

PF1 Chairman's Address – AGM – 2009

This was again a very challenging year for the Company. As I stated in last year's review, the ongoing actions of Pritchard Equity Ltd had a serious detrimental effect on the value of the Company and those actions continued into the 2009 financial year. Our legal fees and other professional fees in responding to those actions were considerable and represented almost half of the expenses we incurred this year.

The operating loss for the Company for the year was \$506,989. Had the Company not had the legal and other professional expenses of the ongoing hostile takeover action, the loss would have been reduced by \$316,250 to \$190,739.

Fortunately Pritchard Equity Ltd sold its shares prior to the end of the financial year. This closed that difficult chapter in the company's history.

In May 2009 the Company received a takeover offer for all its A Class shares from Property Fox No 2 Limited "PF2". The independent director recommended that shareholders accept the offer.

I feel confident that shareholders can look forward to a more stable future if both companies are ultimately combined.

In February of this year the Company held an Extraordinary General Meeting at which shareholders voted overwhelmingly in favour of the Board's resolution to return capital to shareholders through an equal access buy-back scheme for 40% of shares on issue at 55 cents per share. The vote resulted in 78% of shareholders who voted, voting in favour of the resolution and payments to those shareholders who submitted tender forms were paid in August 2009. The total payment to shareholders amounted to \$667,260.

Our properties were valued in June 2009 by independent registered valuers.

The Fairfield properties have been valued in total at \$670,000 and this has resulted in a net increase of \$50,000 over last year's carrying values. Additionally, in June 2009 Fairfield Council approved a development application for the conversion of these units to strata title. Prior to completion of the title conversion building work in relation to fire safety has to be completed. Upon the successful completion of this work and the issue of the strata plan, these units should have a further significant increase in value.

The Toowoomba properties have been valued at \$2,850,000. The company's 30% share of these properties is therefore \$855,000 against a carrying value in the accounts of \$699,111.

So, the reality is additional equity in our property holdings of \$182,000 above the values in the accounts.

In December 2008 we received a payment of \$208,250 from Fox Riverside Pty Ltd when the last property in the joint venture it was involved with was sold. We expect a further small sum to be paid from this joint venture when the final accounts are completed.

Your directors believe the potential for shareholders will be greatly improved as a result of the takeover by Property Fox No 2 Limited, provided it results in a 100% acquisition of all A Class shares.

I am advised that the bid from PF2 is now unconditional and they need just 207,000 more shares to gain majority control of the company.

The bid is recommended by the independent Director and was deemed fair and reasonable by the independent expert's report.

I would highly encourage all shareholders who have not accepted the bid to do so. This will enable the considerable cost savings of combining the two companies and allow the strategic synergies to come to the fore.