

# **AUSTRALIAN PROPERTY SYSTEMS LIMITED**

**A.B.N. 93 096 925 610**

## **INTERIM FINANCIAL REPORT**

**31 DECEMBER 2006**

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Australian Property Systems Limited (APSL) and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

### 1. Directors

The following persons were directors of APSL during the whole of the half-year and up to the date of this report, unless otherwise stated:-

GS Jamieson  
BB Wilkie  
GA Thomas

### 2. Review of operations and results

The company recorded an operating loss after tax for the half-year ended 31 December 2006 of \$255,274 (2005: \$252,536 loss) and is building on licensing its technology to third parties which should result in a return to profitability in the near future. The transition phase of changing from a Development Manager to a Licensing and Training Manager is now completed and the main focus is now on substantially expanding our licensee network. An important part of the platform is in the delivery by our licensees of Affordable Housing to Institutions and Super Funds. The Australian Affordable Housing Association (AAHA) which utilizes APSL licensees to achieve its objectives is now established in Queensland, Victoria and New South Wales and is currently building a substantial property portfolio for development under the APSL system.

During the period APSL appointed Tullamore Consulting (QLD) Pty Ltd as a licensee and our other licensee, Napier Blakeley Consulting Pty Ltd has been active with AAHA in a number of projects (Highgate Hill 30 apartments, Chermside 493 apartments and Albion 330 apartments), these projects have retail values in excess of \$450 million and subject to settling will represent substantial royalty fees to APSL.

The settlement of these projects which are expected in the next financial year will result in a return to profitability for the company and the ability to pay dividends.

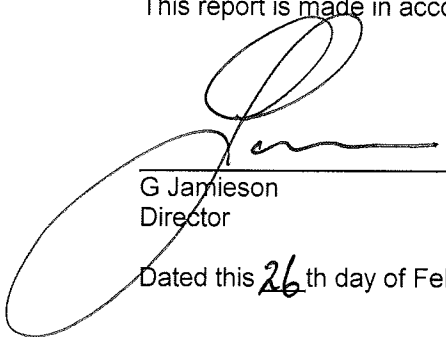
The sale for \$30,000 of all of the shares the company owned in Libertas Securities Pty Ltd took place on 29<sup>th</sup> December 2006 (refer note 8).

During the half-year the company completed a placement for working capital in the sum of \$250,000 for the issue of 1,000,000 shares at 25 cents per share and 1,000,000 free options exercisable at \$1.00 per share any time in the next 5 years.

### 3. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this report.

This report is made in accordance with a resolution of the directors.



\_\_\_\_\_  
G Jamieson  
Director

Dated this 26<sup>th</sup> day of February, 2007

Chartered Accountants

Floor 5 National Bank House  
255 Adelaide Street Brisbane Q 4000  
GPO Box 1144 Brisbane Q 4001  
Ph 07 3222 8444 / Fax 07 3221 7779  
Website [www.jr.com.au](http://www.jr.com.au)  
Email [jr@jr.com.au](mailto:jr@jr.com.au)

The Directors  
Australian Property Systems Limited  
32 Logan Road  
WOOLLOONGABBA QLD 4169

Dear Sirs

**Auditor's Independence Declaration**


As lead engagement partner for the review of the financial report of Australian Property Systems Limited for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**JOHNSTON RORKE**  
Chartered Accountants



**R.C.N. WALKER**  
Partner

Brisbane, Queensland  
 February 2007

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

|  |             | <b>Half-year</b>     |                      |
|--|-------------|----------------------|----------------------|
|  | <b>Note</b> | <b>31 Dec 2006</b>   | <b>31 Dec 2005</b>   |
|  |             | <b>\$</b>            | <b>\$</b>            |
| <b>Revenue</b>   | 3           | 69,884               | 98,536               |
| <b>Other income</b>                                      | 3           | 3,423                | -                    |
|  |             | <u><b>73,307</b></u> | <u><b>98,536</b></u> |
| <b>Expenses</b>  |             |                      |                      |
| Administration expenses                                  |             | (280,960)            | (298,514)            |
| Licensing expenses                                       |             | (41,300)             | (34,721)             |
| Other expenses   |             | (4,563)              | (17,789)             |
| Finance costs  |             | (376)                | (29)                 |
|  |             | <u>(327,199)</u>     | <u>(351,053)</u>     |
| <b>Loss before income tax</b>                            |             | (253,892)            | (252,517)            |
| Income tax expense                                       |             | -                    | -                    |
| <b>Loss for the half-year</b>                            |             | (253,892)            | (252,517)            |
| Profit attributable to minority interests                |             | (1,382)              | (19)                 |
| <b>Loss attributable to members of the parent entity</b> |             | <u>(255,274)</u>     | <u>(252,536)</u>     |
|  |             | <b>Cents</b>         | <b>Cents</b>         |
| Basic earnings per share (loss)                          |             | (0.5)                | (0.6)                |
| Diluted earnings per share (loss)                        |             | (0.5)                | (0.6)                |

The condensed consolidated income statement should be read in conjunction with the accompanying notes.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2006**

|                                  | <b>Note</b> | <b>31 Dec<br/>2006<br/>\$</b> | <b>30 Jun<br/>2006<br/>\$</b> |
|----------------------------------|-------------|-------------------------------|-------------------------------|
| <b>Current Assets</b>            |             |                               |                               |
| Cash and cash equivalents        |             | 398,561                       | 327,256                       |
| Trade and other receivables      |             | 53,933                        | 32,023                        |
| Inventories                      |             | 132,697                       | 104,414                       |
| Held-to-maturity investments     |             | -                             | 26,549                        |
| <b>Total Current Assets</b>      |             | <u>585,191</u>                | <u>490,242</u>                |
| <b>Non-Current Assets</b>        |             |                               |                               |
| Property, plant and equipment    |             | 14,921                        | 4,668                         |
| <b>Total Non-Current Assets</b>  |             | <u>14,921</u>                 | <u>4,668</u>                  |
| <b>Total Assets</b>              |             | <u>600,112</u>                | <u>494,910</u>                |
| <b>Current Liabilities</b>       |             |                               |                               |
| Trade and other payables         |             | 144,282                       | 35,188                        |
| <b>Total Current Liabilities</b> |             | <u>144,282</u>                | <u>35,188</u>                 |
| <b>Total Liabilities</b>         |             | <u>144,282</u>                | <u>35,188</u>                 |
| <b>Net Assets</b>                |             | <u>455,830</u>                | <u>459,722</u>                |
| <b>Equity</b>                    |             |                               |                               |
| Contributed capital              | 4           | 2,822,000                     | 2,572,000                     |
| Share-based payments reserve     |             | 43,723                        | 43,723                        |
| Accumulated losses               |             | <u>(2,409,893)</u>            | <u>(2,233,610)</u>            |
| Parent entity interest           |             | 455,830                       | 382,113                       |
| Minority interest                | 6           | <u>-</u>                      | <u>77,609</u>                 |
| <b>Total Equity</b>              |             | <u>455,830</u>                | <u>459,722</u>                |

The condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

|   | <b>Half-year</b>   |                    |
|---|--------------------|--------------------|
|   | <b>31 Dec 2006</b> | <b>31 Dec 2005</b> |
|   | <b>\$</b>          | <b>\$</b>          |
| <b>Total equity at the beginning of the half-year</b>                     | 459,722            | 21,349             |
| Net income recognised directly in equity                                  | -                  | -                  |
| Loss for the half-year  | (253,892)          | (252,517)          |
| <b>Total recognised income and expense for the half-year</b>              | <b>(253,892)</b>   | <b>(252,517)</b>   |
| Transactions with equity holders in their capacity as equity holders      |                    |                    |
| - Contributions of equity, net of transaction costs                       | 250,000            | 500,000            |
| <b>Total equity at the end of the half-year</b>                           | <b>455,830</b>     | <b>268,832</b>     |
| Total recognised income and expense for the half-year is attributable to: |                    |                    |
| - Members of APSL   | (255,274)          | (252,536)          |
| - Minority interest   | 1,382              | 19                 |
|   | <b>(253,892)</b>   | <b>(252,517)</b>   |

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

|   | <b>Half-year</b>      |                       |
|---|-----------------------|-----------------------|
|   | <b>31 Dec 2006</b>    | <b>31 Dec 2005</b>    |
|   | <b>\$</b>             | <b>\$</b>             |
| <b>Cash Flows From Operating Activities</b>                               |                       |                       |
| Receipts from operating activities (inclusive of goods and services tax)  | 43,728                | 32,049                |
| Payments to suppliers and employees (inclusive of goods and services tax) | (293,420)             | (320,483)             |
| Interest received   | 4,246                 | 7,227                 |
| Finance costs paid  | (376)                 | (29)                  |
| Income taxes paid   | -                     | (102,046)             |
| Net cash used in operating activities                                     | <u>(245,822)</u>      | <u>(383,282)</u>      |
| <b>Cash Flows From Investing Activities</b>                               |                       |                       |
| Proceeds on disposal of controlled entity                                 | 30,000                | -                     |
| Payments for plant and equipment  | <u>(12,873)</u>       | <u>-</u>              |
| Net cash used in investing activities                                     | <u>17,127</u>         | <u>-</u>              |
| <b>Cash Flows From Financing Activities</b>                               |                       |                       |
| Proceeds from issue of shares   | 250,000               | 500,000               |
| Proceeds from over-subscription for shares                                | <u>50,000</u>         | <u>-</u>              |
| Net cash provided by financing activities                                 | <u>300,000</u>        | <u>500,000</u>        |
| Net increase in cash and cash equivalents                                 | 71,305                | 116,718               |
| Cash and cash equivalents at the beginning of the reporting period        | <u>327,256</u>        | <u>124,292</u>        |
| Cash and cash equivalents at the end of the reporting period              | <u><u>398,561</u></u> | <u><u>241,010</u></u> |

The condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Australian Property Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### 2. Segment information

#### Business segments

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

- Licensing and Royalties – the provision of training for property development management services
- Wealth Creation & Transaction Management – the provision of wealth creation services and services for managing transactions associated with property development projects.

#### Geographical segment

The consolidated entity operates solely within Australia.

#### Primary Reporting – Business Segments

|   | Wealth Creation<br>and Transaction<br>Management<br>\$ | Licensing &<br>Royalties<br>\$ | Consolidated<br>\$ |
|---|--|--------------------------------|--------------------|
| <b>Half-year<br/>31 December 2006</b>   |  |                                |                    |
| <i>Revenue &amp; other income</i>       |  |                                |                    |
| Segment revenue                         | 786  | 64,852                         | 65,638             |
| Unallocated revenue/other income        |  |                                | 7,669              |
| Total revenue & other income            |  |                                | 73,307             |
| <i>Results</i>                          |  |                                |                    |
| Segment result – loss before income tax | (12,914)   | (240,978)                      | (253,892)          |
| Income tax expense                      |  |                                | -                  |
| Net loss                                |  |                                | (253,892)          |
| <b>Half-year<br/>31 December 2005</b>   |  |                                |                    |
| <i>Revenue &amp; other income</i>       |  |                                |                    |
| Segment revenue                         | 4,695  | 86,614                         | 91,309             |
| Unallocated revenue/other income        |  |                                | 7,227              |
| Total revenue & other income            |  |                                | 98,536             |
| <i>Results</i>                          |  |                                |                    |
| Segment result – loss before income tax | (3,210)  | (249,307)                      | (252,517)          |
| Income tax expense                      |  |                                | -                  |
| Net loss                                |  |                                | (252,517)          |

There are no inter-segment transfers.



**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**3. Revenue & other income**

|                                       | <b>Half-year</b>   |                    |
|---------------------------------------|--------------------|--------------------|
|                                       | <b>31 Dec 2006</b> | <b>31 Dec 2005</b> |
|                                       | <b>\$</b>          | <b>\$</b>          |
| <b>Revenue</b>                        |                    |                    |
| Licence and royalty income            | 64,852             | 86,614             |
| Interest                              | 4,246              | 7,227              |
| Other services                        | 786                | 4,695              |
|                                       | <u>69,884</u>      | <u>98,536</u>      |
| <b>Other income</b>                   |                    |                    |
| Gain on disposal of controlled entity | 3,423              | -                  |
|                                       | <u>73,307</u>      | <u>98,536</u>      |

**4. Contributed Equity**

|                            | <b>31 Dec 2006</b> | <b>30 Jun 2006</b> |
|----------------------------|--------------------|--------------------|
|                            | <b>\$</b>          | <b>\$</b>          |
| Fully paid ordinary shares | <u>2,822,000</u>   | <u>2,572,000</u>   |

|  | <b>Number of<br/>Shares</b> | <b>Issue Price<br/>¢</b> | <b>Value<br/>\$</b> |
|--|-----------------------------|--------------------------|---------------------|
| <b>Movement in fully paid ordinary share capital</b> |                             |                          |                     |
| Opening balance at 1 July 2006                       | 50,014,000                  |                          | 2,572,000           |
| Issue of ordinary shares for cash                    | 1,000,000                   | 25                       | 250,000             |
| Closing balance at 31 December 2006                  | <u>51,014,000</u>           |                          | <u>2,822,000</u>    |
|  |                             |                          |                     |
| Opening balance at 1 July 2005                       | 25,014,000                  |                          | 2,072,000           |
| Issue of ordinary shares for cash                    | 25,000,000                  | 2                        | 500,000             |
| Closing balance at 31 December 2005                  | <u>50,014,000</u>           |                          | <u>2,572,000</u>    |

During the period \$250,000 was received in consideration for the issues of 1,000,000 ordinary shares and 1,000,000 free options in the company exercisable at \$1.00 per share any time in the next 5 years.

A \$50,000 over-subscription of shares was received during the half-year and was repaid after the period end (the over subscription is included in trade and other payables in the 31 December 2006 balance sheet).

**5. Contingent Liabilities**

There has been no material change to contingent liabilities disclosed in the Financial Report 30 June 2006.

**6. Minority Interest**

|                               | <b>31 Dec<br/>2006</b> | <b>30 Jun<br/>2006</b> |
|-------------------------------|------------------------|------------------------|
|                               | <b>\$</b>              | <b>\$</b>              |
| Interest in:                  |                        |                        |
| Contributed capital           | 96,215                 | 96,215                 |
| Accumulated losses            | (17,224)               | (18,606)               |
|                               | <u>78,991</u>          | <u>77,609</u>          |
| Disposal of controlled entity | (78,991)               | -                      |
|                               | <u>-</u>               | <u>77,609</u>          |

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 7. Subsequent Events

To the directors knowledge no matter or circumstance has arisen since 31 December 2006 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

### 8. Disposal of Controlled Entity

On 29 December 2006 APSL sold 4,028,240 ordinary shares in Libertas Securities Pty Ltd representing 91% of this company's issued share capital. From this date APSL no longer held an interest in this entity and therefore ceased to consolidate Libertas Securities Pty Ltd.

Libertas Securities Pty Ltd had no significant operations, nor any employees during at least the last two financial years up to the date of disposal. Accordingly Libertas Securities Pty Ltd does not comprise a separate major line of business. Libertas Securities Pty Ltd also was not acquired for resale. As such Libertas Securities Pty Ltd is not considered a discontinued operation.

Financial information relating to the disposal of Libertas Securities Pty Ltd is set out below.

#### (a) Results for disposed subsidiary

The financial information presented below in respect of Libertas Securities Pty Ltd represents the period 1 July 2006 to 29 December 2006 (31 December 2006 column).

|                                   | Half-year ended |                |
|-----------------------------------|-----------------|----------------|
|                                   | 31 Dec<br>2006  | 31 Dec<br>2005 |
|                                   | \$              | \$             |
| <b>Revenue &amp; other income</b> | 18,047          | 4,695          |
| <b>Expenses</b>                   |                 |                |
| Administration expenses           | (2,696)         | (4,423)        |
| Profit before income tax          | 15,351          | 272            |
| Income tax expense                | -               | -              |
| Profit after tax                  | 15,351          | 272            |

The 2006 revenue and other income of \$18,047 mainly comprised a gain on forgiveness on intragroup debts (this was eliminated on consolidation).

#### (b) Details of the profit on disposal of Libertas Securities Pty Ltd

|   |          |
|---|----------|
| Consideration received on disposal:                     |          |
| Cash received   | 30,000   |
| APSL share of net assets disposed                       | (26,577) |
| Gain on disposal of controlled entity before income tax | 3,423    |
| Income tax expense                                      | -        |
| Gain on disposal of controlled entity after income tax  | 3,423    |

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**8. Disposal of Controlled Entity (Continued)**

**(c) Carrying amount of assets and liabilities**

The major classes of assets and liabilities of Libertas Securities Pty Ltd at 29 December 2006 were as follows:

|  | <b>Half-year<br/>ended<br/>31 Dec 2006</b> |
|--|--|
| <b>Assets</b>                            |  |
| Held-to-maturity investments             | 26,553                                     |
| Trade and other receivables              | 24   |
| Total Assets                             | <u>26,577</u>                              |
| <b>Liabilities</b>                       | -  |
| Net assets of controlled entity disposed | <u>26,577</u>                              |

**(d) Cash flow information**

|  | <b>Half-year<br/>ended<br/>31 Dec 2006<br/>\$</b> |
|--|---|
| <b>Net cash inflow on disposal</b>               |   |
| Net cash consideration received on disposal      | 30,000  |
| Less cash and cash equivalents balances disposed | -   |
| Net inflow of cash on disposal                   | <u>30,000</u>                                     |

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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In the opinion of the directors the attached financial statements and notes:

- (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that Australian Property Systems Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

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G Jamieson  
Director

Dated this 26th day of February, 2007

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Australian Property Systems Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Systems Limited, which comprises the condensed consolidated balance sheet as at 31 December 2006, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of Australian Property Systems Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Property Systems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Property Systems Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**JOHNSTON RORKE**  
Chartered Accountants



**R.C.N. WALKER**  
Partner

Brisbane, Queensland  
February 2007