

# **Australian Property Systems Limited**

ABN 93 096 925 610

## **Annual Report 2007**

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## CORPORATE DIRECTORY AND INFORMATION

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<b>Directors</b>	Geoffrey S. Jamieson Geoffrey A. Thomas Brian B. Wilkie
<b>Company secretary</b>	Geoffrey S. Jamieson
<b>Annual general meeting</b>	30th October 2007
<b>Principal registered office</b>	Level 1, Naval Offices 3 Edward Street, Brisbane QLD 4000 Telephone: (07) 3221 7890
<b>Share register</b>	Link Market Services Level 12, 300 Queen Street, Brisbane QLD 4000 Telephone: (02) 8280 7454
<b>Auditor</b>	Johnston Rorke Chartered Accountants Level 30, Central Plaza One 345 Queen Street Brisbane QLD 4000
<b>Solicitors</b>	Deacons Solicitors Level 17, 175 Eagle Street, Brisbane QLD 4000
<b>Bankers</b>	Westpac Banking Corporation 260 Queen Street, Brisbane QLD 4000
<b>Stock exchange listing</b>	Newcastle Stock Exchange Ground Floor, 384 Hunter Street, Newcastle NSW 2303
<b>Website address</b>	<a href="http://www.apsl.biz">www.apsl.biz</a>

## AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

### MANAGING DIRECTOR & CEO'S REPORT

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#### 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 profit of \$465,281 (2006: \$105,350 loss).

Our preliminary announcement to the market disclosed a profit of \$633,454. The change to the final reported result was principally due to revised accounting treatment of one item. An amount of \$170,000 associated with the independent valuation of options issued as part of the sale of shares in Product Services Exchange Pty Ltd was brought through the profit and loss as the value of these options had not been ascertained previously.

The company is now well positioned to license its patented system to the Australian market place and is now issuing licenses in the following disciplines:

- Development Management
- Construction Auditing
- Asset Management
- Funds Management
- Lending Management.

The company overhead structure remains low and the company is well positioned to capitalise on licensing its technology to select licensees who are well structured and experienced in their given discipline and therefore require our 2 week minimal training program, therefore maintaining a low overhead structure.

During the financial year license agreements were signed with the following organisations:

- Devine 333 Ann Street Pty Ltd
- Telco Asset Management Services (Australia) Pty Ltd.

Other license agreements are currently under negotiation and will be announced as they culminate.

The formation of Australian Affordable Housing Association Inc (a not for profit organisation) that was specifically set up to deliver affordable housing utilising the APSL system has provided a strong platform for the launching of much needed quality affordable housing into a market place with pent up latent demand.

The directors of APSL believe that the APSL patented system utilised by AAHA offers the only scalable and viable solution to the affordable housing crisis.

The AAHA product is investment grade rated by Property Investment Research under the APSL patented system providing a viable and scalable residential investment product for Super Funds, Institutional Funds, wholesale funds and retail investors, who receive a 10 year lease and income yields of approximately 7% per annum and 12% IRR (on a conservative 40% LVR) on their investment over a 10 year investment period.

Whilst delivering high returns to investors the product also delivers high quality accommodation in prime locations to low to middle income Australians for as low as 37.5% of market rent. Rents start at \$85 per week and investors are bound by a statutory covenant to rent at these low rates for 10 years. AAHA has also developed a home ownership scheme for eligible tenants to take them into home ownership at the end of the 10 year statutory covenant period.

## AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

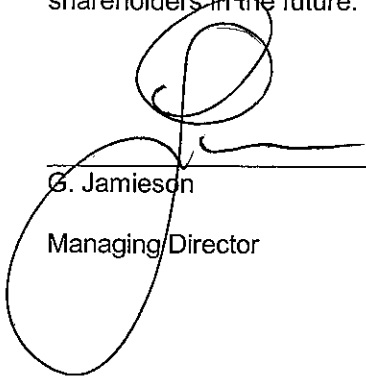
### MANAGING DIRECTOR & CEO'S REPORT

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#### Review and results of operations (cont'd)

Also, since the end of the financial year another license agreement was entered into with Apex Development Management Pty Ltd for Victoria.

The hard work of the management team and the substantial investment in our licensing and technology platforms is starting to pay off. Whilst there is still a lot of hard work to be done and strategic and operational milestones to be achieved your directors believe that the company is well positioned to deliver profitable outcomes for shareholders in the future.



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G. Jamieson

Managing Director

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

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Your directors present their report on the company and its controlled entities ("the consolidated entity" or "the Group") for the financial year ended 30 June 2007.

### Directors

The names and details of the company's directors in office during the year and until the date of this report are as follows:

Geoffrey A Thomas  
Geoffrey S Jamieson  
Brian B Wilkie

### Information on Directors

***Geoffrey Stuart Jamieson*** *Managing director and company secretary (Age 57)*

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. He has been a director of the company since 1 June 2001. He has not held directorships with other listed companies in the last three years.

***Geoffrey Alan Thomas*** *Non-executive director (Age 49)*

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. He has been a director of the company since 9 August 2005. He has not held directorships with other listed companies in the last three years.

***Brian Bernard Wilkie*** *Non-executive director (Age 65)*

Mr Wilkie has been involved in real estate and small project development for 16 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 4 years he has assisted with the implementation and establishment of the system within statutory authorities. He has been a director of the company since 1 June 2001. He has not held directorships with other listed companies in the last three years.

### Principal Activities

The principal activity of the consolidated entity during the course of the financial year was the provision of licensing and training of the company's development management system.

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 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>.

### Dividends

No dividends have been paid or declared during the year or since the end of the financial year.

### Review of Operations

A detailed review of operations is contained within the Managing Director's and CEO's Report of this Annual Report.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

On 29 December 2006 the company sold its 91% interest in Libertas Securities Pty Ltd for \$30,000.

On 10 May 2007 the company sold a 20% interest in Product Services Exchange Pty Ltd for \$1,000,000. As part of the transaction, the company granted 1 million options as a finders fee. These options are exercisable at \$2.00 per share at any time in the next 5 years.

### Subsequent Events

Details of subsequent events are included in note 27 in the accompanying financial report.

### Likely Developments and Expected Results of Operations

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.

### Environmental Regulation

The directors are not aware of any particular and significant environmental regulation under a law of the Commonwealth, State or Territory relevant to the consolidated entity.

### Directors' Interests

The interests of current directors in securities of the company at the date of this report are as follows:

	Ordinary Shares	Options
Mr G S Jamieson	21,928,000	15,000,000
Mr B B Wilkie	3,733,950	-
Mr G A Thomas	10,625,000	5,000,000

### Company Secretary

Mr G S Jamieson also held the position of company secretary during the financial year and up to the date of this report.

### Share Options

#### *Shares under option*

Unissued ordinary shares of Australian Property Systems Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price	Number under option
9/08/2005	8/08/2010	\$0.50	25,000,000
3/01/2007	2/01/2012	\$1.00	1,000,000
10/05/2007	10/05/2012	\$2.00	1,000,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

#### *Shares issued on the exercise of options*

There was no exercise of options over ordinary shares of Australian Property Systems Limited during the year ended 30 June 2007 or since the end of the financial year.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based payment compensation
- E Additional information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

#### A. Principles used to determine the nature and amount of remuneration (audited)

The policy for determining the nature and amount of emoluments of board members and senior executives is as follows:

##### *Executives*

The broad remuneration policy is to ensure that remuneration packages properly reflect the person's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The current executive remuneration structure is based on management service agreements (refer Section C below). Some fees payable under the agreements are linked to the company's profitability. No retirement benefits are payable under the management services agreements.

##### *Non-executive directors*

Fees and payments to non-executive directors reflect the financial status of the consolidated entity, and the demands that are made on, and the responsibilities of the directors. Non-executive directors' fees are reviewed annually by the board and are set within the limits approved by shareholders. No retirement benefits are payable to non-executive directors.

##### *Long-term incentives*

As a long-term incentive, eligible employees and directors of the company can, from time to time, be 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. This invitation is discretionary and not based on any service or performance criteria. 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 issued share capital of the company and derive income through the receipt of dividends from the company.

#### B. Details of remuneration (audited)

Details of the nature and amount of remuneration of the directors and the key management personnel of the consolidated entity are:

	Short-term benefits		Share-based payment Options	Total
	Cash salary and fees	Cash bonus		
	\$	\$	\$	\$
<b>2007</b>				
<b>Directors</b>				
G S Jamieson – Managing director	220,000	-	-	220,000
G A Thomas – Non-executive	-	-	-	-
B B Wilkie – Non-executive	-	-	-	-
	220,000	-	-	220,000
<b>Other key management personnel</b>				
T Peach – Licensing mentor and system audit manager	95,000	-	-	95,000
	315,000	-	-	315,000

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Remuneration Report (cont'd)

#### B. Details of remuneration (audited) (cont'd)

	Short-term benefits		Share-based	Total
	Cash salary and fees	Cash bonus	payment Options	
	\$	\$	\$	\$
<b>2006</b>				
<b>Directors</b>				
G S Jamieson – managing director	190,000	-	26,235	216,235
G A Thomas (i) – Non-executive	-	-	8,744	8,744
B B Wilkie – Non-executive	-	-	-	-
B R Noye (ii) – Non-executive	-	-	8,744	8,744
	190,000	-	43,723	233,723
<b>Other key management personnel</b>				
T Peach – Licensing mentor and system audit manager	95,000	20,300	-	115,300
	285,000	20,300	43,723	349,023

(i) Appointed from 9 August 2005.

(ii) Appointed from 9 August 2005 and resigned 9 November 2005.

There were no other executives in the current or prior year. All directors and other key management personnel are employed by Australian Property Systems Limited.

Share-based payment compensation benefits were not granted in the current year. Refer Section D below.

#### C. Service agreements (audited)

Remuneration and other terms of employment for the managing director and the current key management person are formalised in management service agreements. The major provisions of the agreements are set out below:

##### Mr G Jamieson – Managing director

Mr Jamieson's remuneration is subject to a management agreement effective 1 July 2006 between the company 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 with early termination upon agreement by both parties. If the termination notice is given by the company (including where Tamlin is in default) the balance of the fees under the agreement are payable. If the termination notice is given by Tamlin only those fees payable up to the date of the notice are payable.
- *Base fees* – Base fees commence at \$250,000 per annum for the first year and increase annually as follows – year 2 (financial year 2008) \$350,000, year 3 (FY09) \$500,000, year 4 (FY10) \$700,000 and year 5 (FY11) to \$900,000 per annum. The payment of fees over \$250,000 per annum are subject to the company achieving a profit before tax of \$2 million and any payments over \$500,000 per annum are subject to the payment not exceeding 25% of the profit before tax. Fees are payable monthly with interest to be charged at 8% per annum on overdue amounts.
- *Bonus fees* – A bonus fee is payable at the end of each financial year within 15 days of the annual report being signed. If the profit before tax is above \$1 million and up to \$5 million, \$50,000 bonus fee is payable. Above \$5 million, fees are payable on a sliding scale (from 1% to 5% of profit before tax) depending on the company's profitability.
- *Options* – The agreement allows for options to be issued at a future date with the amount and timing not specified.

No bonuses have been paid to Mr Jamieson in the last three financial years.



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Remuneration Report (cont'd)

#### C. Service agreements (audited) (cont'd)

*Mr T Peach – Licensing mentor and system audit manager*

On 19 August 2005 a service contract was entered into between the company and Hotels Asia Pacific Pty Ltd (HAP), a company associated with Mr Peach, for the provision of licensing and training services on the following terms:

- *Term of agreement* – Commenced 1 July 2005 and ongoing subject to termination by either party by giving sixty days notice.
- *Base fees* – \$95,000 per annum.
- *Success fee bonus* – Paid on all projects that reach early settlement at the rate of 5% of projects introduced by HAP and 2.5% for all other projects.
- *Shares* – Allocation of 200,000 redeemable preference shares in APSLSP Pty Ltd to be provided within 30 days of signing of the service agreement.

#### D. Share-based payment compensation (audited)

##### Options

During the year there were no equity instruments issued as remuneration. There are no bonuses or grants of options or shares outstanding as a result of key management personnel meeting performance criteria in 2007.

The terms and conditions of the options granted affecting remuneration in the previous, this or future reporting period are as follows:

Grant date	Expiry date	Exercise price	Value per options at grant date	Number under option
9 August 2005	8 August 2010	\$0.50	0.175 cents	25,000,000

On 9 August 2005, shareholders approved the grant of 25,000,000 options to a number of directors (see below). The options were granted to provide an incentive to turn the company around from its current losses and achieve a target being a sustainable price above the grant option exercise price of 50 cents. The options vested upon grant date and are exercisable at any time between grant and expiry date. They carry no dividend or voting rights and were issued free of charge. They are convertible into one ordinary share of Australian Property Systems Limited for cash.

Details of options over ordinary shares in the company provided as remuneration to directors are as follows:

Name	Number of options granted during the year		Number of options vested during the year	
	2007	2006	2007	2006
Mr G S Jamieson	-	15,000,000	-	15,000,000
Mr G A Thomas	-	5,000,000	-	5,000,000
Mr B R Noye (resigned 9 November 2005)	-	5,000,000	-	5,000,000

No other options were granted to other key management personnel.

The amounts disclosed for remuneration relating to options above are the assessed fair values at grant date of options granted, allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using the Black-Scholes option pricing model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Refer note 26 of the financial report for the inputs into the model.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Remuneration Report (cont'd)

#### **D. Share-based payment compensation (audited) (cont'd)**

##### *Shares*

As part of the service agreement with T Peach 200,000 redeemable preference shares in APSLSP Pty Ltd were to be provided. These shares are yet to be issued.

In addition, on 29 September 2005 the directors resolved not to draw fees from the company, but to receive 50,000 redeemable preference shares each per annum in APSLSP Pty Ltd, subject to them serving three years as directors from that date. These shares have not been issued at this time due to the service criteria not being met.

The shares are to be issued for no consideration and entitle the holder to participate in dividends. No dividends have been paid or are payable in respect of current or prior year.

#### **E. Additional information (unaudited)**

##### *Details of remuneration: cash bonuses and options*

For each cash bonus included in the tables in Section B above, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of any the bonus is payable in future years.

Name	Cash bonus	
	Paid	Forfeited
	%	%
G S Jamieson	-	100%
T Peach	-	100%

No options granted to key management personnel in this or prior years have vested or been exercised or have lapsed during the 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:

Director	Board Meetings	
	A	B
G S Jamieson	4	4
B B Wilkie	4	4
G A Thomas	4	4

**A** – Number of meetings attended during the year

**B** – Number of meetings held during the time the director held office

There are no committees of the board of directors.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Indemnifying Officers or Auditor

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 nature of the indemnity is that the company will meet the full amount of any such liabilities, including costs and expenses.

The company has not maintained a contract of insurance during the financial year which insures any person who is or has been an officer of the consolidated entity against certain liabilities in respect of their duties as an officer of the consolidated entity.

### Auditor

Johnston Rorke continues in office in accordance with Section 327 of the Corporations Act 2001.

### Auditors' Independence Declaration

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

### Non-Audit Services

The company may decide to employ Johnston Rorke on assignments additional to its statutory duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 as none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable to the auditor for audit and non-audit services:

	Consolidated	
	2007	2006
<b>Audit Services</b>	\$	\$
Audit and review of financial reports under the <i>Corporations Act 2001</i>	40,000	37,000
<b>Other Services</b>		
AIFRS accounting services	-	15,000

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



G. Jamieson  
Director



B. Wilkie  
Director

Dated this 26 day of September 2007

Chartered Accountants

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345 Queen Street Brisbane Q 4000  
GPO Box 1144 Brisbane Q 4001  
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Website [www.jr.com.au](http://www.jr.com.au)  
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The Directors  
Australian Property Systems Limited  
Level 1  
Naval Offices  
3 Edward Street  
BRISBANE QLD 4000

**Auditor's Independence Declaration**

As lead engagement partner for the audit of the financial report of Australian Property Systems Limited for the financial year ended 30 June 2007, 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 audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**JOHNSTON RORKE**  
Chartered Accountants



**R C N WALKER**  
Partner

Brisbane, Queensland  
26 September 2007

CORPORATE GOVERNANCE STATEMENT

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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;
- 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.

**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.

CORPORATE GOVERNANCE STATEMENT

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**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 AND CONTROLLED ENTITIES**

**INCOME STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	4	305,221	579,641	301,804	573,370
Other income	4	833,423	-	842,738	-
Expenses					
Administration expenses		(556,337)	(569,656)	(543,403)	(546,793)
Licensing expenses		(99,639)	(84,721)	(99,639)	(84,721)
Other expenses		(16,483)	(30,565)	(15,208)	(28,884)
Finance costs		(904)	(49)	(904)	(49)
<b>Profit/(loss) before income tax</b>	5	<b>465,281</b>	<b>(105,350)</b>	<b>485,388</b>	<b>(87,077)</b>
Income tax expense	6	-	-	-	-
<b>Profit/(loss) for the year</b>		<b>465,281</b>	<b>(105,350)</b>	<b>485,388</b>	<b>(87,077)</b>
Net loss attributable to minority interest		2,162	1,221	-	-
<b>Net profit/(loss) attributable to members of the parent entity</b>		<b>467,443</b>	<b>(104,129)</b>	<b>485,388</b>	<b>(87,077)</b>
		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share	25	0.9	(0.2)		
Diluted earnings per share	25	0.9	(0.2)		

The above income statements should be read in conjunction with the accompanying notes.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**BALANCE SHEETS**

**AS AT 30 JUNE 2007**

	Notes	<b>Consolidated</b>		<b>Parent Entity</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	1,136,411	327,256	1,131,215	319,966
Trade and other receivables	8	66,422	32,023	66,148	30,849
Inventories	9	194,653	104,414	194,653	104,414
Investments	11	-	26,549	-	-
<b>Total current assets</b>		<b>1,397,486</b>	<b>490,242</b>	<b>1,392,016</b>	<b>455,229</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	8	-	-	4,319	10,000
Property, plant and equipment	12	20,770	4,668	20,228	3,002
<b>Total non-current assets</b>		<b>20,770</b>	<b>4,668</b>	<b>24,547</b>	<b>13,002</b>
<b>Total assets</b>		<b>1,418,256</b>	<b>494,910</b>	<b>1,416,563</b>	<b>468,231</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	53,253	35,188	45,797	22,853
<b>Total current liabilities</b>		<b>53,253</b>	<b>35,188</b>	<b>45,797</b>	<b>22,853</b>
<b>Total liabilities</b>		<b>53,253</b>	<b>35,188</b>	<b>45,797</b>	<b>22,853</b>
<b>NET ASSETS</b>		<b>1,365,003</b>	<b>459,722</b>	<b>1,370,766</b>	<b>445,378</b>
<b>EQUITY</b>					
Contributed equity	14	2,652,000	2,572,000	2,652,000	2,572,000
Reserve	15	403,723	43,723	403,723	43,723
Accumulated losses	15	(1,689,568)	(2,157,011)	(1,684,957)	(2,170,345)
Parent entity interest		1,366,155	458,712	1,370,766	445,378
Minority Interest	16	(1,152)	1,010	-	-
<b>TOTAL EQUITY</b>		<b>1,365,003</b>	<b>459,722</b>	<b>1,370,766</b>	<b>445,378</b>

The above balance sheets should be read in conjunction with the accompanying notes.



**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Total equity at the beginning of the financial year</b>		<b>459,722</b>	<b>21,349</b>	<b>445,378</b>	<b>(11,268)</b>
Profit/(loss) for the year		465,281	(105,350)	485,388	(87,077)
Total recognised income and expense for the year		465,281	(105,350)	485,388	(87,077)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	14	80,000	500,000	80,000	500,000
Share options	15	360,000	43,723	360,000	43,723
<b>Total equity at the end of the financial year</b>		<b>1,365,003</b>	<b>459,722</b>	<b>1,370,766</b>	<b>445,378</b>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CASH FLOW STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	<b>Consolidated</b>		<b>Parent Entity</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from operating activities		285,563	618,998	283,720	605,763
Payments to suppliers and employees		(765,094)	(801,403)	(758,776)	(781,243)
Interest received		14,168	14,013	11,787	13,080
Finance costs		(904)	(49)	(904)	(49)
Income taxes paid		-	(102,046)	-	(102,046)
<b>Net cash outflows from operating activities</b>	<b>23</b>	<b>(466,267)</b>	<b>(270,487)</b>	<b>(464,173)</b>	<b>(264,495)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds on reduction of term deposit		-	1,037	-	-
Payments for plant and equipment		(24,578)	-	(24,578)	-
Proceeds from part disposal of subsidiary	22	1,000,000	-	1,000,000	-
Proceeds from sale of subsidiary	22	30,000	-	30,000	-
<b>Net cash inflows from investing activities</b>		<b>1,005,422</b>	<b>1,037</b>	<b>1,005,422</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issues of shares		270,000	500,000	270,000	500,000
<b>Net cash inflows from financing activities</b>		<b>270,000</b>	<b>500,000</b>	<b>270,000</b>	<b>500,000</b>
<b>Net increase in cash and cash equivalents held</b>		<b>809,155</b>	<b>230,550</b>	<b>811,249</b>	<b>235,505</b>
Cash and cash equivalents at the beginning of the financial year		327,256	96,706	319,966	84,461
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7</b>	<b>1,136,411</b>	<b>327,256</b>	<b>1,131,215</b>	<b>319,966</b>

The above cash flow statements should be read in conjunction with the accompanying notes.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Australian Property Systems Limited an individual entity and the consolidated entity consisting of Australian Property Systems Limited and its subsidiaries.

#### **(a) Basis of preparation**

This general purpose financial report for the financial year ended 30 June 2007 has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) the *Corporations Act 2001* and other requirements of the law.

##### *Compliance with IFRSs*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Australian Property Systems Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property where applicable.

#### **(b) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Property Systems Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Australian Property Systems Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

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**1. Summary of significant accounting policies (cont'd)**

**(b) Principles of consolidation (cont'd)**

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Property Systems Limited.

**(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

**(d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid.

Revenue from licensing and training is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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1. Summary of significant accounting policies (cont'd)

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

*Tax consolidation legislation*

Australian Property Systems Limited and its wholly owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003.

Australian Property Systems Limited and its wholly owned Australian controlled entities have significant tax losses. No deferred tax balances have been recognised, as recovery of losses (and temporary differences) is not probable at this time.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

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**1. Summary of significant accounting policies (cont'd)**

**(f) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

**(g) Business combinations**

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

**(h) Inventories**

Inventories comprise property held for resale and are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes cost of acquisition and development cost.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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1. **Summary of significant accounting policies (cont'd)**

**(i) Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

**(j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(k) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade and other receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

**(l) Investments and other financial assets**

The group is required to classify its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

The Group has no financial assets at fair value through profit or loss or available-for-sale financial assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans to subsidiaries are classified as non-current assets when it is expected that the loans will not be repaid within 12 months from the balance sheet date.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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1. Summary of significant accounting policies (cont'd)

(l) Investments and other financial assets (cont'd)

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.



**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

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**1. Summary of significant accounting policies (cont'd)**

**(n) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is calculated on a diminishing value or straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

Class	
Plant and equipment	7.5%-37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(o) Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

---

1. Summary of significant accounting policies (cont'd)

(p) **Employee benefits**

(i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Superannuation*

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(iv) *Share-based payments*

Share-based compensation benefits are provided to employees via the Australian Property Systems Limited Employee Share Option Plan.

*Share options granted before 7 November 2002 and/or vested before 1 January 2005*

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

*Share options granted after 7 November 2002 and vested after 1 January 2005*

The fair value of options granted under the Australian Property Systems Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(v) *Bonus plans*

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

---

**1. Summary of significant accounting policies (cont'd)**

**(q) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity. In the company's financial statements, the transactions of the Employee Share Scheme (APSLSP Pty Ltd) are treated as being executed directly by the company. Accordingly, shares held by APSLSP Pty Ltd are recognised as treasury shares and deducted from equity.

**(r) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(s) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at balance date.

**(t) 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 taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(u) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**1. Summary of significant accounting policies (cont'd)**

**(v) Accounting standards not yet effective**

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2007, are as follows:

<b>Standard/Interpretation</b>	<b>Application date of standard*</b>	<b>Application date for the group*</b>
AASB 2007-4 <i>Amendments to Australian Accounting Standards – April 2007</i>	1 July 2007	1 July 2007
AASB 2007-7 <i>Amendments to Australian Accounting Standards – June 2007</i>	1 July 2007	1 July 2007
AASB 7 <i>Financial Instruments: Disclosures</i>	1 January 2007	1 July 2007
AASB 8 <i>Operating Segments</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 101 <i>Presentation of Financial Statements</i> – revised standard	1 January 2007	1 July 2007
AASB 123 <i>Borrowing Costs</i> revised and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 November 2006	1 July 2007
Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i>	1 March 2007	1 July 2007
Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2008	1 July 2008
Interpretation 13 <i>Customer Loyalty Programs</i>	1 July 2008	1 July 2008
Interpretation 14 <i>Limit on a defined benefit asset, Minimum Funding Requirements and their Interaction</i>	1 January 2008	1 July 2008

\* Application date is for annual reporting periods beginning on or after the date shown in the above table.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company or the group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, does not affect either the company's or the group's previously reported results and, accordingly, there will be no impact to these financial statements on adoption of the Interpretation. The application of AASB 101 (revised), AASB 7, AASB 8, AASB 123, AASB 2007-7 and Interpretation 11 may change the disclosures presently made in relation to the company's and the group's assets, liabilities, segments, financial instruments and the objectives, policies and processes for managing capital. The circumstances addressed by Interpretations 12, 13, and 14 do not have application to the business of the company or the group.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

---

1. **Summary of significant accounting policies (cont'd)**

**(w) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are considered to be reasonable under the circumstances. The critical estimates and judgements, including those estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Part disposal of subsidiary with no loss of control*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests results in gains and losses for the Group that are recorded in the income statement. In May 2007 the parent entity sold a 20% interest in its subsidiary, Product Services Exchange Pty Ltd and recorded a gain on sale of \$830,000 – see note 4(ii).

Under the general principles of consolidation, there are alternative methods of accounting for these transactions. One is the modified parent entity approach which deems the minority as an external party. This is the method adopted by Australian Property Systems Limited. Another method is the economic entity method which presumes the minority interests are also owners of the group's net assets and treats the sale of an interest in a subsidiary without loss of control as an equity transaction. If the Group had elected to use this method, its profit for the year would have been reduced by \$830,000 and the transaction would have been reflected in the statement of changes in equity.

**(x) General**

This financial report covers both Australian Property Systems Limited as an individual entity (parent entity) and the consolidated entity consisting of Australian Property Systems Limited and its controlled entities.

Australian Property Systems Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Australian Property Systems Limited  
Level 1  
Naval Offices  
3 Edward Street  
BRISBANE QLD 4000

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function. The Group's principal financial instruments consist of cash and cash equivalents, receivables and payables.

The Group's management of treasury activities is centralised and governed by policies approved by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas, such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

#### **(a) Market risk**

Currency risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Currently the company does not undertake any foreign currency transactions.

The Group is not directly exposed to material equity securities price risk or commodity price risks.

#### **(b) Credit risk**

The Group has treasury policies in place for deposit transactions for such transactions to be conducted with financial institutions with a minimum credit rating.

The Group does not have any material credit risk exposure to any single debtor at balance date except that the Group's customers are involved in the construction industry.

The credit risk on financial assets which have been recognised on the balance sheets is generally the carrying amount, net of any provisions. At balance date, cash and deposits were held with Westpac. For receivables refer to note 8.

#### **(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its ongoing cash requirements and raises equity funding as and when appropriate to meet such planned requirements.

#### **(d) Cash flow interest rate risk**

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. Refer note 7 for further details.

Generally no interest is receivable or payable on the Group's trade and other receivables or payables. At balance date, the Group does not have any borrowings.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 3. Segment information

#### **Business segments**

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

- Licensing and Training – the provision of licensing and training for property development of strata title units using consolidated entity's management systems.
- Transaction Management – the provision of services for managing account transactions associated with property development projects.

#### **Geographic segments**

The consolidated entity operates solely within Australia.

Primary reporting Business segments	Licensing & Training		Transaction Management		Consolidated	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
<b>Revenue</b>						
Segment revenue	290,017	560,290	1,035	38,338*	291,052	565,628
Unallocated revenue					847,592	14,013
Total revenue/other income					1,138,644	579,641
<b>Results</b>						
Segment result profit/(loss)	(360,882)	(100,108)	(12,049)	(19,206)	(372,931)	(119,314)
Unallocated revenue less unallocated expense					838,212	13,964
Income tax expense					-	-
<b>Net profit/(loss)</b>					465,281	(105,350)
<b>Assets</b>						
Segment assets	1,416,563	468,231	1,693	26,679	1,418,256	494,910
<b>Liabilities</b>						
Segment liabilities	45,797	22,853	7,456	12,335	53,253	35,188
Depreciation and amortisation	7,351	12,127	1,125	1,681	8,476	13,808

\* Includes \$33,000 revenue received from a subsidiary which has been eliminated on consolidation.

#### **Notes to and forming part of the segment information**

##### *(i) Accounting policies*

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and held-to-maturity investments. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors. Segment assets and liabilities do not include income taxes.

##### *(ii) Inter-segment transfers*

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**4. Revenue and other income**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Licence and training	289,367	565,628	288,956	560,290
Interest	14,168	14,013	11,787	13,080
Other	1,686	-	1,061	-
	<u>305,221</u>	<u>579,641</u>	<u>301,804</u>	<u>573,370</u>
<b>Other Income</b>				
Gain on disposal of subsidiary (see (i) below)	3,423	-	12,738	-
Gain on sale of shares in subsidiary (see (ii) below)	830,000	-	830,000	-
	<u>833,423</u>	<u>-</u>	<u>842,738</u>	<u>-</u>

(i) In December 2006 the consolidated entity sold its 91% interest in Libertas Securities Pty Ltd for \$30,000 – see note 22.

(ii) In May 2007 the parent entity sold a 20% interest in its subsidiary, Product Services Exchange Pty Ltd (PSX). A gain on sale was recorded as follows:

Sale proceeds – cash	1,000,000	-	1,000,000	-
Share based payments (see below)	(170,000)	-	(170,000)	-
	<u>830,000</u>	<u>-</u>	<u>830,000</u>	<u>-</u>

PSX is in the process of establishing an automated, web based transaction centre for processing and clearing all transactions associated with the consolidated entity's method of managing property development. In May 2007 the consolidated entity sold 20% of its shareholding in PSX, 1 million options in Australian Property Systems Limited was granted in relation to the sale and finders fee. The options are convertible into ordinary shares at an exercise price of \$2 each at anytime up to 9 May 2012 – see note 26.

**5. Profit/(loss) before income tax**

Profit/(loss) before income tax includes the following specific expenses:

Depreciation – plant and equipment	8,476	13,808	7,352	12,127
Operating lease rental expenses – minimum lease payments	14,890	16,753	14,890	16,753
Employee benefits expense *	315,000	349,023	315,000	349,023
Licence fees expense – see note 17 (f)	96,000	80,700	96,000	80,700

\* Includes fees paid under management consulting arrangements to related parties of employees.



**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**6. Income tax**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>				
Profit/(loss) before income tax expense	465,281	(105,350)	485,388	(87,077)
Tax at the Australian tax rate of 30% (2006: 30%)	139,584	(31,605)	145,616	(26,123)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Non-deductible expenses	51,000	13,117	51,000	13,117
	190,584	(18,488)	196,616	(13,006)
Deferred tax assets not recognised	-	18,488	-	13,006
Previously unrecognised tax losses used to reduce current tax expense	(190,584)	-	(196,616)	-
Income tax expense	-	-	-	-

**Tax losses**

Unused tax losses for which no deferred tax asset has been recognised

	663,363	1,298,643	596,597	1,251,983
Potential tax benefit @ 30%	199,009	389,593	178,979	375,595

**Franking credits**

Franking credits available for subsequent financial years

	102,046	102,046	102,046	102,046
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The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (i) Franking credits that will arise from the payment of the amount of the provision for income tax
- (ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (iii) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

**7. Cash and cash equivalents**

Cash at bank	1,136,411	327,256	1,131,215	319,966
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The cash at bank, which is held mainly in at call bank accounts, bears floating interest rates of 4.05% (2006: 3.5%).

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>8. <u>Trade debtors and other receivables</u></b>				
<b>Current</b>				
Trade debtors	66,422	32,023	66,148	30,849
<b>Non-current</b>				
Amounts owing by subsidiaries	-	-	4,319	10,000

Further information relating to amounts owing by subsidiaries is set out in note 21.

All receivables are non-interest bearing. The Group has no material concentration of credit risk in relation to receivables, except as disclosed in note 2. For receivables, fair value approximates the carrying amount.

**9. Inventories**

Property held for resale	194,653	104,414	194,653	104,414
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Property held for resale comprises Lot 33, Ferry Rd, West End. The property is currently under construction and costs incurred to date comprise development construction costs. Total estimated cost of the completed unit is approximately \$215,000. Once completed, the company intends to dispose of the unit.

**10. Other financial assets**

Shares in subsidiaries – at cost	-	-	1	24,947
Provision for impairment	-	-	(1)	(24,947)
	-	-	-	-

For details on subsidiaries see note 22.

**11. Investments**

Term deposit	-	26,549	-	-
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The deposit was bearing fixed interest (until maturity) of 4.5% (2006: 5.5%) with an average maturity of 365 days.

**12. Property, plant and equipment**

Plant and equipment – at cost	58,702	149,953	57,202	133,754
Accumulated depreciation	(37,932)	(145,285)	(36,974)	(130,752)
	20,770	4,668	20,228	3,002
<b>Movement in plant and equipment:</b>				
Opening balance	4,668	18,476	3,002	15,129
Additions	24,578	-	24,578	-
Depreciation	(8,476)	(13,808)	(7,352)	(12,127)
Closing balance	20,770	4,668	20,228	3,002

**13. Trade and other payables**

Trade payables and accruals	53,253	35,188	45,797	22,853
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Trade and other payables are non-interest bearing. Their fair value approximates their carrying amount.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**14. Contributed equity**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Share capital</b>				
51,094,000 ordinary shares fully paid (2006: 50,014,000)	2,662,740	2,582,740	2,662,740	2,582,740
Treasury shares	(10,740)	(10,740)	(10,740)	(10,740)
	<u>2,652,000</u>	<u>2,572,000</u>	<u>2,652,000</u>	<u>2,572,000</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the parent does not have authorised capital nor par value in respect of its issued shares.

**Share capital**

Movements in ordinary share capital during the past two financial years were as follows:

<b>Date</b>	<b>Details</b>	<b>Notes</b>	<b>Number of shares</b>	<b>Issue price \$</b>	<b>\$</b>
1 July 2005	Balance		25,014,000		2,072,000
9 August 2005	Issue of shares to directors	(i)	<u>25,000,000</u>	0.02	<u>500,000</u>
<b>30 June 2006</b>	<b>Balance</b>		<b>50,014,000</b>		<b>2,572,000</b>
3 January 2007	Placement of shares	(ii)	1,000,000	0.25	250,000
20 April 2007	Placement of shares	(iii)	80,000	0.25	20,000
	Share issue costs	(iv)	<u>-</u>		<u>(190,000)</u>
<b>30 June 2007</b>	<b>Balance</b>		<b><u>51,094,000</u></b>		<b><u>2,652,000</u></b>

- (i) At an extraordinary general meeting on 9 August 2005 shareholders approved the issue of 25,000,000 ordinary fully paid shares for cash at \$0.02 each to the following directors:

	<b>Number of Shares</b>
G S Jamieson	12,500,000
G A Thomas	10,625,000
B R Noye	<u>1,875,000</u>
	<u>25,000,000</u>

- (ii) Issued on 3 January 2007 at 25 cents per share for cash pursuant to a placement.  
 (iii) Issued on 20 April 2007 at 25 cents per share for cash pursuant to a placement.  
 (iv) Share issue costs relate to options granted to GWR Financial Services Pty Ltd, a company associated with Ross Noye. The options were granted for services provided by GWR Financial Services Pty Ltd for securing the placement of 1,000,000 shares on 3 January 2007 – see note 26.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**14. Contributed equity (continued)**

**Options**

Unissued ordinary shares of Australian Property Systems Limited under option are as follows:

<b>Date options granted</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number under option</b>
9/08/2005	8/08/2010	\$0.50	25,000,000
3/01/2007	2/01/2012	\$1.00	1,000,000
10/05/2007	10/05/2012	\$2.00	1,000,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity. There was no exercise of options over ordinary shares of Australian Property Systems Limited during the year ended 30 June 2007. Refer to details set out in note 26.

**15. Reserves and accumulated losses**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Share-based payments reserve</b>				
Balance 1 July	43,723	-	43,723	-
Share-based payments during the year	360,000	43,723	360,000	43,723
Balance 30 June	403,723	43,723	403,723	43,723

The share-based payments reserve is used to recognise the fair value of options issued for goods and services including employee services— see note 26.

**Accumulated losses**

Balance 1 July	(2,157,011)	(2,129,481)	(2,170,345)	(2,083,268)
Net profit/(loss) for the year	467,443	(104,129)	485,388	(87,077)
Adjustment – see note 16	-	76,599	-	-
Balance 30 June	(1,689,568)	(2,157,011)	(1,684,957)	(2,170,345)

**16. Minority interest**

Interest in Product Services Exchange Pty Ltd:

Contributed equity	-	-	-	-
Accumulated losses	(1,152)	-	-	-
	(1,152)	-	-	-

Interest in Libertas Securities Pty Ltd:

Contributed equity	-	96,215	-	-
Accumulated losses	-	(18,606)	-	-
Adjustment <sup>(i)</sup>	-	(76,599)	-	-
	-	1,010	-	-

Total minority interest	(1,152)	1,010	-	-
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(i) The minority interest share of accumulated losses in Libertas Securities Pty Ltd at 30 June 2006 was understated by \$76,599. This error has been corrected by a reduction in accumulated losses (see note 15) and a corresponding increase in the minority interest's share of accumulated losses. Adjustment relates to the allocation of accumulated losses between the parent entity interests and minority interests prior to the 2006 financial year and does not materially impact on other financial statement line items.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 17. Key management personnel disclosures

#### (a) Directors

The following persons were directors of Australian Property Systems Limited during the last two financial years:

*Managing director – executive*

Mr G S Jamieson

*Non-executive directors*

Mr B B Wilkie

Mr G A Thomas – appointed 9 August 2005

MR B R Noye – appointed 9 August 2005, resigned 9 November 2005

#### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the last two financial years:

Name	Position	Employer
Mr T Peach	Licensing mentor and system audit manager	Australian Property Systems Limited

There have been no changes to key management personnel since year end. There were no other key management personnel in either the current or prior year.

#### (c) Key management personnel compensation

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	315,000	305,300	315,000	305,300
Share-based payments	-	43,723	-	43,723
	<u>315,000</u>	<u>349,023</u>	<u>315,000</u>	<u>349,023</u>

The company has taken advantage of the relief provided by *Corporations Regulations 2001* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A to D of the remuneration report in the directors' report.

#### (d) Equity instrument disclosures relating to key management personnel

##### (i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report in the directors' report.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**17. Key management personnel disclosures (cont'd)**

*(ii) Option holdings*

The numbers of options over ordinary shares in the company held during the financial year by each director of Australian Property Systems Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at the start of the year	Granted during the year as compensation	Balance at resignation date (if applicable)	Balance at the end of the year	Vested and exercisable at the end of the year
<b>2007</b>					
<b>Directors</b>					
G S Jamieson	15,000,000	-	-	15,000,000	15,000,000
G A Thomas	5,000,000	-	-	5,000,000	5,000,000
B B Wilkie	-	-	-	-	-
<b>Other key management personnel of the Group</b>					
T Peach	-	-	-	-	-
<b>Total</b>	<b>20,000,000</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>	<b>20,000,000</b>
<b>2006</b>					
<b>Directors</b>					
G S Jamieson	-	15,000,000	-	15,000,000	15,000,000
G A Thomas	-	5,000,000	-	5,000,000	5,000,000
B R Noye	-	5,000,000	(5,000,000)	-	-
B B Wilkie	-	-	-	-	-
<b>Other key management personnel of the Group</b>					
T Peach	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>25,000,000</b>	<b>(5,000,000)</b>	<b>20,000,000</b>	<b>20,000,000</b>

No options were exercised during the year (or in 2006).

*(iii) Share holdings*

The numbers of ordinary shares in the company held during the financial year by each director of Australian Property Systems Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at the start of the year	On exercise of options	Share issue	Other changes during the year	Balance at appointment date (if applicable)	Balance at resignation date (if applicable)	Balance at the end of the year
<b>2007</b>							
<b>Directors</b>							
G S Jamieson	22,591,700	-	-	(663,700)	-	-	21,928,000
B B Wilkie	4,547,650	-	-	(813,700)	-	-	3,733,950
G A Thomas	10,625,000	-	-	-	-	-	10,625,000
<b>Other key management personnel of the Group</b>							
T Peach	-	-	-	-	-	-	-
<b>Total</b>	<b>37,764,350</b>	<b>-</b>	<b>-</b>	<b>(1,477,400)</b>	<b>-</b>	<b>-</b>	<b>36,286,950</b>
<b>2006</b>							
<b>Directors</b>							
G S Jamieson	10,091,700	-	12,500,000	-	-	-	22,591,700
B B Wilkie	4,547,650	-	-	-	-	-	4,547,650
G A Thomas	-	-	10,625,000	-	-	-	10,625,000
B R Noye	-	-	1,875,000	-	500,000	(2,375,000)	-
<b>Other key management personnel of the Group</b>							
T Peach	-	-	-	-	-	-	-
<b>Total</b>	<b>14,639,350</b>	<b>-</b>	<b>25,000,000*</b>	<b>-</b>	<b>500,000</b>	<b>(2,375,000)</b>	<b>37,764,350</b>

\* shares issued at Extraordinary Meeting of Shareholders on 9 August 2005. Refer note 14 for further details.

There were no shares granted during the last two financial years as compensation.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**17. Key management personnel disclosures (cont'd)**

**(e) Loans to key management personnel**

There were no loans to directors of Australian Property Systems Limited or other key management personnel of the Group during the current or previous reporting period.

**(f) Other transactions with key management personnel**

*Licence fees*

In June 2001, Australian Property Systems (No 1) Pty Ltd, an entity associated with G S Jamieson and B B Wilkie, 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 for a period of 20 years. The amount paid by the company under the Technology Licence Agreement for the year ended 30 June 2007 was \$96,000 (2006: \$80,700). There are potential further fees and royalties payable which are contingent on future events. Refer note 20 for details. The amount payable by the company under the agreement at balance date was \$8,000 (2006: \$nil). This is included in current liabilities.

*Purchase of inventory*

In December 2005 the company acquired land for \$89,440 from Australian Affordable Housing Inc., an entity related to GS Jamieson and T Peach. Refer note 9.

*Sale of subsidiary – Libertas Securities*

In December 2006 the parent entity sold its 90% interest in Libertas Securities Pty Ltd ("Libertas") for \$30,000. The purchasers included an entity associated with GS Jamieson who acquired a 29.7% in Libertas. The sale of Libertas was approved by shareholders at an extraordinary general meeting held on 16 November 2006. As part of the sale transaction the parent entity forgave a loan owing by Libertas of \$17,262.

There have been no other transactions with key management personnel during the current and preceding financial years.

**18. Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity.

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	\$	\$	\$	\$
<i>Audit services</i>				
Audit and review of financial reports of the entity or any entity in the consolidated entity	40,000	37,000	40,000	25,000
<i>Other services</i>				
AIFRS accounting services	-	15,000	-	15,000

No amounts were paid or payable to a related practice of the auditor. There were no other auditors of subsidiaries in the Group.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

19. <u>Commitments</u>	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(a) Operating leases</b>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	2,374	2,374	2,374	2,374
Later than one year but not later than five years	1,187	3,561	1,187	3,561
	<u>3,561</u>	<u>5,935</u>	<u>3,561</u>	<u>5,935</u>

The operating leases primarily relate to a lease of a photocopier. The lease is for five years from 2003 with an option for renewal for a further five years. The operating leases are under normal commercial operating lease terms and conditions.

### **(b) Remuneration commitments**

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

Within one year	250,000	15,616	250,000	15,616
Later than one year but not later than five years	750,000	-	750,000	-
	<u>1,000,000</u>	<u>15,616</u>	<u>1,000,000</u>	<u>15,616</u>

The remuneration commitments shown above reflect the base fee of \$250,000 per annum over five years to Mr G Jamieson. In addition, Mr Jamieson is entitled to additional amounts based on the consolidated entity achieving certain levels of profitability as set out below.

**Base fees** – Base fees commence at \$250,000 per annum and increase annually as follows – financial year 2008 (FY08): \$350,000, FY09: \$500,000, FY10: \$700,000 and FY11: \$900,000 per annum. The payment of fees over \$250,000 per annum is subject to the company achieving a profit before tax of \$2 million and any payments over \$500,000 per annum are subject to the payment not exceeding 25% of the profit before tax.

**Bonus fees** – A bonus fee is payable at the end of each financial year within 15 days of the annual report being signed. If the profit before tax is above \$1 million and up to \$5 million, \$50,000 bonus fee is payable. Above \$5 million, fees are payable on a sliding scale (from 1% to 5% of profit before tax) depending on the company's profitability.

## 20. Contingent liabilities

Under the Technology Licence Agreement disclosed in note 17(f), the following amounts are payable based on certain events:

- The payment of a licence fee of \$1.7 million once the consolidated entity completes a successful capital raising of \$5m.
- If the intellectual property is patented and utilised outside of Australia the following amounts become payable.
  - a monthly royalty of 1% of revenue earned from use of the intellectual property outside of Australia;
  - \$1 million if utilised in one other country;
  - a further \$1 million if utilised in two other countries; and
  - a further \$3 million if utilised in more than two other countries.

At the date of this report, a capital raising of \$5m has not been completed and the intellectual property has not been utilised outside of Australia.



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 21. Related party transactions

The ultimate parent entity within the Group is Australian Property Systems Limited.

Interests in subsidiaries are set out in note 22.

Disclosures relating to key management personnel are set out in note 17.

	Parent Entity	
	2007	2006
<b>Loans to subsidiaries</b>	\$	\$
Loans to subsidiaries	4,319	10,000

The loans are at call, interest free, unsecured and repayable in cash.

#### **Other transactions with subsidiaries**

The parent entity has also provided, free of charge, administrative and accounting assistance to subsidiaries during the current and previous financial years.

In December 2006 the parent entity sold its 91% interest in Libertas Securities Pty Ltd (Libertas) for \$30,000. As part of the transaction the parent entity forgave a loan owing by Libertas of \$17,262

The parent entity and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003 – refer note 1(e). No tax payable liability of subsidiaries has been assumed by the parent entity. Tax losses assumed have not been recognised. Furthermore the parent has not compensated the subsidiaries for any losses.

### 22. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Notes	Ownership Interest	
			2007	2006
			%	%
Product Services Exchange Pty Ltd	Australia	(i)	80	100
Libertas Securities Pty Ltd	Australia	(ii)	-	91

In addition to the above, the special purpose entity APSLSP Pty Ltd recognised in note 26 has also been consolidated.

- (i) **Product Services Exchange Pty Ltd ("PSX")**  
In May 2007 the parent entity sold a 20% interest in PSX for \$1,000,000 consideration – see note 4.
- (ii) **Libertas Securities Pty Ltd ("Libertas")**  
In December 2006 the parent entity sold its 91% interest in Libertas. Libertas had no significant operations, or any employees during at least the last two financial years up to the date of disposal. Accordingly, Libertas does not comprise a separate line of business and is not considered a discontinued operation.

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**22. Subsidiaries (cont'd)**

The financial information presented below in respect of Libertas represents the period 1 July 2006 to 29 December 2006 (30 June 2007 column).

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Revenue and expenses of Libertas		
Revenue & other income	18,047	4,021
Expenses	(2,696)	(18,059)
Profit/(loss) before income tax	15,351	(14,038)
Income tax expense	-	-
Profit/(loss) after tax	<u>15,351</u>	<u>(14,038)</u>

The 2007 revenue and other income of \$18,047 mainly comprised a gain on forgiveness on intragroup debts (this was eliminated on consolidation).

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

Assets	
Investments – Fixed term deposit	26,553
Other	24
Total Assets	<u>26,577</u>
Liabilities	-
Net assets of subsidiary disposed	<u>26,577</u>

	<b>Consolidated 2007</b>	<b>Parent Entity 2007</b>
	<b>\$</b>	<b>\$</b>
Consideration received on disposal:		
Cash received	30,000	30,000
Carrying amount of net assets disposed	(26,577)	-
Amount owing by subsidiary	-	(17,262)
Gain on disposal of subsidiaries before income tax	3,423	12,738
Income tax expense	-	-
Gain on disposal of subsidiaries after income tax	<u>3,423</u>	<u>12,738</u>

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**23. Reconciliation of profit/(loss) after income tax to net cash outflows from operating activities**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Profit/(loss) for the year	465,281	(105,350)	485,388	(87,077)
Depreciation	8,476	13,808	7,352	12,127
Net gain on disposal of subsidiary	(3,423)	-	(12,738)	-
Net gain on part disposal of subsidiary	(830,000)	-	(830,000)	-
Non-cash employee benefits – share-based payments	-	43,723	-	43,723
Other	(28)	-	(17,262)	-
Changes in operating assets and liabilities				
(Increase)/decrease in:				
Receivables	(34,399)	(9,278)	(29,618)	(15,376)
Inventories	(90,239)	(104,414)	(90,239)	(104,414)
Increase/(decrease) in:				
Payables	18,065	(6,930)	22,944	(11,432)
Current tax payable	-	(102,046)	-	(102,046)
Net cash outflows from operating activities	<u>(466,267)</u>	<u>(270,487)</u>	<u>(464,173)</u>	<u>(264,495)</u>

**24. Other cash related disclosures**

**Non-cash investing and financing activities**

Options issued to employees and directors for nil cash consideration are shown in note 26.

**Finance facilities**

At 30 June 2007, the consolidated entity had no unused finance facilities (2006: \$nil).

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**25. Earnings per share**

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	0.9	(0.2)
Diluted earnings per share	0.9	(0.2)

**Reconciliations of earnings used in calculating earnings per share**

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<i>Basic earnings per share</i>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	467,443	(104,129)
<i>Diluted earnings per share</i>		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	467,443	(104,129)

**Weighted average number of shares used as the denominator**

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	50,515,699	47,274,274
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	50,515,699	47,274,274

**Information concerning the classification of securities**

*Options*

Options granted are considered to be potential ordinary shares and have been taken into account in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 26.

In the circumstances of the Group, the options are not dilutive and are therefore not used in the calculation of diluted earnings per share. These options could potentially dilute earnings per share in the future.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 26. Share-based payments

#### Employee share plan

A special purpose entity APSLSP Pty Ltd was incorporated in August 2002 to operate an Employee Share Scheme ("the Scheme"). In February 2003 the Scheme acquired 1,074,000 ordinary shares in Australian Property Systems Limited at \$0.01 per share.

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 Scheme. 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 issued share capital of the company and derive income through the receipt of dividends from the company. No dividends have been paid during the last two years.

As part of his service agreement T Peach is to be issued 200,000 redeemable preference shares in APSLSP Pty Ltd. These shares are yet to be issued.

On 29 September 2005 the directors resolved not to draw fees from the company, but to receive 50,000 redeemable preference shares each per annum in APSLSP Pty Ltd, subject to them serving three years as directors from that date. These shares have not been issued at this time due to the service criteria not being met.

The shares are to be issued for no consideration and entitle the holder to participate in dividends paid/ payable by APSLSP Pty Ltd (which are based on dividends paid by the parent entity). No dividends have been paid or are payable by APSLSP Pty Ltd during the current or prior year.

#### Options granted

Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>2007</b>						
3 Jan 2007	2 Jan 2012	\$1.00	-	1,000,000	1,000,000	1,000,000
10 May 2007	9 May 2012	\$2.00	-	1,000,000	1,000,000	1,000,000
9 Aug 2005	8 Aug 2010	\$0.50	25,000,000	-	25,000,000	25,000,000
<b>2006</b>						
9 Aug 2005	8 Aug 2010	\$0.50	-	25,000,000	25,000,000	25,000,000

Notes to options granted:

- (i) On 3 January 2007 the company granted 1,000,000 options over ordinary shares to GWR Financial Services Pty Ltd for services rendered in securing the placement of 1,000,000 shares at \$0.25 each – see note 14. Each option granted is exercisable into one ordinary share in Australian Property Systems Limited for cash. Options granted carry no dividend or voting rights. The options vested upon grant and there were no further vesting conditions. They are exercisable at any time within 5 years of grant.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**26. Share-based payments (continued)**

- (ii) In May 2007 1,000,000 options were granted as result of the sale of a 20% interest in a subsidiary, Product Services Exchange Pty Ltd (PSX) – see note 4. Each option granted is exercisable into one ordinary share in Australian Property Systems Limited for cash. Options granted carry no dividend or voting rights. The options vested upon grant and there were no further vesting conditions. They are exercisable at any time within 5 years of grant.
- (iii) At an Extraordinary Meeting of Shareholders on 9 August 2005, options were granted to directors by the parent entity. Each option granted is exercisable into one ordinary share in Australian Property Systems Limited for cash. Options granted carry no dividend or voting rights. The options vested upon grant and there were no further vesting conditions. They are exercisable at any time within 5 years of grant.

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.22 years (2006: 4.11 years).

No options have been exercised or lapsed.

**Fair value of options granted**

The fair value at grant date was independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year included:

	<b>Options Granted</b>		
	Aug 05	Jan 07	May 07
Options are granted for no consideration and have a five year life			
Exercise price	\$0.50	\$1.00	\$2.00
Grant date – see above			
Expiry date – see above			
Share price at grant date	\$0.02	\$0.25	\$0.25
Expected price volatility of the company's shares	74.5%	130%	130%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	5.7%	5.62%	6.1%
Option value per option	\$0.175	\$0.19	\$0.17

The expected price volatility is based on the historic volatility of the entity up to the grant date of the options (based on a period with a similar life of the options). The fair value of the options granted excludes the impact of any non-market vesting conditions. There were no market conditions.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2007**

**26. Share-based payments (cont'd)**

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Options issued to GWR Financial Services <sup>(1)</sup>	190,000	-	190,000	-
Options issued on 20% interest in PSX <sup>(2)</sup>	170,000	-	170,000	-
Options issued to directors <sup>(3)</sup>	-	43,723	-	43,723
	<u>360,000</u>	<u>43,723</u>	<u>360,000</u>	<u>43,723</u>

<sup>(1)</sup> Included in equity as share issue transaction costs as a fee for securing the placement of 1,000,000 shares in January 2007 – see note 14.

<sup>(2)</sup> Included in determination of gain on sale of shares in subsidiary as the issue of these options comprised a transaction cost associated with the sale – see note 4.

<sup>(3)</sup> Included in employee benefits expense – see note 5.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' DECLARATION**

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In the directors' opinion:

- (a) the attached financial statements and notes (including the remuneration disclosures that are contained in sections A to D of the remuneration report in the directors' report) are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; 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; and
- (c) the remuneration disclosures contained in sections A to D of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007 required by section 295A of the *Corporations Act 2001*.

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



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G Jamieson  
Director

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B Wilkie  
Director

Dated this 26th day of September 2007.



**Independent auditor's report to the members of Australian Property Systems Limited**

**Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report**

We have audited the accompanying financial report of Australian Property Systems Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Australian Property Systems Limited (the company) and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" of the directors' report and not in the financial report. We have audited these remuneration disclosures.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

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

*Auditor's opinion on the financial report*

In our opinion:

- (a) the financial report of Australian Property Systems Limited is in accordance with 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 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report*

In our opinion the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

**JOHNSTON RORKE**  
Chartered Accountants



**R C N WALKER**  
Partner

Brisbane, Queensland  
26 September 2007

# AUSTRALIAN PROPERTY SYSTEMS LIMITED

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 19 July 2007

(a) Distribution of Shareholders

Category (size of Holding)	Class of equity security Ordinary Shares	Options
1 – 1,000	-	-
1,001 – 5,000	39	-
5,001 – 10,000	9	-
10,001 – 100,000	40	-
100,001 and over	34	4
	<u>122</u>	<u>4</u>

(b) The number of ordinary shareholdings held in less than marketable parcels is nil.

(c) The names of the substantial shareholders (including related entities) listed in the company's register are:

	Number of Ordinary Shares Held	Percentage %
G S Jamieson	21,928,000	42.92
G A Thomas	10,625,000	20.80
B B Wilkie	3,733,950	7.31

(d) 20 Largest Shareholders — Ordinary Shares (Quoted)

	Number of Ordinary Fully Paid Shares Held	% Held of issued Ordinary Capital
Tamlin Holdings Pty Ltd	13,500,000	26.42
Geoffrey Thomas (Geoffrey Thomas Family Account)	10,625,000	20.80
Tamlin Holdings Pty Ltd (Superannuation Fund Account)	2,950,000	5.77
Ravenslea Nominees Pty Ltd (No 1 Account)	2,564,000	5.02
GWR Financial Services Pty Ltd (Alderley Investments Account)	2,548,500	4.99
Benbax Pty Ltd (Offenhauser Family Account)	2,200,000	4.31
Abich Pty Ltd (GA Caird Family Account)	1,859,000	3.64
Application Devices (Australia) Pty Ltd (Perry Wilkie Family Account)	1,577,500	3.09
Ravenslea Nominees Pty Ltd (No 2 Account)	1,100,000	2.15
APSLSP Pty Ltd	1,074,000	2.10
Arthur Gerbanas	1,063,700	2.08

# AUSTRALIAN PROPERTY SYSTEMS LIMITED

## SHAREHOLDER INFORMATION (CONTINUED)

Gow Consulting Pty Ltd (Superannuation Fund Account)	1,000,000	1.96
Nebo (Qld) Pty Ltd (Nebo Account)	935,950	1.83
Helen Martin and Gregory Caird (Martin Caird Super Fund Account)	860,000	1.68
APS No1 Pty Ltd	718,000	1.41
Boda Investments Pty Ltd	710,410	1.39
Russell Barker	406,125	0.79
DBA Consultancy Pty Ltd (Culchulainn Natural Superannuation Account)	400,000	0.78
GWR Financial Services Pty Ltd (Alderley Investments Account)	400,000	0.78
David Stirling Tucker (Satellite Family Trust)	400,000	0.78
	<u>46,892,185</u>	<u>91.78%</u>

The shareholder information set out below was applicable as at 12 August 2006

(e) Voting Rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options carry no voting rights.

Unquoted equity securities	Number on issue	Number of holders
Options to take up ordinary shares		
- G S Jamieson	15,000,000	1
- G A Thomas	5,000,000	1
- B R Noye	5,000,000	1
- GWR Financial Services Pty Ltd	1,000,000	1
- eMuse Investments Pty Ltd	1,000,000	1
Total	27,000,000	5

# AUSTRALIAN PROPERTY SYSTEMS LIMITED

ABN 93 096 925 610

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Members of the Company will be held at the offices of AUSTRALIAN PROPERTY SYSTEMS LIMITED, 1st Floor, Naval Office, 3 Edward Street, Brisbane, Queensland Qld 4000, on Tuesday 30<sup>th</sup> October 2007 at 10.00am.

**BUSINESS** To consider and if thought fit to pass, with or without modification, the following resolution as ordinary resolutions:

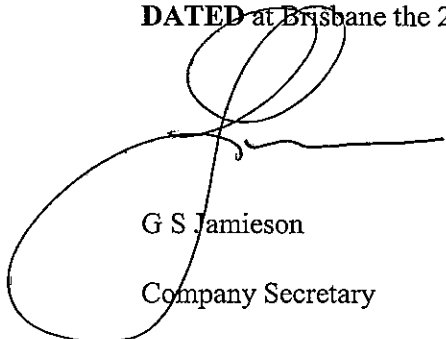
## **GENERAL BUSINESS**

1. To receive and consider the Financial Report and the Reports of the Directors and the Auditor's in respect of the year ended 30<sup>th</sup> June 2007.
2. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the Company (included in the Report of the Directors) for the year ended 30 June 2007 be adopted."

Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

**DATED** at Brisbane the 27th day of September 2007. By order of the Board of Directors



G S Jamieson

Company Secretary

## FORM OF PROXY

The Secretary,  
**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
Level 1 Naval Office, 3 Edward Street Brisbane Qld 4000.

I / We .....

of .....

being a member of AUSTRALIAN PROPERTY SYSTEMS LIMITED, hereby appoint

..... in respect of .....shares

and .....in respect of ..... shares, or  
(failing him/them) the Chairman of the meeting, as my/our proxy to vote for me/us on my/our  
behalf at the Annual General Meeting of the Company to be held at 10.00am on Tuesday  
30th October 2007 and any adjournment there of.

**Proxy's Voting Instructions** - If you wish to direct your proxy how to vote in respect of the  
resolutions to be considered at the meeting please indicate the manner in which your proxy is  
to vote by placing a cross (x) in the appropriate place below. Otherwise, your proxy will  
note as he/she thinks fit or may abstain from voting.

Resolutions	For	Against
1. Shareholders to accept that the Financial Report, Directors' Report and Auditors' Report	<input type="checkbox"/>	<input type="checkbox"/>
2. To accept the remuneration report	<input type="checkbox"/>	<input type="checkbox"/>

**DATED** this .....day of .....2007.

.....  
Signature of Member:

**PROXIES** - A member entitled to attend and vote is entitled to appoint not more than two (2)  
proxies. If two (2) proxies are appointed, each must be appointed to represent a specified  
proportion of the member's voting rights. A proxy need not be a member. To be effective, the  
Proxy Form must be lodged not less than 24 hours before the time of the Meeting at the office  
of the Company at First Floor, Naval Office, 3 Edward Street Brisbane in the State of  
Queensland.