transforming strata management

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ASX ANNOUNCEMENT **27 April 2009**

Request to seek the removal of TEYS Limited (the Company) from the Official List of ASX.

The TEYS Limited board has resolved today to approach the ASX Limited to seek removal of the Company from the Official List of ASX Limited (ASX) pursuant to Listing Rule 17.11.

The Board believes it is in the best interests of the Company and its shareholders for the Company to be removed from the Official List because the significantly changed business environment makes it extremely difficult to implement the business strategy described in the prospectus released in June 2008, or any suitable alternative, while remaining listed. As a result of current market conditions and the business environment there is little investor interest in trading the Company's shares or options. The benefits to shareholders of listing are likely to remain relatively small for the next couple of years as compared with the cost of listing and the benefits to them of delisting.

At this time, the Company is not seeking shareholder approval for the request. Subject to ASX agreement, the Company proposes to provide shareholders with three months' notice of its intention to be removed from the Official List to enable shareholders to sell on market. The Company understands that the ASX, in considering this approach, may impose conditions. The process may take some time to resolve with ASX and the Company will keep the market advised at appropriate.

Impact of Current Business and Financial Market Conditions

As reported to the market, Australian and global financial markets have been experiencing the most difficult conditions in many decades and the Company has not been immune from these market conditions particularly in the funds management business and the acquisition of new strata businesses.

The financial and credit crisis has impacted the funds management business on two fronts. Some of the existing funds which are property or mortgage funds, either have a number of borrowers defaulting on loans or have developers who are unable to obtain funding for developments. There is little or no investor interest or appetite for investments of this kind in the current market conditions. Funds under management (FUM) have reduced from over $100 million in the prospectus to $84 million as at 31 March 2009. Revenue from this business unit is significantly below the forecast in mid-2008 because new fund raising activities since then have not been possible and due to a drop in revenue from existing funds.

The Company's strategy was to acquire 30,000 strata lots under management this financial year to build scale in the strata business and achieve an optimal size. To date it has been unable to identify any suitable large strata acquisitions on suitable terms appropriate for the Company.

The legal business has lost revenue from the funds management and strata business as a result of the contraction and capacity in this business unit has been significantly reduced. This is expected to continue for at least the medium term.

As a result of the lower contribution from funds management and legal services and the lower number of strata lots under management because the acquisitions have not been made, the cash flow for the business is very restricted. The Company had planned an additional capital raising of $1.5 million in January 2009. This did not proceed due to the current market conditions not supporting a raising.

The annual direct and indirect costs of compliance with the ASX listing rules, listing fees, share registry costs, audits and ongoing disclosure requirements including quarterly, half yearly and annual results are a materially significant additional draw on cash and corporate resources during these difficult business conditions.

Company response to changed business conditions

The Company has previously reported to the market and at its 2008 AGM of the material changes. As reported to the market, the Company has implemented a number of measures over the past six months including a restructure of the business to size it to its current portfolio of business rather than the growth that had been anticipated. This restructure, in addition to not replacing staff who have left the firm, has seen the Company reduce its staffing by approximately 20%. The management's aim has been to conserve cash and reduce expenses, especially head office costs, to a level required to maintain the existing business and service existing clients.

The Company is reviewing its corporate structure, which as a result of acquisitions comprises 15 subsidiary companies, to identify savings that can be made through consolidation of the operating subsidiaries. The Company is continuing to review its corporate structure and head office costs with a view to identifying other ongoing cost savings.

Shareholders and trading in the Company's shares and options

The Company's shares and options are very illiquid and trade infrequently. There are 88,277,298 shares on issue of which 47,028,809 are quoted on the ASX. There are 44,137,008 options which are exercisable at 20 cents and expire on 31 May 2011.

Based on the last traded share price of 2 cents, the Company has a market capitalization of just over $1,765,545, compared to $17,600,000 when it relisted in July 2008.

The top 10 shareholders own 59.57% of the ordinary shares on issue and the top 20 shareholders own 73.24% of the shares on issue. Directors and associates of the directors own 43.3% of the shares on issue and the directors believe the remainder of the top 10 shareholders would support the removal of the Company from the Official List.

Benefits of Remaining Listed

Two main benefits of remaining listed are now significantly reduced, or even non-existent. Shareholders are not making use of the ASX market facility and the Company is not aware of any significant number of new investors seeking to buy into the Company. Capital raisings on market is impossible in the current market conditions. This is likely to remain the case for sufficiently long enough to justify the removal of the Company from the Official List.

The third benefit, of continuous disclosure, is addressed below.

Benefits of Removal from Official List

The Company believes there are a number of benefits to shareholders from removing the Company from the Official List which include:

- The Company will be able to focus on improving core operations and profitability in medium term.
- The Company will be able to review and implement any restructuring in a more cost effective and timely manner, without having to comply with lengthy timetables and mandatory interruptions to trading of quoted securities while still maintaining appropriate shareholder engagement.
- The reduced compliance costs will significantly assist cash flow to fund current operations and reduce the head office costs.

Communication to Shareholders

Subject to ASX agreement, the Company proposes to provide shareholders with three months' notice of its intention to be removed from the Official List to enable shareholders to sell on market.

The Company will continue providing shareholders with Annual Reports, investor updates as necessary and holding its Annual General Meetings as required under the Corporations Act and its constitution. Where possible it will utilize its website to provide publically available information to investors

Ends

Company Contact

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