Agreement, SCV Group Limited failed, on the Company's behalf, to meet certain obligations. This matter is currently before the Federal Court and the Company is confident of its position in regard to these twelve contracts. However, if the Federal Court does not find in favour of the Company, it will mean that the Company has only eight remaining wholesale management services agreements in its portfolio.

In the past year, based on the assumption that the Company would successfully settle the assignment of the majority of its management services agreements to the SCV Group Limited, it pursued new development opportunities in the following areas:

- The development of new retirement village products.
- It entered into a joint venture with Integrated Aged Care, to pursue the acquisition of management service agreements in the higher care nursing homes sector.

However, the Company's lack of capital has severely limited these endeavours.

Your Directors have also continued to consider a range of options to recapitalise the Company but, with the current Shareholder action being prosecuted by Slater & Gordon and the Prime Trust litigation, it is not feasible to present shareholders with any feasible plan to recapitalise the Company, at this time.

This Company has only remained in business through the financial support from entities related to its founding shareholders, Mr. John Krimmer and Mr. Tony Roberts, each of which has contributed \$1.5m in loans to 30 June 2008, to support the Company as it attempts to resolve its legacy issues and develop a new future. This \$3m loan was due and payable on 30 June 2008, but, by mutual agreement, this loan term has been extended to 31 October 2008. This \$3.0m is ultimately repayable in ordinary shares, subject to shareholder approval, if it cannot be repaid from other resources.



Subsequent to 30 June 2008, these same entities related with the Company's founding shareholders, Mr. John Krimmer and Mr. Tony Roberts, have also provided the Company with an undertaking to provide the Commonwealth Bank of Australia with appropriate security, to enable the Commonwealth Bank of Australia to release a cash security of \$445,000 for the operation of the bank's resident rental collections system. Under this arrangement, the Company has indemnified these entities if there is any draw down against this security, up to an amount of \$445,000. The Facility Agreement, under which these entities have advanced their loan funds, has also been modified to recognise that the Company has now indemnified these entities to include any draw down against this substituted security that may be made by the Commonwealth Bank of Australia, up to a maximum amount of an additional \$445,000.

The availability of these additional funds to the Company has been critical in enabling the Company to continue to work on its initiative to create new profitable opportunities in the aged residential accommodation market, which is where the Company will concentrate its efforts.

To conserve limited resources, subsequent to balance date, the Company has terminated its joint venture arrangement with Integrated Aged Care, to pursue its entry into the management of higher care nursing homes sector, due to the Company's lack of capital.

Since January 2006, when your Directors advised you of the difficult financial position the Company was in, due to a range of issues, we have attempted to find a way forward to try to re-capitalise the Company. Unfortunately, these efforts have not achieved the outcomes that the Directors thought were possible due to a wide range of factors, some of which were beyond the Company's control.

The APCH litigation is another example of action taken by other parties that has resulted in the Company having to take action to protect its remaining assets, which are its wholesale management services contracts. The current cost of this litigation alone amounts, in total, to \$1,164,275 at 30 June 2008, which is an enormous burden for this Company to bear but is necessary to preserve assets which your Directors consider worth well in excess of this amount. The case involved the discovery and assessment of extensive volumes of documentation and, as well, the actual trial will now extend beyond its original schedule, both factors of which contributed to these considerable costs. The case with APCH continues at this date, and the Board is confident in the Company's position and the decision to strongly refute the allegations made by APCH. We are advised that judgement in this case is expected later in this calendar year.



The Company has also incurred significant professional expenses of \$2,306,088, during the 2008 financial year, including legal and professional fees of:

- \$674,273 relating to the APCH action;
- \$33,085 relating to the Slater and Gordon litigation;
- \$611,720 on the SCV Assignment;
- \$651,738 on other legal matters, including the settlement of GST amounts with the Australian Taxation Office and a third party.
- \$164,128 on specific GST related matters; and
- \$171,144 on compliance related services and various other matters.

As previously mentioned, Mr Stephen Lonie, who has been Managing Director since 3 October 2005 stood down on 31 August 2008 and reverted to a Non-Executive Director role from that date. We thank Mr Lonie for his valued contribution in guiding the business safely through a number of difficult, complex and significant issues, over the last few years. His contribution has been invaluable to both me and my fellow Directors, and I thank him.

Effective 1 September 2008, Mr Stuart Lummis has taken up the role as the Company's Chief Executive Officer, reflecting the Company's commitment to its future development opportunities. Mr Lummis has extensive property development industry experience, and we wish him every success in this new capacity.

Finally, I would like to express my thanks to my fellow Directors, the dedicated people who serve in this Company and the founding Shareholders, who have stood by this Company in these difficult times, for their continuing support throughout the year.

Ladies and gentlemen – in conclusion

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Greg Gardiner
Chairman