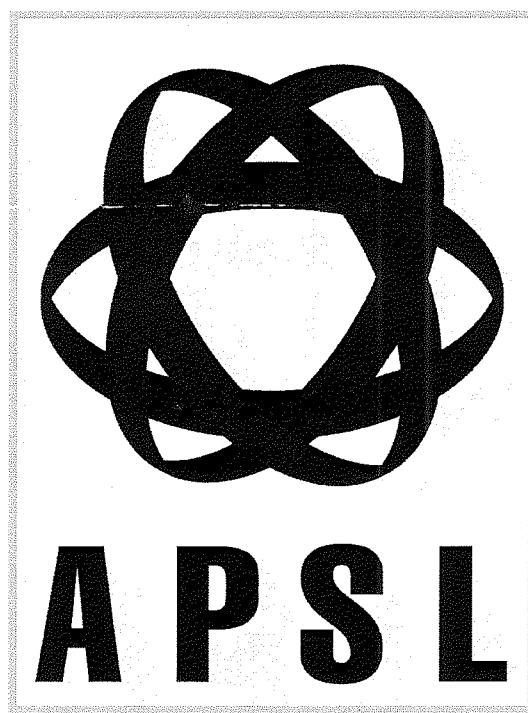


Australian Property Systems Limited
and controlled entities

ABN 93 096 925 610

Financial Report

For the year ended 30 June 2005



Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' Report

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Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' Report

Directors at the date of this report

Geoffrey. A. Thomas
Geoffrey. S. Jamieson
Brian. B. Wilkie
Bernard Ross Noye

Bankers:

Westpac Banking Corporation
260 Queen Street, Brisbane Qld 4000

Auditors:

Williams Partners Independent Audit Specialists
233 Turpin Road Labrador Qld 4215

Management:

Geoffrey S Jamieson
Managing Director and Company Secretary

Registered office:

Level 1, Naval Offices
3 Edward Street, Brisbane Qld 4000

Stock Exchange:

The Company is listed on the Newcastle Stock Exchange.

Other information:

Australian Property Systems Limited, incorporated and domiciled in Australia, is a public company limited by shares.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' report (cont'd)

The Directors present their report together with the financial report of Australian Property Systems Limited ("the Company" or "APSL") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2005 and the auditor's report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Geoffrey Alan Thomas	Brian Bernard Wilkie
Bernard Ross Noye (retired 14 December 2004, appointed 16 August 2005)	
Arthur Gerbanas (retired 25 August 2004)	Geoffrey Stuart Jamieson

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Geoffrey Stuart Jamieson - member of the Financial Planning Association of Australia and a Foundation Member of the Australian Institute of Company Directors. Mr Jamieson has many years experience in Managing Director roles with public companies. He has expertise in Investment Banking, Investment Advisory and has been involved in the property and building industry for over 30 years.

Information on Directors

The Directors of the Company at any time during or since the end of the financial year are:

Geoffrey Stuart Jamieson
Managing Director

Age: 54

Mr Jamieson is a member of the Financial Planning Association of Australia and a Foundation Member of the Australian Institute of Company Directors. Mr Jamieson has many years experience in Managing Director roles with public companies. He has expertise in Investment Banking, Investment Advisory and has been involved in the property and building industry for over 30 years.

Director since 1 June 2001.

Geoffrey Alan Thomas
Non Executive Director

Age: 46

Mr Thomas has had many years of experience in the finance/lending industry and is currently Chairman of Australian Capital Home Loans and Nationalcorp Pty Ltd.

Appointed 9 August 2005

Bernard Ross Noye
Non Executive Director

Age: 47

Mr Noye has over 19 years experience in finance and investment markets and the development, marketing and distribution of financial and investment products and services. He serves on the Queensland Regional Council and the National Advisory Committee for the Securities Institute of Australia (SIA), and is a member of the Securities and Derivatives Institute of Australia (SDIA).

Director since 29 March 2004. Resigned 14 December 2004. Re-appointed 9 August 2005

Australian Property Systems Limited
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Directors' report (cont'd)

Brian Bernard Wilkie
Non Executive Director

Age: 62

Mr Wilkie has been involved in real estate and small project development for 15 years. He has previous business experience in privately owned enterprises, including hospitality and transport industries.

Since 1992, Mr Wilkie has been associated with the development of the Company's patented development management system. Over the past 3 years he has assisted with the implementation and establishment of the system within statutory authorities.

Director since 1 June 2001.

Arthur Gerbanas
Director

Age: 47

Mr Gerbanas has a Bachelor of Science. He has previously held senior positions within BP and has performed external consulting roles to BP and other multinational organisations, involving asset management, investment management, development management, retail management, project management, facilities management, network planning and service station operations.

Director since 16 July 2002. Resigned 26 August 2004

Directorships in other Listed Entities

None of the current Directors were Directors of any other listed entity during the 3 Years before the end of the Financial Year

Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

<i>Directors</i>	<i>Board Meetings</i>	
	<i>A</i>	<i>B</i>
Mr G S Jamieson	4	4
Mr B B Wilkie	4	4
Mr A Gerbanas	1	1
Mr R Noye	2	2

A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the period.

There are no sub-committees of the Board of Directors (refer Corporate Governance).

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' report (cont'd)

Principal activities

The principal activity of the consolidated entity during the course of the financial year was the provision of training for the development of strata title units utilising the consolidated entity's proprietary development management system and licensing the system to other development managers. The predominant concentration of the company at present is affordable housing.

The consolidated entity holds the international rights to a patented property management system ("the System") that significantly reduces the risks associated with strata title property development.

The System allows the consolidated entity to licence its property management system to professional project management firms who act as development managers under the system. The consolidated entity does not purchase or own land, is not a property developer and does not market any property. The consolidated entity is a service organisation that earns income from its principal activity of licensing its System to other organisations and training those organisations on how to implement the system therefore allowing the consolidated entity to focus on growing the business of licensing and training. For more information go to the Company website at <http://www.apsl.biz>

The Company is incorporated in Australia and its principal country of operation is Australia.

Review and results of operations

The Company has continued to make a substantial investment in developing the technology platforms and writing the procedure manuals that are required to bring scale to the APSL system, particularly in developing the licensing platform for the system and it is intended to continue making a substantial investment in licensing and training in the future to expand the licensing network. The Directors report a consolidated operating loss of (\$421,402) (2004:\$606,812 loss). This loss was brought about as a result of trading losses associated with the parent entity and Libertas Securities Limited (Libertas ceased trading in October 2004). The Company has substantially reduced overheads and is focusing on licensing its technology to select licensees who require very little training, therefore keeping staff to a minimum and maintaining low overhead.

On the 20 August 2004 APSL entered into a Strategic Alliance with Property Investment Research (PIR) one of Australia's leading independent research and rating agencies. The Alliance agreement provides for protection of each parties intellectual property and gives exclusivity to PIR's research and rating process of APSL products in Australia. In August 2005 PIR provided the first Investment Grade Rating on the Company System for an affordable housing project at West End.

On the 18 October 2004 all of the staff and all of the Authorised Representatives of Libertas Securities Limited were transferred to Great Pacific Securities Pty Ltd on the basis that Great Pacific would continue to support the APSL product. This achieved two things for APSL, a reduction in overhead of \$50,000 per month and a Dealership arrangement with Great Pacific similar to what it had with Libertas. On 19th May 2005 Libertas Securities Limited changed its status from Public Company to Proprietary Limited Company. On 29th June 2005 Alexander Kay, Jimali McKinnon and Mark Candy resigned as Directors of Libertas Securities Pty Ltd and Geoffrey Jamieson was appointed as a Director and Secretary.

As a result of the strategy to become only a licensing and training company (which was the direction adopted by the Board from numerous strategic planning meetings), APSL has substantially reduced staff numbers down to a small dynamic team able to take the Company forward in licensing its system to outside Development Managers wishing to take advantage of the APSL System.

The formation of Australian Affordable Housing Association Inc (a not for profit organisation) that was specifically set up to exploit the APSL system has provided a strong platform for the launching of affordable housing into the market place.

Australian Property Systems Limited
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Directors' report (cont'd)

Included in this year's result is an extraordinary amount of \$1,010,475 that was the result of the total write off of the carrying value of the intellectual property.

Dividends

No dividends have been paid or declared by the Company to members since the end of the previous financial year.

Significant Changes in State of affairs

As mentioned above, the Directors decided to write off the carrying value of the intellectual property to \$0 from \$2,378,999. This decision was based on the requirements of the International Financial Reporting Standards which necessitates this write off.

Patents issued during financial year

During the financial year international patents have been issued in relation to the property management system licensed from Australian Property Systems (No 1) Pty Ltd in the following international jurisdictions:

New Zealand, Sri – Lanka and India. Other Countries will follow in due course.

Environmental Issues

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

International Financial Reporting Standards (IFRS)

The company has adopted the preliminary changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. This has incorporated:

- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity
- financial instruments must be recognised in the Statement of Financial Position and most financial instruments must be carried at fair value
- intangible assets:
 - internally generated intangible assets will not be recognised;
 - intangible assets can only be revalued if there is an active market;
- impairments of assets will be determined on a discounted basis, with strict tests for determining whether cash-generating operations have been impaired
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' report (cont'd)

Events subsequent to balance date

Issue of New Shares and Options

As a result of an Extraordinary Meeting of Shareholders held on the 9th August, shareholders approved an issue of Shares and Options to a number of related parties. An issue of 12,500,000 shares at 2 cents each in return for a placement of funds into the Company of \$250,000 to Tamlin Holdings Pty Ltd a Company associated with Geoffrey Jamieson an Executive Director of the Company. An issue of 10,625,000 shares at 2 cents each in return for a placement of funds into the Company of \$212,500 to Geoff Thomas Family Trust a trust who is associated with Geoffrey Thomas who is now a Non Executive Director of the Company and an issue of 1,875,000 shares at 2 cents each in return for a placement of funds into the Company of \$37,500 to GWR Financial Services Pty Ltd a Company who is associated with Ross Noye who was a past Non Executive Director of the Company and is again now a Non Executive Director of the Company.

Shareholders also approved the issue of 25,000,000 options to the above parties as an incentive. The options are exercisable at any time within the next 5 years into ordinary shares at 50 cents each and were allocated on the following basis 15,000,000 to Tamlin Holdings Pty Ltd, 5,000,000 to Geoff Thomas Family Trust and 5,000,000 to GWR Financial Services Pty Ltd.

The \$500,000 placement has been completed and Geoffrey Allan Thomas and Bernard Ross Noye are now Directors of the Company.

Licensing agreement- Napier Blakely

Napier Blakely are currently acting as Development Managers for one project being Ferry Road West End. The Company is currently negotiating with Napier Blakeley, a non exclusive licence agreement for all Australian States.

First Investment Grade Rating

On the 29th August 2005 the Australian Affordable Housing Association project at Ferry Road West End which is utilising the APSL system received an Investment Grade Rating of AA from Property Investment Research (PIR) for an ungeared investment and AA+ for a geared investment. It is believed that this is the first time an investment grade rating has ever been achieved on a residential development for affordable rentals. This Investment Grade Rating provides the opportunity for Superannuation Funds and Wholesale Funds to now invest in this type of product. The Investment Grade Rating has been achieved as a result of two and half years of dedicated work by Geoffrey Jamieson and many of the PIR staff. The Directors would like to take this opportunity to thank Geoffrey and all of the Staff at PIR for their dedication and commitment to this process.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Future developments, Prospects and Business Strategies

The consolidated entity will continue to pursue its strategy of only being a Licensing and Training organisation and increasing profitability and market share during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this financial report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' report (cont'd)

Remuneration report

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages include a mix of fixed remuneration and performance based remuneration.

Recommendations for employee remuneration are made by the Managing Director for the joint consideration of the Board of the Company. Senior executive appointments and remuneration of non-executive Directors are approved by the Board.

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the consolidated entity's and each relevant segment's result exceeding, on sliding scale, by between 1% - 5% of before tax profit.

Senior executives can receive additional benefits as non-cash benefits, however no use of these benefits have occurred during the period.

Non-executive directors do not receive bonuses.

Directors and senior executives remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest remuneration are:

	Base emolument \$	Super contributions \$	Total \$
<i>Director</i>			
<i>Non-executive</i>			
Mr R Noye	0	0	0
Mr G Thomas	0	0	0
Mr B Wilkie	0	0	0

All Directors have agreed that they will not be remunerated by the Company for their role of acting as Directors of the Company but will take 50,000 preference shares per annum in APSLSP Pty Ltd (The Company share plan) in lieu of Directors fees.

Executive

Mr G S Jamieson	190,000	0	190,000
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Executive Officers (excluding directors)

Mr T Peach	103,250	9,292	112,542
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There are no other executive officers of the company or consolidated entity.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' report (cont'd)

Directors' interests

The relevant interest of each director in the shares issued by the companies within the consolidated entity and other related body corporates at the date of this report is as follows:

	Australian Property Systems Limited	
	Ordinary shares	Options
Mr G S Jamieson	21,365,667	15,000,000
Mr B B Wilkie	5,829,397	
Mr A Gerbanas	450,000	
Mr G Thomas	10,625,000	5,000,000
Mr R Noye	2,375,000	5,000,000

Unissued shares under option

On 16 July 2002 it was resolved that a company associated with Mr Arthur Gerbanas and Mr Geoffrey Jamieson would be entitled to 3,500,000 options over the Company's ordinary shares which can be issued and exercised at any time within 5 years of their issue date at \$0.50 per share subject to the Company meeting certain milestones associated with the development of an Asset Management process and the lodging of a provisional patent to protect the process. As at the date of this report, no options have been issued to the company associated with Messrs Gerbanas and Jamieson.

Indemnification of officers

The Company has agreed to indemnify current and former Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Corporate governance

The Board has put in place the framework and operational policies for the management of the Company ensuring the effective management of internal controls and of risk.

The role of the board

The Board carries out its responsibilities according to the following mandate:

- the Board should comprise at least 3 Directors;
- the Chairman should be a Non-executive Director;
- the Directors should possess a broad range of skills, qualifications and experience;
- the Board should meet on a regular basis; and
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting.

The primary responsibilities of the Board include:

- the approval of the annual, half-year and quarterly financial reports;
- the establishment of the long term goals of the Company and strategic plans to achieve those goals;

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' report (cont'd)

- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis;
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and

Independent professional advice

With the prior approval of the Managing Director, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Board committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Risk management

The Board is responsible for the Company's system of internal controls. The Board constantly monitors the operational and financial aspects of the Company's activities and considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face the Company.

The Board ensures that recommendations made by the auditors and other external advisers are considered and, where thought necessary, appropriate action is taken to ensure that the Company has an effective internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, as well as the employment and training of suitably qualified and experienced personnel.

Code of conduct

As part of the Board's commitment to the highest standard of conduct, APSL adopted a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Management of conflict of interest
- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities and Responsibilities to the environment and the community ;
- Employment practices;

Non Audit Services

The Board of Directors is satisfied that there was no provision of non-audit services by the auditor during the year.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Directors' report (cont'd)

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 11 of the directors' report.

Dated at Brisbane this 30th day of September 2005.

Signed in accordance with a resolution of the Directors

.....
Brian Wilkie
Director

.....
Geoffrey Jamieson
Director

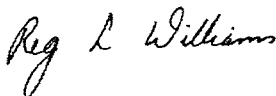
**AUSTRALIAN PROPERTY SYSTEMS LIMITED
ABN 93 096 925 610
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
AUSTRALIAN PROPERTY SYSTEMS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit/review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit/review.

**WILLIAMS PARTNERS
INDEPENDENT AUDIT SPECIALISTS**



**REG L WILLIAMS
PARTNER**

Dated this 30th day of September 2005
233 Turpin Road
Labrador
Queensland 4215

**INDEPENDENT AUDIT
SPECIALISTS**

A.B.N. 29 615 985 445

PARTNERS

Reg L Williams
BCom CPA
Reg. Company Auditor
No 165400

Sharlene Anderson
BBus (Hons) CPA

SENIOR ASSOCIATE

Lyndal Drennan
PhD (Qld), MBA, BCom,
FCPA, FAICD

ALL CORRESPONDENCE TO:
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Noosa Heads
Qld 4567
Tel: 07 5447 2549

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Statements of financial performance
for the year ended 30 June 2005

	Note	Consolidated		The Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenue from rendering of services	3	248,804	3,999,425	94,995	3,939,412
Other revenues from ordinary activities	3	222,003	39,929	32,817	36,629
Total revenue from ordinary activities	3	470,807	4,039,354	127,812	3,976,041
Expenses from ordinary activities:					
Research and estimating expenses		(0)	(0)	(0)	(0)
Project management expenses		(2028)	(20,328)	(2028)	(20,328)
Systems and titles expenses		(0)	(38,500)	(0)	(38,500)
Sales and marketing expenses		(0)	(20,000)	(0)	(20,000)
Concept and planning expenses		(0)	(82,303)	(0)	(82,303)
Administrative expenses		(1,430,648)	(2,474,645)	(1,244,913)	(1,664,160)
Borrowing costs	4 (b)	(8,394)	(10,966)	(8,394)	(10,966)
Licensing expenses		(190,170)	(522,382)	(190,170)	(522,382)
Other expenses from ordinary activities		(169,398)	(386,510)	(168,725)	(386,510)
Write off of carrying value of investment	4(a)		0		(1,901,300)
Write off of carrying value of goodwill & IP	4(a)	1,010,475	(1,017,500)	1,010,475	0
Profit/(loss) from ordinary activities before related income tax expense		(319,356)	(533,780)	(475,943)	(670,409)
Income tax expense relating to ordinary activities	6(a)	(102,046)	(73,032)	(102,046)	(73,032)
Net (loss)/profit		(421,402)	(606,812)	(577,989)	(743,441)
Net loss attributable to outside equity interests	22	12,266	6,425	0	0
Net profit attributable to members of the parent entity	20	(409,136)	(600,387)	(577,989)	(743,441)
Basic (losses)/earnings per share:					
Ordinary shares	7	\$(0.016)	\$(0.024)		
Diluted (losses)/earnings per share:					
Ordinary shares	7	\$(0.016)	\$(0.024)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Statements of financial position
as at 30 June 2005

		Consolidated		The Company	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
Current assets					
Cash assets	9	124,292	1,349,477	84,461	1,238,166
Receivables	10	22,745	407,247	17,473	380,849
Other	11	0	13,361	0	0
Total current assets		147,037	1,770,085	101,934	1,619,015
Non-current assets					
Receivables	10	10,740	12,676	18,740	10,739
Other financial assets	12	0	26,125	24,948	55,000
Plant and equipment	13	18,476	120,152	15,129	113,916
Intangible assets	14	109,811	2,378,999	109,811	2,378,999
Deferred tax assets	6(c)	0	19,515	0	19,515
Total non-current assets		139,027	2,557,467	168,628	2,578,169
Total assets		286,064	4,327,552	270,562	4,197,184
Current liabilities					
Payables	15	42,118	573,428	34,285	249,249
Current tax liabilities	6(b)	102,046	92,547	102,046	92,547
Provisions	16	0	59,148	0	35,331
Interest bearing liabilities	24	0	15,712	0	15,712
Other	17	0	0	0	0
Total current liabilities		144,164	740,835	136,331	392,839
Non-current liabilities					
Interest bearing liabilities	24	0	31,262	0	31,262
Deferred tax liabilities	6(c)	0	0	0	0
Other	17	0	0	0	0
Total non-current liabilities		0	31,262	0	31,262
Total liabilities		144,164	772,097	136,331	424,101
Net assets		141,900	3,555,455	134,231	3,773,083
Equity					
Contributed equity	18	2,082,740	2,082,740	2,082,740	2,082,740
Reserves	19	0	3,389,475	0	3,389,475
Outside Equity Interest	22	173,113	185,379	0	0
(Accumulated losses)/retained profits	20	(2,113,953)	(2,102,139)	(1,948,509)	(1,699,132)
Total equity		141,900	3,555,455	134,231	3,773,083

The statements of financial position are to be read in conjunction with the notes to the financial statements

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Statements of cash flows
for the year ended 30 June 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		288,383	4,282,745	255,389	4,106,348
Cash payments in the course of operations		(1,686,213)	(3,331,316)	(1,456,918)	(2,460,032)
Income tax paid	6(b)	0	(0)	(0)	(0)
Interest received		35,183	39,929	32,818	36,629
Interest paid		(4,675)	(10,966)	(4,675)	(10,966)
Net cash provided by/(used in) operating activities	26(ii)	(1,367,322)	980,392	(1,173,386)	1,671,979
Cash flows from investing activities					
Payments for plant and equipment		(2,500)	(22,298)	0	(22,298)
Payments for intangibles		0	0	0	0
Loan to other entities		200,000	(200,000)	200,000	(200,000)
Payments for purchases of investments		0	(26,125)	(112,820)	(436,300)
Net cash used in investing activities		197,500	(248,423)	87,180	(658,598)
Cash flows from financing activities					
Proceeds from issue of shares		0	270,000	0	270,000
Finance lease payments		(55,364)	(16,202)	(55,364)	(16,202)
Loans to related parties		0	(20,868)	(12,134)	(137,038)
Dividends paid		0	0	0	0
Outside equity interest in controlled entity		0	191,804	0	0
Net cash provided by/(used in) financing activities		(55,364)	424,734	(67,498)	116,760
Net increase/(decrease) in cash held		(1,225,186)	1,156,703	(1,153,704)	1,130,141
Cash at the beginning of the financial year		1,349,478	192,774	1,238,166	108,025
Cash at the end of the financial year	26(i)	124,292	1,349,477	84,462	1,238,166

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

1 Statement of significant accounting policies

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous reporting period.

(b) Principles of consolidation

The financial statements of controlled entities are included from the date control commences until the date control ceases. Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Rendering of services

Revenue from rendering of services is recognised over the term of the contract in proportion to the level of services provided. Where income is received in advance of providing the service it is deferred and included in other current liabilities in the statement of financial position.

In the event that a landowner sells the site of a property development prior to the completion of a development management contract, the Company is entitled to 22.5% of any profit on disposal of the site. Such revenue is recognised upon receipt.

Upon settlement of a contract, the Company receives a net settlement fee and can also receive a profit share if more than 70% of the lots in the property development have been sold prior to settlement. Such revenue is recognised at the time of receipt.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

Notes to the financial statements
for the year ended 30 June 2005

1 Statement of significant accounting policies (cont'd)

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising the Australian wholly-owned subsidiaries set out in Note 25. The implementation date for the tax-consolidated group is 1 July 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a “stand-alone basis” so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries.

The contributions are payable as set out in the agreement and reflect the timing of the head entity’s obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

(f) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Australian Property Systems Limited
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Notes to the financial statements
for the year ended 30 June 2005

1 Statement of significant accounting policies (cont'd)

(g) Acquisitions of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

(h) Technology licences

A related entity, Australian Property Systems (No 1) Pty Ltd, has developed a patented property management system to develop property ("the System"). The Company has an exclusive licensing agreement with Australian Property Systems (No 1) Pty Ltd which grants the Company the right to use, commercialise and exploit the System. The Company has control over the economic benefit of the intellectual property of the System, which is a legal and enforceable right and is exchangeable.

The technology licences associated with the System are measured at fair value.

(i) Receivables

Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

(j) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Refer to note 1(m).

(k) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

(l) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Notes to the financial statements
for the year ended 30 June 2005

1 Statement of significant accounting policies (cont'd)

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(m) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value.

(n) Revaluations of non-current assets

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Revaluation increments are recognised in the asset revaluation reserve on a class of assets basis, except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense. Potential capital gains tax is only taken into account if the asset is held for sale.

(o) Depreciation and amortisation

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives taking into account estimated residual values, except for finance lease assets. Assets are depreciated or amortised from the date of acquisition or in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Finance lease assets are amortised over the term of the relevant lease or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

The depreciation/amortisation rates used for each class of asset are as follows:

<i>Plant and equipment</i>	2005	2004
■ Office furniture and equipment	7.5% - 20%	7.5% - 20%
■ Computer software	33.3% - 50%	33.3% - 50%
■ Leased assets – plant and equipment	25%	25%
<i>Intangibles</i>		
■ Technology licences	-	20 years
■ Goodwill	-	20 years

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

Notes to the financial statements
for the year ended 30 June 2005

1 Statement of significant accounting policies (cont'd)

(p) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(q) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Superannuation plan

The Company and other controlled entities contribute to employee nominated superannuation plans. Contributions are recognised as an expense as they are made.

(r) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount regardless of the extent to which they will be paid in cash.

2 Changes in accounting policy - International Financial Reporting Standards (IFRS)

The company is preparing to adopt the preliminary changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. This has incorporated:

- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity
- financial instruments must be recognised in the Statement of Financial Position and most financial instruments must be carried at fair value
- intangible assets:
 - internally generated intangible assets will not be recognised;
 - intangible assets can only be re-valued if there is an active market;
- impairments of assets will be determined on a discounted basis, with strict tests for determining whether cash-generating operations have been impaired
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Australian Property Systems Limited
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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
3. Revenue from ordinary activities				
Revenue from rendering of services	248,804	3,999,425	94,995	3,939,412
<i>Other revenues from operating activities</i>				
Interest: Other parties	222,003	39,929	32,817	36,629
Rental income	0	0	0	0
Sundry income	0	0	0	0
Total other revenues	222,003	39,929	32,817	36,629
Total revenue from ordinary activities	470,807	4,039,354	127,812	3,976,041
4. (Loss)/profit from ordinary activities before income tax expense				
<i>(a) Individually significant expenses included in profit from ordinary activities before income tax expense</i>				
Write down of investments in controlled entities to recoverable amount		0		1,901,300
Write off of goodwill	0	1,017,500	0	0
<i>(b) (Loss)/profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:</i>				
Depreciation of:				
- office furniture and equipment	106,056	29,463	100,668	23,586
- computer software	0	10,771	0	10,771
	106,056	40,234	100,668	34,357
Amortisation of:				
- technology licences	(1,010,475)	522,382	(1,010,475)	522,382
- goodwill		55,000		0
- leased plant and equipment	0	17,301	0	17,301
	(1,010,475)	594,683	(1,010,475)	539,683
Total depreciation and amortisation	(904,419)	634,917	(909,807)	574,040
Borrowing costs:				
- Finance charges on capitalised leases	8394	10,966	8394	10,966
Operating lease rental expense				
- minimum lease payments	2158	5,866	2158	5,866
Loss on disposal of furniture and equipment	0	1,534	0	1,534

Australian Property Systems Limited
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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
5. Auditors' remuneration				
Audit services				
- audit of financial reports – other	26,372	52,000	16,372	32,500
- audit of financial reports – 2005	20,000	0	20,000	0
	<u>46,372</u>	<u>52,000</u>	<u>36,372</u>	<u>32,500</u>
Other services				
- other assurance services – other	<u>2,854</u>	<u>5,000</u>	<u>0</u>	<u>0</u>
6. Taxation				
(a) Income tax expense				
Prima facie income tax (benefit)/expense calculated at 30% on the profit/(loss) from ordinary activities	(410,541)	(160,134)	(448,418)	(201,123)
Increase/(decrease) in income tax expense due to:				
Prior year under provision	102,046	0	102,046	0
Non-deductible expenditure	0	522,644	0	414,964
Deductible capital expenditure	0	(54,000)	0	0
		<u>308,510</u>		<u>213,841</u>
Less tax effect of income tax losses not brought to account		<u>235,458</u>		<u>140,809</u>
Income tax expense attributable to profit/(loss) from ordinary activities	<u>102,046</u>	<u>73,032</u>	<u>102,046</u>	<u>73,032</u>
(b) Current tax liabilities				
<i>Provision for current income tax</i>				
Movements during the period:				
Balance at beginning of period	92,547	0	92,547	0
Income tax paid	0	0	0	0
Prior year under provision	9,499	0	9,499	0
Current period's income tax expense on operating profit	0	92,547	0	92,547
Balance at end of period	<u>102,046</u>	<u>92,547</u>	<u>102,046</u>	<u>92,547</u>

Australian Property Systems Limited
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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
6. Taxation (cont'd)				
<i>(c) Deferred tax assets</i>				
<i>Future income tax benefit</i>				
Future income tax benefits comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Provisions and accrued employee benefits not currently deductible	0	17,744	0	17,744
Other	0	1,771		1,771
		19,515		19,515

Future income tax benefit not taken into account

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

	365,114	341,463
Tax losses carried forward	(1,217,048)	0
Timing differences	0	0

The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

Australian Property Systems Limited
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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated	
	2005	2004
	\$	\$
7. Earnings/(losses) per share		
Basic and diluted earnings/(losses)	(409,136)	(600,387)
	2005	2004
	Number	Number
Weighted average number of ordinary shares used as the denominator:		
Number for basic earnings/(losses) per share	25,014,000	25,014,000
Ordinary shares		
Number for diluted earnings/(losses) per share	25,014,000	25,014,000
Ordinary shares		

8. Segment information

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. All items are able to be reasonably allocated to a particular segment, and accordingly there are no unallocated items.

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

- Property development management – the provision of property development management services, and
- Wealth creation – the provision of wealth creation services.

Geographic segments

The consolidated entity operates solely within Australia.

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Notes to the financial statements
for the year ended 30 June 2005

8. Segment information (cont'd)

Primary reporting	Property Development Management		Wealth Management & Web Development		Consolidated	
Business segments	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Revenue						
Segment revenue	127,812	3,976,581	342,995	62,773	470,807	4,039,354
Total revenue					470,807	4,039,354
Results						
Segment result	(475,943)	113,474	156,587	(647,254)	(319,356)	(533,780)
Profit/(loss) from ordinary activities before income tax						(533,780)
Income tax expense					(102,046)	(73,032)
Net profit/(loss)					(421,402)	(606,812)
Depreciation and amortisation	(70,940)	(629,040)	(5391)	(5,877)	(76,331)	(634,917)
Individually significant items						
Write off of goodwill & IP	1,010,475	(1,017,500)	0	0	1,010,475	(1,017,500)
Assets						
Segment assets	270,562	4,128,744	15,502	198,808	286,064	4,327,552
Consolidated total assets					286,064	4,327,552
Liabilities						
Segment liabilities	136,331	583,121	7,833	188,976	144,164	772,097
Consolidated total liabilities					144,164	772,097
Acquisitions of non-current assets	0	22,298	0	0	0	22,298

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
9. Cash assets				
Cash at bank	96,706	1,308,365	84,461	1,197,054
Term deposits	27,586	41,112	0	41,112
	124,292	1,349,477	84,461	1,238,166

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Notes to the financial statements
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	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
10. Receivables				
Current				
Trade debtors	22,745	176,355	17,473	167,555
Less provision for doubtful trade debtors	0	(9,331)	0	(9,331)
	22,745	167,024	17,473	158,224
Other debtors	0	240,223	0	222,625
	22,745	407,247	17,473	380,849
Non-current				
Loan to related party	10,740	12,676	18,740	10,738
11. Other current assets				
Prepayments	0	13,361	0	0
12. Other financial assets				
Investment in controlled entities, at cost	0	26,125	24,948	55,000
	0	26,125	24,958	55,000
13. Plant and equipment				
Office furniture, equipment and software				
At cost	149,953	107,950	133,754	94,253
Accumulated depreciation	(131,477)	(55,146)	(118,625)	(47,685)
	18,476	52,804	15,129	46,568
Computer software				
At cost	0	52,414	0	52,414
Accumulated depreciation	0	(18,227)	0	(18,277)
	0	34,187	0	34,187
Leased plant and equipment				
At cost	0	69,205	0	69,205
Accumulated amortisation	0	(36,044)	0	(36,044)
	0	33,161	0	33,161
Total plant and equipment - net book value	18,476	120,152	15,129	113,916
Reconciliations				
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
Office furniture, equipment and software				
Carrying amount at beginning of period	52,804	70,392	46,568	58,279
Additions	2,500	12,325	0	12,325
Transfer from other asset	33,419	0	33,419	0
Disposals	(10,263)	(450)	(10,262)	(450)
Adjustment to carrying value	(39,808)	0	(39,808)	0
Depreciation	(20,176)	(29,463)	(14,788)	(23,586)
Carrying amount at end of period	18,476	52,804	15,129	46,568

Australian Property Systems Limited
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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
13. Plant and equipment (cont'd)				
<i>Computer software</i>				
Carrying amount at beginning of period	34,187	36,069	34,187	36,069
Additions	0	9,973	0	9,973
Disposals	0	(1,084)	0	(1,084)
Transfer to other asset	(258)	0	(258)	0
Depreciation	(33,929)	(10,771)	(33,929)	(10,771)
Carrying amount at end of period	0	34,187	0	34,187
<i>Leased plant and equipment</i>				
Carrying amount at beginning of period	33,161	50,462	33,161	50,462
Additions	0	0	0	0
Transfer to other asset	(33,161)	0	(33,161)	0
Amortisation	0	(17,301)	0	(17,301)
Carrying amount at end of period	0	33,161	0	33,161
14. Intangible assets				
Standard Patents and Innovation Patents	109,811	0	109,811	0
Technology licences at directors' valuation	0	2,378,999	0	2,378,999
Goodwill				
At cost	0	0	0	0
Accumulated amortisation	0	0	0	0
	0	0	0	0
	109,811	2,378,999	109,811	2,378,999

Standard Patents and Innovation Patents

Patents are represented at cost and are written off over the life of the patents. Standard Patents have a life of 20 years and Innovation Patents have a life of 8 years.

Technology licenses

Technology licenses are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay.

The current year's valuation was determined by directors in accordance with IFRS. This resulted in a write down of \$2,378,999 being recorded in the Asset Revaluation Reserve and \$1,010,475 being recorded in extraordinary income giving a total write off of \$3,389,475 (refer Note 19).

Australian Property Systems Limited
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Notes to the financial statements
for the year ended 30 June 2005

14. Intangible assets (cont'd)

Goodwill

The recoverability of the carrying value of goodwill was reassessed at 30 June 2005. On 18 October 2004 all of the staff and all of the Authorised Representatives of Libertas Securities Limited were transferred to Great Pacific Securities Pty Ltd it was therefore decided to write off the carrying value of the goodwill on acquisition from the purchase of Libertas Securities Limited.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
15. Payables				
Trade creditors	29,578	78,740	24,285	56,540
Other creditors and accruals	12,540	494,688	10,000	192,709
	42,118	573,428	34,285	249,249
16. Provisions				
Employee entitlements	0	59,148	0	35,331
17. Other liabilities				
Current				
Deferred income	0	0	0	0
Non-current				
Other creditor	0	0	0	0

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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
18. Contributed equity				
<i>Issued and paid-up capital</i>				
25,014,000				
ordinary shares, fully paid	2,082,740	2,082,740	2,082,740	2,082,740
Ordinary shares				
<i>Movements during the year</i>				
Balance at beginning of year				
25,014,000 (2004: 24,474,000)	2,082,740	1,812,740	2,082,740	1,812,740
<i>Shares issued</i>				
• Nil (2004: 540,000)	0	270,000	0	270,000
Balance at end of year	2,082,740	2,082,740	2,082,740	2,082,740

Terms and conditions attaching to ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
19. Reserves				
Asset revaluation	0	3,389,475	0	3,389,475
<i>Movements during the period</i>				
Balance at beginning of year	3,389,475	10,424,260	3,389,475	10,424,260
Revaluation of intangibles (refer Note 14)	(3,389,475)	(7,034,785)	(3,389,475)	(7,034,785)
Balance at end of year	0	3,389,475	0	3,389,475

19. Reserves (cont'd)

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with AASB 1041 'Revaluation of Non-current Assets'.

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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
20. (Accumulated losses)/retained profits				
(Accumulated losses)/retained profits at beginning of year	(2,102,139)	(1,501,752)	(1,699,132)	(955,691)
Net (loss)/profit attributable to members of the parent entity	(409,136)	(600,387)	(577,989)	(743,441)
Prior Year Adjustments	397,322	0	328,612	0
(Accumulated losses)/retained profits at end of year	(2,113,953)	(2,102,139)	(1,948,509)	(1,699,132)
20 (a) Prior Year Adjustments				
Capitalisation of Patent fees	109,811	0	109,811	0
Reversal Accrued Expenses	79,000	0	79,000	0
Loan to Subsidiary (PSX)	133,453	0	133,453	0
Miscellaneous Tax adjustments	75,058	0	6,348	0
	397,322	0	328,612	0

21. Dividends

No dividends were paid by the Company during the year. (2003: Nil)

	The Company	
	2005	2004
	\$	\$
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	297,569	195,523

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 current tax liability;
- (b) franking debits that will arise from the payment of franked dividends recognised as a liability at year end; and
- (c) franking credits that the Company may be prevented from distributing in subsequent years.

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

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Notes to the financial statements
for the year ended 30 June 2005

	Consolidated	
	2005	2004
	\$	\$
22. Outside equity interest		
Outside equity interests in controlled entities comprise:		
Interest in loss from ordinary activities after income tax	(12,266)	(6,425)
Interest in share capital carried forward	185,379	191,804
Total outside equity interest	173,113	185,379

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

23. Additional financial instrument disclosure

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

		Weighted average interest rate	Floating interest rate	Fixed interest maturing in:		Non- interest bearing	Total
	Note	%	\$	1 year or less	1 - 5 years	\$	\$
2005							
Financial assets							
Cash assets	9	3.83%	96,706	0	0	0	96,706
Term deposit	9	5.50%	27,586	0	0	0	27,586
Receivables	10		0	0	0	22,745	22,745
Other financial assets	12		0	0	0	43,688	43,688
			124,292	0	0	66,433	190,725
Financial liabilities							
Payables	15		0	0	0	124,665	124,665
			0	0	0	124,665	124,665

		Weighted average interest rate	Floating interest rate	Fixed interest maturing in:		Non- interest bearing	Total
	Note	%	\$	1 year or less	1 - 5 years	\$	\$
2004							
Financial assets							
Cash assets	9	3.83%	1,308,365	0	0	0	1,308,365
Term deposit	9	4.05%	0	41,112	0	0	41,112
Receivables	10	-	0	0	0	419,923	419,923
Other financial assets	12	5.50%	0	0	26,125	0	26,125
			1,307,824	41,112	26,125	419,923	1,795,525
Financial liabilities							
Payables	15	-	0	0	0	573,428	573,428
Employee entitlements	16	-	0	0	0	59,148	59,148
Lease liability	23	7.40%	0	15,712	31,262	0	46,974
			0	15,712	31,262	632,576	679,550

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

23. Additional financial instrument disclosure (cont'd)

(b) Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a variety of customers and counterparties and by performing due diligence procedures on major new customers.

(c) Net fair value of financial assets and liabilities

The carrying amounts of the consolidated entity's financial assets and liabilities approximate net fair value.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
24. Commitments and contingent liabilities				
<i>Finance lease payment commitments</i>				
Finance lease commitments are payable:				
Within one year	0	20,181	0	20,181
One year or later and no later than five years	0	36,999	0	36,999
		57,180	0	57,180
Less: Future lease finance charges	0	(10,206)	0	(10,206)
	0	46,974	0	46,974
Lease liabilities provided for in the financial statements:				
Current	0	15,712	0	15,712
Non-current	0	31,262	0	31,262
	0	46,974	0	46,974

The Company leases equipment under a finance lease agreement expiring in five years. At the end of the lease term the Company has the option to purchase the equipment at a price deemed to be a bargain purchase option.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
24. Commitments and contingent liabilities (cont'd)				
<i>Non-cancellable operating lease commitments</i>				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	2,158	0	2,158	0
One year or later and no later than five years	5,395	0	5,395	0
	<u>7,553</u>	<u>0</u>	<u>7,553</u>	<u>0</u>

The Company leases equipment under an operating lease agreement for a period of five years. At the end of the lease term the Company will return the equipment.

Non-cancellable management services agreements

A number of key senior executives are employed under non-cancellable management services agreements. The terms of these agreements are detailed in Note 28.

Executive termination benefits

Under the terms of the non-cancellable management services agreements described above, the following contingent liability exists in relation to the conditions for termination (refer also Note 28):

- \$3 million payable to Tamlin Holdings Pty Ltd (a company associated with Mr Jamieson) in the event that the agreement is terminated for any reason by APSL (other than an act of default on the part of Tamlin Holdings Pty Ltd in the performance of its duties) within the 5 year term of the agreement which commenced on 2 June 2001.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

	2005	2004
	Ordinary shares	Ordinary shares
	held (%)	held (%)
25. Controlled entities		
<i>(a) Particulars in relation to controlled entities</i>		
Name: Australian Property Systems Limited		
<i>Controlled entities</i>		
Product Services Exchange Pty Limited	100	100
Libertas Securities Limited	93	91

(b) Acquisition of controlled entity

Acquisitions of entity

During the 2003 financial year the consolidated entity purchased 100% of the voting shares of Libertas Securities Limited. In 2004 Lawfund Pty Ltd contributed equal working capital with APSL to Libertas in return for equity. During this financial year APSL contributed working capital whilst Lawfund did not.

Libertas Securities Limited (formerly Charter Pacific Securities Ltd) was acquired on 6 January 2003 and the operating results of the entity from that date have been included in consolidated operating result. The entity holds an unrestricted securities dealers licence and operates in the wealth creation industry. The purchase price was based on an independent valuation.

Subsequent to acquisition of Libertas Securities Limited for \$1,100,000 (2,200,000 shares at \$0.50 per share) and up to 30 June 2005, a further \$914,124 has been invested (1,828,248 shares at \$0.50 per share).

On 18 October 2004, all of the staff and Authorised Representatives of Libertas Securities Limited were transferred to Great Pacific Securities Pty Ltd it was therefore decided to write off the carrying value of the Company's investment in Libertas Securities Limited.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
26. Notes to the statement of cash flows				
<i>(i) Reconciliation of cash</i>				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits. Cash as at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
Cash at bank	96,706	1,308,365	84,462	1,197,054
Term deposits	27,586	41,112	0	41,112
	124,292	1,349,477	84,462	1,238,166
<i>(ii) Reconciliation of (loss)/profit from ordinary activities after income tax to net cash (used in)/provided by operating activities</i>				
(Loss)/profit from ordinary activities after income tax	(421,402)	(606,812)	(577,988)	(743,441)
Add/(less) items classified as Investing/financing:				
(Profit)/loss on sale of assets	10,263	1,534	10,263	1,534
Finance charges on capitalised leases	8,390	10,966	8,390	10,966
<i>Add/(less) non-cash items:</i>				
Depreciation/amortisation of plant and equipment	110,230	112,535	88,525	51,658
Amortisation of intangibles	(1,010,475)	522,382	(1,010,475)	522,382
Write down of investment in controlled entities to recoverable amount	0	0	54,999	1,901,300
Write off of goodwill	0	1,017,500	0	0
Write down of other intangibles	5,343	51,333	0	0
Write down of intercompany loan	0	0	261,325	119,545
Amounts set aside to provisions	(23,818)	(124,410)	0	(97,498)
Increase/(decrease) in income tax payable	82,531	92,547	82,531	92,547
(Increase)/decrease in deferred tax balances	19,515	(19,515)	19,515	(19,515)
Net cash (used in)/provided by operating activities before change in assets and liabilities	(1,219,423)	1,058,060	(1,062,915)	1,839,478

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
26. Notes to the statement of cash flows (cont'd)				
<i>(ii) Reconciliation of (loss)/profit from ordinary activities after income tax to net cash (used in)/provided by operating activities (cont'd)</i>				
<i>Change in assets and liabilities during the financial period:</i>				
Decrease/(increase) in receivables	191,356	465,635	161,217	349,254
Decrease/(increase) in prepayments	(0)	4,334	0	5,444
(Decrease)/increase in accounts payable	(339,255)	(365,322)	(271,688)	(339,882)
Increase in deferred income	0	(182,315)	0	(182,315)
Net cash (used in)/provided by operating activities	(1,367,322)	980,392	(1,173,386)	1,671,979

27. Employee benefits

Aggregate liability for employee benefits, including on-costs

Current

Employee benefits provision	0	59,418	0	35,331
Number of employees	No.	No.	No.	No.
Number of employees at year end	1	15	1	11

Company share plan

Eligible employees and Directors of the Company are invited to apply for redeemable preference shares in APSLSP Pty Ltd in accordance with the terms and conditions of the APSLSP Pty Ltd Share Scheme Deed. The redeemable preference shares are non-voting and entitle the holders to participate in dividends as declared by the Board of APSLSP Pty Ltd.

APSLSP Pty Ltd operates for the purpose of providing eligible employees and Directors of the Company with a means to participate in profits of the Company through dividend distributions. The principal activity of APSLSP Pty Ltd is to own 5% of the issued share capital of the Company and derive income through the receipt of dividends from the Company.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

28. Directors' and executives disclosures

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages include a mix of fixed remuneration and performance based remuneration.

Recommendations for employee remuneration are made by Divisional Managers for the joint consideration of the Board of the Company. Senior executive appointments and remuneration of non-executive Directors are approved by the Board.

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the consolidated entity's and each relevant segment's result exceeding, on sliding scale, by between 1% - 5% of before tax profit.

Senior executives can receive additional benefits as non-cash benefits, however no use of these benefits have occurred during the period.

Non-executive directors do not receive bonuses nor are they issued options on securities other than those approved by shareholders in General Meeting.

Name	Year	Primary		Post employment	Total
		Salary & Fees \$	Bonus \$	Superannuation	
				benefits \$	
<i>Specified directors</i>					
Non-executive					
Mr R Noye (Chairperson) (retired 14 December 2004)	2004	0			0
	2005	0			0
Mr Brian Wilkie	2004	60,000			60,000
	2005	0			0
Mr Arthur Gerbanas (retired 25 Aug 2004)	2004	190,000			190,000
	2005	0			0
Executive					
Mr G Jamieson (CEO) (Company Secretary)	2004	190,000			190,000
	2005	190,000			190,000
Total all specified directors	2004	440,000			440,000
	2005	190,000			190,000

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

28. Directors' and executives disclosures (cont'd)

Name	Year	Primary		Post employment	Total
		Salary & Fees	Bonus	Superannuation benefits	
		\$	\$	\$	\$
<i>Specified executives</i>					
Mr A McKay (Director Libertas Securities Limited)	2005	50,000			50,000
	2004	192,346			192,346
Ms J McKinnon (Director Libertas Securities Limited)	2005	36,000			36,000
	2004	62,019			62,019
Mr M Candy (Director Libertas Securities Limited)	2005	55,000			55,000
	2004	150,723			150,723
Total all specified directors	2005	141,000			141,000
	2004	405,088			405,088

Directors' holdings of shares

The movements during the reporting period in the number of ordinary shares of Australian Property Systems Limited held, directly, indirectly or beneficially, by each specified director and specified executives, including their personally related entities is as follows:

	Held at 1 July 2004	Purchase & Adjustment	Sales & Adjustment	Held at 30 June 2005
<i>Specified directors</i>				
Mr R Noye	100,000	40,000	0	140,000
Mr G Jamieson	8,644,961	220,706	0	8,865,667
Mr B Wilkie	5,829,397	0	0	5,829,397
Mr G Thomas	0	0	0	0
Mr A Gerbanas	450,000	0	0	450,000

All Directors have agreed that they will not be remunerated by the Company for their role of acting as Directors of the Company but will take 50,000 preference shares per annum in APSLSP Pty Ltd (The Company share plan) in lieu of Directors fees.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

28. Directors' and executives disclosures (cont'd)

Directors' transactions with the Company

(i) Technology Licence Agreement

On 1 June 2001, Australian Property Systems (No 1) Pty Ltd, an entity associated with Messrs G S Jamieson and B B Wilkie, (of which G S Jamieson controls 30% of the ordinary shares and 51% of the vote by way of preference shares and of which B B Wilkie holds 30% of the ordinary shares) entered into a Technology Licence Agreement with the Company. Under the terms of this Agreement, Australian Property Systems (No 1) Pty Ltd has granted an exclusive licence to the Company for the use of certain intellectual property in consideration for:

- An initial licence fee of \$10,000;
- A monthly licence fee of \$5,000 per month; and
- A monthly royalty of 1% of revenue earned from use of the intellectual property outside of Australia.

In the event that the Company completes a successful capital raising of \$5 million, a further licence fee of \$1.7 million will become due and payable by the Company. Of this amount, \$1.3 million will be payable to current Directors and their Director related entities. At the date of this report, this capital raising has not been completed.

The term of the Technology Licence Agreement is for a period of 20 years commencing 1 June 2001.

The total amount payable by the Company under the Technology Licence Agreement for the year ended 30 June 2005 is \$60,000 (2004: \$60,000).

(ii) Other transactions

On 16 July 2002 it was resolved that a company associated with Mr Arthur Gerbanas and Mr Geoffrey Jamieson would be entitled to 3,500,000 options over the Company's ordinary shares which can be issued and exercised at any time within 5 years of their issue date at \$0.50 per share subject to the Company meeting certain milestones associated with an Asset Management process and the lodging of a provisional patent to protect the process. As at the date of this report, no options have been issued to the company associated with Messrs Gerbanas and Jamieson.

(iii) Management Services Agreements

A number of Directors perform services to the group in line with management services agreements as follows:

Tamlin Holdings Pty Ltd

On 2 June 2001, a management agreement was entered into between APSL and Tamlin Holdings Pty Ltd ("Tamlin"), a company associated with Mr Jamieson, whereby Tamlin agreed to provide management services to the Company on the following basis:

- Term of the agreement – 5 years,
- Fees – Range from \$84,000 per annum in the first year to \$650,000 per annum by year 5, the increases being subject to the Company achieving certain profit milestones,
- Annual bonus fees – a sliding scale (from 1% - 5% of before tax profit) based on the group profitability (given the group's profitability, no bonus is payable for the financial year ended 30 June 2005 (2004: nil)), and
- Termination - \$3 million payable to Tamlin, if terminated for any reason by APSL (other than an act of default on the part of Tamlin Holdings Pty Ltd in the performance of its duties) prior to year 5.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

28. Directors' and executives disclosures (cont'd)

Fees paid and/or payable by the Company in connection with this agreement have been included in Directors' remuneration above and are as follows: total paid \$178,750 (2004: \$174,166), payable \$11,250 (2004: \$15,834).

During the Financial Year Gow Consultancy a Company associated with a Director Mr Brian Wilkie discontinued its consultancy role with the Company and up until the date of completion of the services in October 2004 there was an amount of \$20,000 paid.

29. Non director related parties

The classes of non-director related parties are:

- Wholly owned controlled entities;
- Partly owned controlled entities;

Transactions - All transactions with non-director related parties are on normal terms and conditions. Loans to non director related entities have no repayment terms and are interest free.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
The aggregate amount of other transactions with non-directors related parties				
<i>Loan advances to:</i>				
Controlled entities	0	0	8,000	116,169
Other related entities	0	20,868	0	20,868
Receivables				
<i>Amounts receivable other than trade debts</i>				
Current				
Controlled entities	0	0	0	22,597
Other related entities	0	20,868	0	0
Non current				
Controlled entities	0	0	0	0
Other controlled entities	0	12,676	0	10,740
<i>Total amounts receivable including trade debts</i>				
Controlled entities	0	0	0	22,597
Other related entities	0	33,544	0	10,740
Payables				
<i>Amounts payable other than trade creditors</i>				
Current				
Controlled entities	0	0	0	26,323
<i>Total amounts payable including trade creditors</i>				
Controlled entities	0	0	0	26,323

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

30. Events subsequent to reporting date

Issue of New Shares and Options

As a result of an Extraordinary Meeting of Shareholders held on the 9th August, shareholders approved an issue of Shares and Options to a number of related parties. An issue of 12,500,000 shares at 2 cents each in return for a placement of funds into the Company of \$250,000 to Tamlin Holdings Pty Ltd a Company associated with Geoffrey Jamieson an Executive Director of the Company. An issue of 10,625,000 shares at 2 cents each in return for a placement of funds into the Company of \$212,500 to Geoff Thomas Family Trust a trust who is associated with Geoffrey Thomas who is now a Non Executive Director of the Company and an issue of 1,875,000 shares at 2 cents each in return for a placement of funds into the Company of \$37,500 to GWR Financial Services Pty Ltd a Company who is associated with Ross Noye who was a past Non Executive Director of the Company and is again now a Non Executive Director of the Company.

Shareholders also approved the issue of 25,000,000 options to the above parties as an incentive. The options are exercisable at any time within the next 5 years into ordinary shares at 50 cents each and were allocated on the following basis 15,000,000 to Tamlin Holdings Pty Ltd, 5,000,000 to Geoff Thomas Family Trust and 5,000,000 to GWR Financial Services Pty Ltd.

Licensing agreement- Napier Blakely

Napier Blakely are currently acting as Development Managers for one project being Ferry Road West End. The Company is currently negotiating with Napier Blakeley, a non exclusive licence agreement for all Australian States.

First Investment Grade Rating

On the 29th August 2005 the Australian Affordable Housing Association project at Ferry Road West End which is utilising the APSL system received an Investment Grade Rating of AA from Property Investment Research (PIR) for an un-g geared investment and AA+ for a geared investment. It is believed that this is the first time an investment grade rating has ever been achieved on a residential development for affordable rentals. This Investment Grade Rating provides the opportunity for Superannuation Funds and Wholesale Funds to now invest in this type of product. The Investment Grade Rating has been achieved as a result of two and half years of dedicated work by Geoffrey Jamieson and many man hours of due diligence, by PIR staff.

31. Corporations Act 2001 / Newcastle Stock Exchange Compliance

The 2004 annual financial report was not lodged with ASIC by the due date of 30 September 2004. Furthermore, the 2004 annual financial report was not reported to members by the due date of 31 October 2004 and the 2004 AGM was not held by 30 November 2004, pursuant to the Corporations Act 2001.

The company has had only two (2) directors since 14 December 2004 until 9 August 2005 which is in breach of s201A of the Corporations Act 2001 and Rule 3.1 of the Constitution. The company now has four (4) directors and now complies with s201A of the Corporations Act 2001 and Rule 3.1 of the Constitution.

Australian Property Systems Limited
ABN 93 096 925 610 and controlled entities

Notes to the financial statements
for the year ended 30 June 2005

31. Corporations Act 2001 / Newcastle Stock Exchange Compliance (cont.)

KPMG are the current appointed auditors of the company pursuant to the ASIC database. The company incorrectly lodged relevant forms appointing Williams Partners Independent Audit Specialists. This error has been corrected and the database will accurately reflect the correct auditor name following lodgement of the Annual Return.

The company had been placed under suspension on 27 June 2005 pending the appointment of a new Nominated Advisor and at least one more director to its Board. On 6th September 2005, following the appointment of Deacons as the new Nominated Advisor and the election of two (2) additional Directors to the Board, the suspension was lifted.

Australian Property Systems Limited
ACN: 096 925 610

Directors' declaration

In the opinion of the Directors of Australian Property Systems Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 12 to 42 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 30th day of September 2005

Signed in accordance with a resolution of the Directors:

.....
Brian Wilkie
Director

.....
Geoffrey Jamieson
Director

AUSTRALIAN PROPERTY SYSTEMS LIMITED ABN 93 096 925 610 AND CONTROLLED ENTITIES

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUSTRALIAN PROPERTY SYSTEMS LIMITED

Scope

The financial report and directors' responsibility.

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Australian Property Systems Limited (the company) and Australian Property Systems Limited (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

INDEPENDENT AUDIT SPECIALISTS

A.B.N. 29 615 985 445

PARTNERS

Reg L Williams
BCom CPA
Reg. Company Auditor
No 165400

Sharlene Anderson
BBus (Hons) CPA

SENIOR ASSOCIATE

Lyndal Drennan
PhD (Qld), MBA, BCom,
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Tel: 07 5447 2549

AUSTRALIAN PROPERTY SYSTEMS LIMITED
ABN 93 096 925 610
AND CONTROLLED ENTITIES

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
AUSTRALIAN PROPERTY SYSTEMS LIMITED

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Qualifications

- 1 We were not the appointed auditor for the company for the year ended 30 June 2004. Accordingly and furthermore, we have not been in a position to satisfy ourselves in relation to the comparative financial information nor the opening retained equity amount carried forward.
- 2 We have not sighted a resolution determining remuneration paid to directors pursuant to Rule 33 of the Constitution.
- 3 We are unable to form an opinion in relation to the existence of tax liabilities, if any, nor compliance with Australian Accounting Standard AASB 1020 'Income Taxes'. The operating result of Product Services Exchange Pty Ltd included as income two amounts, \$135,545 and \$125,892, representing, as we understand, a loan forgiven. No tax effect, if any, has been booked.
- 4 The audited financial report for Libertas Securities Limited, a controlled entity, for the year ended 30 June 2004 was qualified. Accordingly, the comparative financial information in the Statement of Financial Position should be read in conjunction with the qualification of that year.
- 5 The contributed equity of Libertas Securities Pty Ltd of \$1,105,924 does not equal the ASIC database amount of \$1,030,627. Furthermore, we understand, pursuant to the ASIC database the shares held by the company in Libertas Securities Pty Ltd are not beneficially held by the company.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
ABN 93 096 925 610
AND CONTROLLED ENTITIES

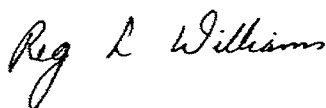
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
AUSTRALIAN PROPERTY SYSTEMS LIMITED

Qualified Audit Opinion

In our opinion, except for the effect of the matters described above, the financial report of Australian Property Systems Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

WILLIAMS PARTNERS
INDEPENDENT AUDIT SPECIALISTS



REG L WILLIAMS
PARTNER

Dated this 30th day of September 2005
233 Turpin Road
Labrador
Queensland 4215