

AUSTRALIAN PROPERTY SYSTEMS LIMITED

A.B.N. 93 096 925 610

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2007

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the financial statements on the consolidated entity consisting of Australian Property Systems Limited (APSL) and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

1. **Directors**

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

GS Jamieson
BB Wilkie
GA Thomas

2. **Review of operations and results**

The consolidated entity recorded an operating loss after tax for the half-year ended 31 December 2007 of \$364,026 (2006: \$253,892 loss). Another milestone was reached during the period whereby Ferry Rd affordable housing complex completed construction and the building is currently being tenanted at very affordable rents. Three other projects are currently at the stage where settlement can occur in the coming months and it is expected that these will settle prior to the end of the financial year. Providing the projects settle in the expected time frame they will deliver approximately \$2.5 million in fees resulting in a profitable outcome for the financial year and sufficient to pay a dividend.

During the period APSL expanded its product offering to where it is now entering into agreements with Not for Profit organisations to utilise the APSL Patented System to meet their social purpose. The Not for Profit organisations are required to use APSL licensees in the delivery of all projects utilising the APSL System. APSL licenses Development Managers, Construction Auditors, Asset Managers, Fund Managers and Lending Managers, who are trained and accredited by APSL to deliver projects under the APSL Patented System

The Not for Profit organisations currently utilising the APSL system are

Australian Affordable Housing Association Inc
Specialist Connect Hospice Association Inc
Affordable Aged Care Association
Other very large Not for Profit organisations are at the due diligence stage

APSL Current Licensees are

Napier Blakely Consulting Pty Ltd (Development Managers & Construction Auditors)
Telco Australia Pty Ltd (Development Managers & Asset Managers)
Apex Development Managers Pty Ltd (Development Managers & Asset Managers)
Housing Asia Pacific Pty Ltd (Development Managers & Construction Auditors)
Devine Limited (Development Managers, Asset Managers & Fund Managers)
Property Fidelity Pty Ltd (Fund Managers & Lenders)

Current Projects being delivered by APSL Licensees

Highgate Hill Qld—(27 residential apartments, commercial office and retail)
Woolloongabba Qld (10 Office/Warehouse)
Woolloongabba Qld (6 level specialist medical facility)
Chermside Qld (476 residential apartments, childcare centre, retail and office)
Albion Qld (330 residential apartments, childcare, retail, medical)
Maribyrnong Vic (180 residential apartments)

During the period APSL entered into an agreement in principle with KPMG to roll out the APSL Patented System through their substantial networks. It is expected that the formal agreement will be entered into in the near future which should culminate into very favourable outcomes for APSL shareholders and at the same time deliver very positive outcomes to the community.

DIRECTORS' REPORT

2. **Review of operations and results cont...**

In line with expanding our product offering to a range of Not for Profit organisations and entering into the expected formal agreement with KPMG, the Directors believe we may need more capital to fund expansion of our training and mentoring process to service the Not for Profits and New Licensees that will be required. Therefore, the Directors have resolved to raise capital via a placement to a limited number of entities that can add value to our delivery process and help us create shareholder value. The intention is to raise via a placement up to \$2 million at 80 cents per share. As part of the capital raising, Tamlin Holdings Pty Ltd (a company associated with Geoffrey Jamieson) will provide options on a 1 for 1 basis to the placement shareholders at a cost of 20 cents per option. Those options are exercisable at any time up to 9th August 2010 at 50 cents per option. This will bring the effective entry price to the placement shareholders at 75 cents per share. The board will make a decision in the near future as to what amount it will accept and whether the entities applying meet our value add criteria in making that decision.

3. **Auditor's independence declaration**

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

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



G. Jamieson
Director

Dated this 29th day of February, 2008

Chartered Accountants

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The Directors
Australian Property Systems Limited
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3 Edward Street
BRISBANE QLD 4000

Dear Sirs

Auditor's Independence Declaration

As lead engagement partner for the review of the financial report of Australian Property Systems Limited for the half-year ended 31 December 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 review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

JOHNSTON RORKE
Chartered Accountants



R.C.N. WALKER
Partner

Brisbane, Queensland
29 February 2008

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year	
	31 Dec 2007	31 Dec 2006
	\$	\$
Revenue		
Licence and royalty income	2,804	64,852
Interest	19,991	4,246
Other services	290	786
	<u>23,085</u>	<u>69,884</u>
Other Income	-	3,423
Expenses		
Administration expenses	322,009	280,960
Licensing expenses	50,988	41,300
Other expenses	11,149	4,563
Finance costs	2,965	376
	<u>387,111</u>	<u>327,199</u>
Loss before income tax	(364,026)	(253,892)
Income tax expense	-	-
Loss for the half-year	(364,026)	(253,892)
Loss/(profit) attributable to minority interests	6,680	(1,382)
Loss attributable to members of the parent entity	<u>(357,346)</u>	<u>(255,274)</u>
	Cents	Cents
Basic earnings per share (loss)	(0.7)	(0.5)
Diluted earnings per share (loss)	(0.7)	(0.5)

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

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	31 Dec 2007 \$	30 Jun 2007 \$
Current Assets			
Cash and cash equivalents		689,541	1,136,411
Trade and other receivables		82,065	66,422
Inventories		218,953	194,653
Total Current Assets		990,559	1,397,486
Non-Current Assets			
Property, plant and equipment		17,397	20,770
Intangible assets	3	137,000	-
Total Non-Current Assets		154,397	20,770
Total Assets		1,144,956	1,418,256
Current Liabilities			
Trade and other payables		143,979	53,253
Total Current Liabilities		143,979	53,253
Total Liabilities		143,979	53,253
Net Assets		1,000,977	1,365,003
Equity			
Contributed capital		2,652,000	2,652,000
Share-based payments reserve		403,723	403,723
Accumulated losses		(2,046,914)	(1,689,568)
Parent entity interest		1,008,809	1,366,155
Minority interest	6	(7,832)	(1,152)
Total Equity		1,000,977	1,365,003

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

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year	
	31 Dec 2007	31 Dec 2006
	\$	\$
Total equity at the beginning of the half-year	1,365,003	459,722
Net income recognised directly in equity	-	-
Loss for the half-year	(364,026)	(253,892)
Total recognised income and expense for the half-year	(364,026)	(253,892)
Transactions with equity holders in their capacity as equity holders		
- Contributions of equity, net of transaction costs	-	250,000
	-	250,000
Total equity at the end of the half-year	1,000,977	455,830
Total recognised income and expense for the half-year is attributable to:		
- Members of APSL	(357,346)	(255,274)
- Minority interest	(6,680)	1,382
	(364,026)	(253,892)

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

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year	
	31 Dec 2007	31 Dec 2006
	\$	\$
Cash Flows From Operating Activities		
Receipts from operating activities	33,553	43,728
Payments to suppliers and employees	(483,778)	(293,420)
Interest received	19,991	4,246
Finance costs paid	(2,965)	(376)
	<hr/>	<hr/>
Net cash used in operating activities	(433,199)	(245,822)
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Proceeds on disposal of controlled entity	-	30,000
Payments for plant and equipment	(671)	(12,873)
Payments for intangible assets	(13,000)	-
	<hr/>	<hr/>
Net cash provided by/(used in) investing activities	(13,671)	17,127
	<hr/>	<hr/>
Cash Flows From Financing Activities		
Proceeds from issue of shares	-	250,000
Proceeds from over-subscription for shares	-	50,000
	<hr/>	<hr/>
Net cash provided by financing activities	-	300,000
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(446,870)	71,305
Cash and cash equivalents at the beginning of the reporting period	1,136,411	327,256
	<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period	689,541	398,561
	<hr/>	<hr/>

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

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. Summary of accounting policies

(a) Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Australian Property Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(b) Intangible Assets

Costs incurred in developing the PSX transaction management system that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as an intangible asset, being software. IT development costs include only those costs directly attributable to the development phase and are only recognised on completion of technical feasibility and where the company has an intention and ability to use the asset.

2. Segment Information

Business segments

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

Industry Segments

Products / Services

Licensing and Training

The provision of training for property development management services.

Transaction Management

The provision of services for managing transactions associated with property development projects.

Geographical segment

The consolidated entity operates solely within Australia.

Primary Reporting – Business Segments

	Transaction Management \$	Licensing & Training \$	Consolidated \$
Half-year 31 December 2007			
<i>Revenue & other income</i>			
Segment revenue	290	2,804	3,094
Unallocated revenue/other income			19,991
Total revenue & other income			23,085
<i>Results</i>			
Segment result – loss before income tax	(30,767)	(346,241)	(377,008)
Unallocated revenue less unallocated expenses			12,982
Income tax expense			-
Net loss			(364,026)

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

2. Segment Information (continued)

Half-year 31 December 2006			
<i>Revenue & other income</i>			
Segment revenue	786	64,852	65,638
Unallocated revenue/other income			7,669
Total revenue & other income			73,307
<i>Results</i>			
Segment result – loss before income tax	(12,914)	(240,978)	(253,892)
Income tax expense			-
Net loss			(253,892)

There are no inter-segment transfers.

3. Intangible Assets

	31 Dec 2007 \$	30 Jun 2007 \$
Software development - at cost	137,000	-
	<u>137,000</u>	<u>-</u>
Movement in intangible assets:		
Opening balance	-	-
Additions – internal development	137,000	-
Amortisation	-	-
Closing balance	<u>137,000</u>	<u>-</u>

The go to market version of PSX has been contracted to Microgenx and costs incurred to date comprise rewriting the software script to Dot Net language. The completion of this process is expected by April 2008 and the costs to completion are approximately \$350,000. Once completed, the asset will greatly enhance the operations of the Transaction Management business segment. As at 31 December 2007 an amount of \$124,000 was payable by the company to the external developers and recorded in trade and other payables.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

4. Contributed Equity

	31 Dec 2007	30 June 2007
	\$	\$
51,094,000 ordinary shares fully paid	2,652,740	2,652,740
Treasury Shares	(10,740)	(10,740)
	<u>2,652,000</u>	<u>2,652,000</u>

	Number of Shares	Issue Price ¢	Value \$
Movement in fully paid ordinary share capital			
Opening balance at 1 July 2007	51,094,000		2,652,000
Issue of ordinary shares for cash	-		-
Closing balance at 31 December 2007	<u>51,094,000</u>		<u>2,652,000</u>
 Opening balance at 1 July 2006	 50,014,000		 2,572,000
Issue of ordinary shares for cash	1,000,000	25	250,000
Closing balance at 31 December 2006	<u>51,014,000</u>		<u>2,822,000</u>

During the half-year ended 31 December 2006, \$250,000 was received in consideration for the issues of 1,000,000 ordinary shares and 1,000,000 free options in the company exercisable at \$1.00 per share any time in the next 5 years.

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

5. Contingent Liabilities

There has been no material change to contingent liabilities disclosed in the financial report for 30 June 2007.

6. Minority Interest

	31 Dec 2007	30 Jun 2007
	\$	\$
Interest in:		
Contributed capital	-	-
Accumulated losses	(7,832)	(1,152)
	<u>(7,832)</u>	<u>(1,152)</u>

7. Subsequent Events

To the directors' knowledge no matter or circumstance has arisen since 31 December 2007 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

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

- (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

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

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



G Jamieson
Director

Dated this 29th day of February, 2008

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Australian Property Systems Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Systems Limited, which comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Property Systems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

JOHNSTON RORKE
Chartered Accountants



R.C.N. WALKER
Partner

Brisbane, Queensland
29 February 2008