Australian Property Systems Limited

ABN 93 096 925 610

Annual Report

30 June 2008

CORPORATE DIRECTORY AND INFORMATION

Directors	Geoffrey S. Jamieson Logan M. Campbell Brian B. Wilkie
Company secretary	Logan M. Campbell
Principal registered office	Level 1, Naval Offices 3 Edward Street Brisbane QLD 4000 Telephone: (07) 3221 7890
Share register	Link Market Services Telephone: (02) 8280 7454
Auditor	Johnston Rorke Chartered Accountants Level 30, Central Plaza One 345 Queen Street Brisbane QLD 4000
Solicitors	Deacons Solicitors Level 17, 175 Eagle Street Brisbane QLD 4000
Bankers	Westpac Banking Corporation 260 Queen Street Brisbane QLD 4000
Stock exchange listing	Newcastle Stock Exchange Ground Floor, 384 Hunter Street, Newcastle NSW 2303
Website address	www.apsl.biz

CHAIRMAN'S REPORT

Review and results of operations

The company has continued to make a substantial investment in developing the technology platforms and writing the procedure manuals that are required to bring scale to the APSL system, particularly in developing the licensing platform for the system and it is intended to continue making a substantial investment in licensing and training in the future to expand the licensing network. The directors report a consolidated operating loss of $597,497 (2007: profit of $465,281).

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

- Intelligent Projects Pty Ltd (Development Management); and
- Alex Enborrisof Architects Pty Ltd (Development Management).

Management also put a lot of time with its Development Manager licensees who were successful in obtaining Development Approvals on four projects for one of our not for profit licensees with three of these prepared for market.

One of the company's Fund Manager Licensees, Property Fidelity Pty Ltd, took to market three properties on behalf of one of our not for profit licensees via an information memorandum prepared and marketed by KPMG under the APSL System. The success of this offering relies on debt being raised against the properties of approximately 50% of the value of assets in the trust.

The intention of the parties was to have the debt and equity raised to facilitate a settlement prior to the end of the financial year which would have resulted in the company receiving approximately $2.5 million in fees. As a result of the credit/liquidity crisis the debt facility was unable to be put in place to facilitate the settlement within the expected time frame and the parties are still in the market place at the time of writing this report trying to put debt facilities in place. The continuing market turmoil is frustrating this process to the point where success will only occur if there is a freeing up of capital markets but your Directors are still confident of obtaining an outcome in the 2009 financial year.

During the year the company invented three other products over and above its affordable housing product. The three new products have been designed for Health, Retirement and Aged Care which strategically puts the company at the forefront of these four future high growth areas. The company has now started licensing other not for profit organisations that are focused in the categories of Health, Retirement and Aged Care and has put in place the necessary agreements to license our technology to parties in these sectors.

The company overhead structure remains low and the company is still well positioned to capitalise on its technology. The credit/liquidity crisis may affect short term outcomes. However, your directors are still firmly of the belief that the company is well positioned to deliver profitable outcomes for shareholders in the future.

G. Jamieson

Chairman

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 2008.

1. 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 S Jamieson
Brian B Wilkie
Logan M Campbell (appointed 25 June 2008)
Geoffrey A Thomas (resigned 25 June 2008)

Information on Directors

Geoffrey Jamieson *Executive Chairman (Age 58)*
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.

Brian Wilkie *Non-executive director (Age 66)*
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.

Logan Campbell *Managing director and Company Secretary (Age 36)*
Mr Campbell has spent the past five years in executive positions within the property and construction industries. Mr Campbell also spent 13 years practicing law and was a senior associate at two national law firms. He has worked in New Zealand, New South Wales and Queensland. Mr Campbell brings substantial industry knowledge and project management experience to his new role.

2. 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 Group'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.

3. Dividends

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

4. Review of Operations

A detailed review of operations is contained within the Chairman's Report of this Annual Report.

5. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year except for the share placements in April and June 2008 which resulted in a net increase in share capital of $729,000.

6. Subsequent Events

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

7. 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.

8. 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.

9. Directors' Interests

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

	Ordinary Shares	Options
G S Jamieson	21,738,000	14,045,000
B B Wilkie	3,780,550	-
L M Campbell	12,500	-

10. 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	08/08/2010	$0.50	25,000,000
3/01/2007	02/01/2012	$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 2008 or since the end of the financial year.

11. 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.

A. *Principles used to determine the nature and amount of remuneration*

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.

Remuneration, Company Performance and Shareholder Wealth

The development of remuneration policies and structures are considered in relation to the effect on company performance and shareholder wealth. They are designed by the board to align director and executive behaviours with improving company performance and, ultimately, shareholder wealth.

The table below sets out the company's share price, earnings and dividends at the end of each of the last two financial years.

Financial year ended	Closing share price (cents)	Earnings per share (cents)	Dividends
30 June 2004	51	(2.4)	-
30 June 2005	2	(5.7)	-
30 June 2006	4	(0.2)	-
30 June 2007	25	0.9	-
30 June 2008	80	(1.1)	-

11. Remuneration Report (cont'd)

B. Details of remuneration

Directors

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

G S Jamieson - Executive chairman
L M Campbell - Managing director (appointed 25 June 2008)
B B Wilkie - Non-executive director
G A Thomas - Non-executive director (resigned 25 June 2008)

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 past two financial years:

T Peach - Licensing mentor and system audit manager

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	
	Cash salary and fees	Cash bonus	payment Options	Total
	$	$	$	$
2008				
Directors				
G S Jamieson	250,000	-	-	250,000
L M Campbell	-	-	-	-
G A Thomas	-	-	-	-
B B Wilkie	-	-	-	-
	250,000	-	-	250,000
Other key management personnel				
T Peach	95,000	4,000	-	99,000
	345,000	4,000	-	349,000
2007				
Directors				
G S Jamieson	220,000	-	-	220,000
G A Thomas	-	-	-	-
B B Wilkie	-	-	-	-
	220,000	-	-	220,000
Other key management personnel				
T Peach	95,000	-	-	95,000
	315,000	-	-	315,000

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.

No other remuneration was paid or granted in the current or prior year.

11. Remuneration Report (cont'd)

C. Service agreements

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

Mr G Jamieson – Executive chairman

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.

Mr L Campbell – Managing director (since 25 June 2008)

Mr Campbell's remuneration is subject to a management agreement being fully negotiated by the board and signed with effect from 1 July 2008 between the company and Aden Developments Pty Ltd ("Aden"), a company associated with Mr Campbell.

- *Base fees* – Base fees on commencement are at $165,000 per annum for the first year with increases still being negotiated based on key performance hurdles and certain milestones being set and agreed.
- *Bonus fees* – to be agreed between the board and Mr Campbell which will be subject to certain milestones being set and agreed.
- *Options* – to be agreed between the board and Mr Campbell which will be subject to certain milestones being set and agreed.

11. Remuneration Report (cont'd)

C. Service agreements (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.

The services agreement with HAP (Mr Trevor Peach) has been terminated by mutual agreement subsequent to the end of the financial year.

D. Share-based payment compensation

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 2008.

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. The options were granted to provide an incentive to turn the company around 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.

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.

11. Remuneration Report (cont'd)

E. Additional information

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 the bonus is payable in future years.

	Cash bonus	
	Paid	Forfeited
Name	%	%
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.

12. 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
L M Campbell	-	-

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.

13. 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.

14. 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.

There were no fees paid or payable to the auditor for non-audit services in the 2007 and 2008 financial years.

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

G Jamieson
Director

Dated this 29th day of September 2008

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3222 8300
Website www.jr.com.au
Email jr@jr.com.au

The Directors
Australian Property Systems Limited
Level 5
35 Burdett Street
ALBION QLD 4010

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 2008, 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
29 September 2008

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Revenue					
Licence and training		62,091	289,367	62,091	288,956
Interest		37,640	14,168	40,021	11,787
Other		234	1,686	-	1,061
		99,965	305,221	102,112	301,804
Other income					
Gain on disposal of subsidiary	4	-	3,423	-	12,738
Gain on sale of shares in subsidiary	4	-	830,000	-	830,000
		99,965	1,138,644	102,112	1,144,542
Expenses					
Employee benefits		401,181	377,098	401,181	377,098
Licensing		110,768	99,639	110,768	99,639
Audit fees		40,000	40,000	40,000	40,000
Doubtful debts		55,000	-	55,000	-
Computer costs		61,364	43,728	23,985	34,484
Finance costs		1,084	904	1,084	904
Other expenses		144,243	111,994	134,176	107,029
		813,640	673,363	766,194	659,154
Profit/(loss) before income tax	5	(713,675)	465,281	(664,082)	485,388
Income tax credit	6	116,178	-	116,178	-
Profit/(loss) for the year		(597,497)	465,281	(547,904)	485,388
Profit/(loss) is attributable to:					
Members of the parent entity		(587,578)	467,443	(547,904)	485,388
Minority interest		(9,919)	(2,162)	-	-
		(597,497)	465,281	(547,904)	485,388
		Cents	**Cents**		
Basic and diluted earnings per share	25	(1.1)	0.9		

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

BALANCE SHEETS

AS AT 30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current Assets					
Cash and cash equivalents	7	931,945	1,136,411	913,090	1,131,215
Trade and other receivables	8	57,961	66,422	57,961	66,148
Inventories	9	220,157	194,653	220,157	194,653
Current tax receivable	10	116,178	-	116,178	-
Total current assets		1,326,241	1,397,486	1,307,386	1,392,016
Non-Current Assets					
Trade and other receivables	8	25,519	-	295,488	4,319
Property, plant and equipment	11	15,079	20,770	15,079	20,228
Intangible assets	12	284,681	-	-	-
Total non-current assets		325,279	20,770	310,567	24,547
Total assets		1,651,520	1,418,256	1,617,953	1,416,563
Current Liabilities					
Trade and other payables	13	155,014	53,253	66,091	45,797
Total current liabilities		155,014	53,253	66,091	45,797
Total liabilities		155,014	53,253	66,091	45,797
Net assets		1,496,506	1,365,003	1,551,862	1,370,766
Equity					
Contributed equity	14	3,381,000	2,652,000	3,381,000	2,652,000
Reserve	15	403,723	403,723	403,723	403,723
Accumulated losses	15	(2,277,146)	(1,689,568)	(2,232,861)	(1,684,957)
Parent entity interest		1,507,577	1,366,155	1,551,862	1,370,766
Minority interest	16	(11,071)	(1,152)	-	-
Total equity		1,496,506	1,365,003	1,551,862	1,370,766

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

BALANCE SHEETS

AS AT 30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current Assets					
Cash and cash equivalents	7	931,945	1,136,411	913,090	1,131,215
Trade and other receivables	8	57,961	66,422	57,961	66,148
Inventories	9	220,157	194,653	220,157	194,653
Current tax receivable	10	116,178	-	116,178	-
Total current assets		1,326,241	1,397,486	1,307,386	1,392,016
Non-Current Assets					
Trade and other receivables	8	25,519	-	295,488	4,319
Property, plant and equipment	11	15,079	20,770	15,079	20,228
Intangible assets	12	284,681	-	-	-
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Net assets		1,496,506	1,365,003	1,551,862	1,370,766
Equity					
Contributed equity	14	3,381,000	2,652,000	3,381,000	2,652,000
Reserve	15	403,723	403,723	403,723	403,723
Accumulated losses	15	(2,277,146)	(1,689,568)	(2,232,861)	(1,684,957)
Parent entity interest		1,507,577	1,366,155	1,551,862	1,370,766
Minority interest	16	(11,071)	(1,152)	-	-
Total equity		1,496,506	1,365,003	1,551,862	1,370,766

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

Consolidated	Contributed equity $	Share-based payments reserve $	Accumulated losses $	Minority interest $	Total $
Balance at 1 July 2006	2,572,000	43,723	(2,157,011)	1,010	459,722
Issues of shares	270,000	-	-	-	270,000
Share issue costs	(190,000)	190,000	-	-	-
Options granted on sale of 20% of PSX	-	170,000	-	-	170,000
Profit/(loss) for the year	-	-	467,443	(2,162)	465,281
Balance at 30 June 2007	2,652,000	403,723	(1,689,568)	(1,152)	1,365,003
Issue of shares	764,000	-	-	-	764,000
Share issue costs	(35,000)	-	-	-	(35,000)
Loss for the year	-	-	(587,578)	(9,919)	(597,497)
Balance at 30 June 2008	3,381,000	403,723	(2,277,146)	(11,071)	1,496,506
Parent entity					
Balance at 1 July 2006	2,572,000	43,723	(2,170,345)	-	445,378
Issue of shares	270,000	-	-	-	270,000
Share issue costs	(190,000)	190,000	-	-	-
Options granted on sale of 20% of PSX	-	170,000	-	-	170,000
Profit for the year	-	-	485,388	-	485,388
Balance at 30 June 2007	2,652,000	403,723	(1,684,957)	-	1,370,766
Issue of shares	764,000	-	-	-	764,000
Share issue costs	(35,000)	-	-	-	(35,000)
Loss for the year	-	-	(547,904)	-	(547,904)
Balance at 30 June 2008	3,381,000	403,723	(2,232,861)	-	1,551,862

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash Flows From Operating Activities					
Receipts from operating activities		25,956	285,563	25,448	283,720
Payments to suppliers and employees		(812,460)	(765,094)	(752,344)	(747,195)
Interest received		37,640	14,168	40,021	11,787
Finance costs		(1,084)	(904)	(1,084)	(904)
Net cash outflows from operating activities	23	(749,948)	(466,267)	(687,959)	(452,592)
Cash Flows From Investing Activities					
Payments for plant and equipment		(2,999)	(24,578)	(2,999)	(24,578)
Payments for intangible assets		(190,000)	-	-	-
Loans to subsidiaries		-	-	(265,648)	(11,581)
Payment for restricted deposit		(25,519)	-	(25,519)	-
Proceeds from part disposal of subsidiary	22	-	1,000,000	-	1,000,000
Proceeds from sale of subsidiary	22	-	30,000	-	30,000
Net cash inflows/(outflows) from investing activities		(218,518)	1,005,422	(294,166)	993,841
Cash Flows From Financing Activities					
Proceeds from issues of shares		764,000	270,000	764,000	270,000
Payments of share issue costs		-	-	-	-
Net cash inflows from financing activities		764,000	270,000	764,000	270,000
Net increase/(decrease) in cash and cash equivalents held		(204,466)	809,155	(218,125)	811,249
Cash and cash equivalents at the beginning of the financial year		1,136,411	327,256	1,131,215	319,966
Cash and cash equivalents at the end of the financial year	7	931,945	1,136,411	913,090	1,131,215

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

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 as 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 2008 has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*.

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Australian Property Systems Limited comply with International Financial Reporting Standards (IFRS).

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.

(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 2008 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)).

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.

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

(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.

(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.

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.

(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).

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

(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 usually 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 original 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 financial assets 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.

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 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.

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.

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

(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.

(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.

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

(o) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include direct costs of materials and service, direct payroll and payroll related costs of employees, time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(p) 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.

(q) 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.

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.

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

(q) Employee benefits (cont'd)

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.

(r) 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.

(s) 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 year, adjusted for bonus elements in ordinary shares issued during the year.

(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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) 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.

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

(u) 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.

(v) Comparatives

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

(w) New accounting standards and interpretations not yet effective

Relevant accounting standards and interpretations 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 2008, are as follows:

Standard/Interpretation	Application date*	Application date for the Group*
AASB 8 *Operating Segments* and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 101 *Presentation of Financial Statements – revised* and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 3 *Business Combinations – revised* and consequential amendments to other accounting standards resulting from its issue	1 July 2009	1 July 2009
AASB 127 *Consolidated and Separate Financial Statements – revised* and consequential amendments to other accounting standards resulting from its issue	1 July 2009	1 July 2009
AASB 123 *Borrowing Costs – revised* and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*	1 January 2009	1 July 2009
AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation*	1 January 2009	1 July 2009
AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 January 2009	1 July 2009
AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 July 2009	1 July 2009
AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2009	1 July 2009
Interpretation 13 *Customer Loyalty Programmes*	1 July 2008	1 July 2008
Interpretation 15 *Agreements for the Construction of Real Estate*	1 January 2009	1 July 2009

Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 October 2008	1 July 2009

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

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

(w) New accounting standards and interpretations not yet effective (cont'd)

The directors anticipate that the adoption of these standards and interpretations in future periods may have the following impacts:

- *AASB 8* - AASB 8 may impact segment disclosures. It is not expected to impact the amounts included in the financial statements except that it may impact the level at which goodwill, if any, is tested for impairment.
- *AASB 101* - The revised AASB 101 is only expected to effect the presentation and disclosure of the financial report. It is not expected to effect recognition and measurement accounting policies.
- *AASB 3* - The revised AASB 3 applies prospectively for all business combinations after it becomes effective. It introduces a number of changes which may have a significant impact on accounting for future business combinations. For example, it allows a choice for measuring a non-controlling interest (minority interest) in an acquiree – either at fair value or at the proportionate share of the acquiree's net identifiable assets. It also requires acquisition related costs to be accounted for separately from the business combination – which will usually mean they will be expensed. The directors have not yet assessed the impact the revised standard will have in future periods.
- *AASB 127* - The revised AASB 127 introduces a number of changes, including requiring that changes in an ownership interest in a subsidiary that do not result in a loss of control be accounted for as equity transactions. Another change will result in net income being attributed to the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors have not yet assessed the impact the revised standard will have in future periods.
- *AASB 123* - The revised AASB 123 requires that borrowing costs associated with qualifying assets be capitalised. The directors do not expect the revised standard will have a material impact as the Group has no borrowing costs associated with qualifying assets.
- *AASB 2008-1* - AASB 2008-1 introduces a number of amendments in accounting for share-based payments, including clarifying that vesting conditions comprise service conditions and performance conditions only. The Group may have, or enter into, share-based payment arrangements that could be impacted by these amendments. However, the directors have not yet assessed the impact, if any.
- *AASB 2008-2* - AASB 2008-2 introduces amendments that allow an entity that issues certain puttable financial instruments to classify them as equity rather than financial liabilities. As the Group does not have any such financial instruments, these amendments are not expected to have an impact on the financial report.
- *AASB 2008-5 and AASB 2008-6* - These amendments introduce various changes to IFRSs. The directors have not yet assessed the impact of the amendments, if any.
- *AASB 2008-7* – AASB 2008-7 introduces amendments that result in all dividends from a subsidiary, jointly controlled entity or associate being recognised in the separate financial statements of an investor as income.
- Interpretation 13 - This interpretation deals with accounting for customer loyalty programmes. As the Group does not have any such programmes, the interpretation is not expected to have an impact on the financial report.
- *Interpretation 15* - This interpretation deals with accounting by real estate developers providing construction services. As the Group does not provide such services, the interpretation is not expected to have an impact on the financial report.
- *Interpretation 16* - This interpretation deals with accounting for hedges of a net investment in a foreign operation. As the Group does not have any such investment, the interpretation is not expected to have an impact on the financial report.

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

(x) 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.

2008 Financial Year – Capitalised Development Costs

Costs incurred in developing products or systems that will contribute to future period financial benefits through revenue generation are capitalised as software development assets. The critical assumption supporting the basis on which these costs have been capitalised is that there is a market for the intangible asset once developed. The market identified for the PSX documentation management system is dependent on the success of the parent entity's development management system which it holds under licence. To date the Group has recorded only limited sales using its development management system.

2007 Financial Year – 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.

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.

(y) 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 5
35 Burdett Street
ALBION QLD 4010

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity 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 uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and aging analysis for credit risk.

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 interest rate risk, credit risk, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Financial assets				
Cash and cash equivalents (1)	931,945	1,136,411	913,090	1,131,215
Trade and other receivables (1)	83,480	66,422	353,449	70,467
	1,015,425	1,202,833	1,266,539	1,201,682
Financial liabilities				
Trade and other payables (2)	155,014	53,253	66,091	45,797
	155,014	53,253	66,091	45,797

(1) Loans and receivables category.
(2) Financial liabilities of amortised cost category.

(a) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, receivables and restricted deposits. The Group has treasury policies in place for deposit transactions for such transactions to be conducted with financial institutions with a strong credit rating.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the instruments. At balance date, cash and cash equivalents were held with Commonwealth Bank of Australia. For trade and other receivables, collateral is not normally obtained – for further information refer to note 8.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that sufficient funds are maintained in cash and cash equivalents.

Contractual maturity analysis
Trade and other payables, as disclosed above, are due and payable within 3 months.

2. Financial Risk Management (cont'd)

(c) Market risk

Interest rate risk
The Group's exposure to interest rate risk arises predominantly from cash and cash equivalents which are subject to variable rates. The Group does not use derivatives to manage this risk. The weighted average interest rate applicable to cash and cash equivalents at 30 June 2008 is disclosed in note 7.

Sensitivity
At 30 June 2008, if interest rates had changed by +/-100 basis points from the year end rates with all other variables held constant, profit and loss and equity would have been impacted as follows:

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
+ 100 basis points				
Profit/(loss) impact				
- increase in revenue	9,319	11,364	9,130	11,312
Equity impact				
- increase in equity	9,319	11,364	9,130	11,312
- 100 basis points				
Profit/(loss) impact				
- decrease in revenue	(9,319)	(11,364)	(9,130)	(11,312)
Equity impact				
- decrease in equity	(9,319)	(11,364)	(9,130)	(11,312)

Foreign exchange risk
Neither the parent entity nor the Group have any direct material foreign exchange risk as commercial transactions and recognised financial assets and liabilities are all in Australian currency.

Price risk
Neither the parent entity nor the Group are exposed to any direct material market or commodity price risk relating to financial assets or liabilities.

(d) Fair value

The fair values of financial assets (net of any provision for impairment) and financial liabilities approximate their carrying amounts due to either their short term nature or their terms and conditions including interest receivable/payable at variable rates.

(e) Capital risk management

The Group's and parent entity's objectives when managing capital are primarily to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders.

3. Segment information

Business segment

The Group predominantly operates in one business segment. Its activities include licensing and training in respect of its property management system used for property development of strata title units. The Group is also developing an IT platform to provide services for managing account transactions associated with property development projects. In the 2007 financial year these two activities were considered to represent two business segments. However, the directors now consider the overall operations effectively represent one business segment. The prior year comparatives have not been restated as the amounts were not material.

Geographical segment

The Group's operations are based solely in Australia.

4. Other income

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Gain on disposal of subsidiary (see note 22)	-	3,423	-	12,738
Gain on sale of shares in subsidiary (see below)	-	830,000	-	830,000
	-	833,423	-	842,738

Sale of 20% interest in PSX

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)
	-	830,000	-	830,000

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 with 1 million options in Australian Property Systems Limited granted in relation to the sale and finders fee. The options are convertible into ordinary shares at an exercise price of $2 each at any time 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	8,690	8,476	8,148	7,352
Operating lease rental expenses – minimum lease payments	11,732	14,890	11,732	14,890
Licence fees expense – see note 17	96,000	96,000	96,000	96,000

6. Income tax

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Reconciliation of income tax expense/(credit) to prima facie tax				
Profit/(loss) before income tax	(713,675)	465,281	(664,082)	485,388
Tax at the Australian tax rate of 30% (2007: 30%)	(214,103)	139,584	(199,225)	145,616
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Non-deductible expenses	-	51,000	-	51,000
	(214,103)	190,584	(199,225)	196,616
Deferred tax assets not recognised	214,103	-	199,225	-
Refund recognised in respect of research and development claims (note 10)	(116,178)	-	(116,178)	-
Previously unrecognised tax losses used to reduce current tax expense	-	(190,584)	-	(196,616)
Income tax expense/(credit)	(116,178)	-	(116,178)	-
Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	994,982	647,082	953,356	647,082
Potential tax benefit @ 30%	298,495	194,125	286,007	194,125
Franking credits				
Franking credits available for subsequent financial years	102,046	102,046	102,046	102,046

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	931,945	1,136,411	913,090	1,131,215

The cash at bank, which is held mainly in at call bank accounts, bears floating interest rates of 6.85% (2007: 4.05%).

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
8. Trade and other receivables				
Current				
Trade debtors	109,000	66,422	109,000	66,148
Provision for impairment	(55,000)	-	(55,000)	-
	54,000	66,422	54,000	66,148
Other receivables	3,961	-	3,961	-
	57,961	66,422	57,961	66,148
Non-current				
Amounts owing by subsidiaries	-	-	269,969	4,319
Restricted deposit	25,519	-	25,519	-
	25,519	-	295,488	4,319

Trade and other receivable are generally non-interest bearing and due 30 days from date of recognition.

Amounts owing by subsidiaries – refer to note 21.

Impaired receivables

Trade debtors of $55,000 (2007: $nil) were impaired at 30 June 2008. The provision for impairment was determined based on the length of time outstanding and expected amount to be collected.

Past due but not impaired receivables

As at 30 June 2008 trade debtors of $54,000 (2007: $66,422) in the Group and $54,000 (2007: $66,148) in the parent entity were past due but not impaired.

9. Inventories

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Property held for resale – at cost	220,157	194,653	220,157	194,653

Property held for resale comprises Lot 33, Ferry Rd, West End.

10. Current tax receivable

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current tax receivable	116,178	-	116,178	-

The current tax receivable relates to a research and development claim by the parent entity in the 2007 income tax return which was approved by the relevant authority in the 2008 financial year. The amount was received in July 2008.

11. Property, plant and equipment

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Plant and equipment – at cost	61,701	58,702	60,201	57,202
Accumulated depreciation	(46,622)	(37,932)	(45,122)	(36,974)
	15,079	20,770	15,079	20,228
Movement in plant and equipment:				
Opening balance	20,770	4,668	20,228	3,002
Additions	2,999	24,578	2,999	24,578
Depreciation	(8,690)	(8,476)	(8,148)	(7,352)
Closing balance	15,079	20,770	15,079	20,228

12. Intangible assets

Software development – at cost	284,681	-	-	-
Movement in software development costs:				
Opening balance	-	-	-	-
Additions – internal development	284,681	-	-	-
Amortisation	-	-	-	-
Closing balance	284,681	-	-	-

Software development costs comprise rewriting the PSX transaction management software to Dot Net language. The completion of this process is expected by January 2009. The work has been contracted to Microgenx (external IT developers). At 30 June 2008 an amount of $94,681(plus GST) was payable to Microgenx and recorded in trade and other payables.

The software development will be amortised over its estimated useful life when the asset is available for use.

13. Trade and other payables

Trade payables and accruals	155,014	53,253	66,091	45,797

Trade and other payables are non-interest bearing. Their fair value approximates their carrying amount.

14. Contributed equity

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Share capital				
52,049,000 ordinary shares fully paid (2007: 51,094,000)	3,391,740	2,662,740	3,391,740	2,662,740
Treasury shares	(10,740)	(10,740)	(10,740)	(10,740)
	3,381,000	2,652,000	3,381,000	2,652,000

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:

Date	Details	Notes	Number of shares	Issue price $	$
30 June 2006	Balance		50,014,000		2,572,000
3 January 2007	Placement of shares	(i)	1,000,000	0.25	250,000
20 April 2007	Placement of shares	(ii)	80,000	0.25	20,000
	Share issue costs	(iii)	-		(190,000)
30 June 2007	Balance		51,094,000		2,652,000
28 April 2008	Placement of shares	(iv)	350,000	0.80	280,000
26 June 2008	Placement of shares	(v)	605,000	0.80	484,000
	Share issue costs		-		(35,000)
30 June 08	Balance		52,049,000		3,381,000

(i) Issued on 3 January 2007 at 25 cents per share for cash pursuant to a placement.
(ii) Issued on 20 April 2007 at 25 cents per share for cash pursuant to a placement.
(iii) 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.
(iv) Issued on 28 April 2008 at 80 cents per share for cash pursuant to a placement.
(v) Issued on 26 June 2008 at 80 cents per share for cash pursuant to a placement.

14. Contributed equity (cont'd)

Options

Unissued ordinary shares of Australian Property Systems Limited under option 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. There was no exercise of options over ordinary shares of Australian Property Systems Limited during the year ended 30 June 2008. Refer to details set out in note 26.

15. Reserves and accumulated losses

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Share-based payments reserve				
Opening balance	403,723	43,723	403,723	43,723
Share-based payments during the year	-	360,000	-	360,000
Closing balance	403,723	403,723	403,723	403,723

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.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
Accumulated losses				
Opening balance	(1,689,568)	(2,157,011)	(1,684,957)	(2,170,345)
Net profit/(loss) for the year	(587,578)	467,443	(547,904)	485,388
Closing balance	(2,277,146)	(1,689,568)	(2,232,861)	(1,684,957)

16. Minority interest

	Consolidated		Parent Entity	
	2008	2007	2008	2007
Interest in Product Services Exchange Pty Ltd:				
Contributed equity	-	-	-	-
Accumulated losses	(11,071)	(1,152)	-	-
	(11,071)	(1,152)	-	-

17. Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Short-term employee benefits	349,000	315,000	349,000	315,000
Share-based payments	-	-	-	-
	349,000	315,000	349,000	315,000

(b) Equity instrument disclosures relating to key management personnel

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	Other changes	Balance at resignation (if applicable)	Balance at the end of the year	Vested and exercisable at the end of the year
2008					
Directors					
G S Jamieson	15,000,000	(955,000)	-	14,045,000	14,045,000
L M Campbell	-	-	-	-	-
G A Thomas	5,000,000	-	(5,000,000)	-	-
B B Wilkie	-	-	-	-	-
Other key management personnel					
T Peach	-	-	-	-	-
Total	20,000,000	(955,000)	(5,000,000)	14,045,000	14,045,000
2007					
Directors					
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	-	-	-	-	-
Other key management personnel					
T Peach	-	-	-	-	-
Total	20,000,000	-	-	20,000,000	20,000,000

No options were granted as compensation or exercised during the year (or in 2007).

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	Other changes during the year	Balance at appointment date (if applicable)	Balance at resignation date (if applicable)	Balance at the end of the year
2008						
Directors						
G S Jamieson	21,928,000	-	(190,000)	-	-	21,738,000
L M Campbell	-	-	12,500	-	-	12,500
B B Wilkie	3,733,950	-	46,600	-	-	3,780,550
G A Thomas	10,625,000	-	-	-	(10,625,000)	-
Other key management personnel						
T Peach	-	-	-	-	-	-
Total	36,286,950	-	(130,900)	-	(10,625,000)	25,531,050
2007						
Directors						
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
Other key management personnel						
T Peach	-	-	-	-	-	-
Total	37,764,350	-	(1,477,400)	-	-	36,286,950

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

17. Key management personnel disclosures (cont'd)

(c) 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.

(d) 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 2008 was $60,000 (2007: $60,000) for licence fees and $36,000 (2007: $36,000) as a consultancy fee for managing patent renewals and registrations. 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 $nil (2007: $8,000). This is included in current liabilities.

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.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Audit services				
Audit and review of financial reports of the consolidated entity	40,000	40,000	40,000	40,000

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

19. Commitments	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
(a) Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	3,687	2,374	3,687	2,374
Later than one year but not later than five years	3,531	1,187	3,531	1,187
	7,218	3,561	7,218	3,561

The Group has entered into non-cancellable operating leases for certain items of equipment. 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	250,000	250,000	250,000
Later than one year but not later than five years	500,000	750,000	500,000	750,000
	750,000	1,000,000	750,000	1,000,000

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, 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.

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.

Loans to/from related parties

	Parent Entity	
	2008	2007
	$	$
Loans to subsidiaries		
Beginning of the year	4,319	10,000
Loans advanced	265,648	11,581
Loan forgiven (Libertas Securities Pty Ltd)	-	(17,262)
Other	2	-
End of the year	269,969	4,319

The loans are at call, interest free, unsecured and repayable in cash. No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

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.

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	
			2008	2007
			%	%
Product Services Exchange Pty Ltd	Australia	(i)	80	80

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.

22. Subsidiaries (cont'd)

(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.

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

Revenue and expenses of Libertas	2007 $
Revenue & other income	18,047
Expenses	(2,696)
Profit/(loss) before income tax	15,351
Income tax expense	-
Profit/(loss) after tax	15,351

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	26,577
Liabilities	-
Net assets of subsidiary disposed	26,577

	Consolidated 2007 $	Parent Entity 2007 $
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 subsidiary before income tax	3,423	12,738
Income tax expense	-	-
Gain on disposal of subsidiary after income tax	3,423	12,738

23. Cash flow information

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Profit/(loss) for the year	(597,497)	465,281	(547,904)	485,388
Depreciation	8,690	8,476	8,148	7,352
Doubtful debts	55,000	-	55,000	-
Net gain on disposal of subsidiary	-	(3,423)	-	(12,738)
Net gain on part disposal of subsidiary	-	(830,000)	-	(830,000)
Other	-	(28)	-	(5,681)
Changes in operating assets and liabilities				
(Increase)/decrease in:				
Receivables	(46,539)	(34,399)	(46,813)	(29,618)
Inventories	(25,504)	(90,239)	(25,504)	(90,239)
Current tax receivable	(116,178)	-	(116,178)	-
Increase/(decrease) in:				
Payables *	(27,920)	18,065	(14,708)	22,944
Net cash outflows from operating activities	(749,948)	(466,267)	(687,959)	(452,592)

* excluding non-operating items.

24. Finance facilities

At 30 June 2008, the consolidated entity had no unused finance facilities (2007: $nil).

25. Earnings per share

	Consolidated 2008 Cents	Consolidated 2007 Cents
Basic earnings per share	(1.1)	0.9
Diluted earnings per share	(1.1)	0.9

Reconciliations of earnings used in calculating earnings per share

	Consolidated 2008 $	Consolidated 2007 $
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	(587,578)	467,443

Weighted average number of shares used as the denominator

	Consolidated 2008 Number	Consolidated 2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	51,160,858	50,515,699
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	51,160,858	50,515,699

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.

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
2008						
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
2007						
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

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.

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

(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.

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.22 years (2007: 3.22 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 2007 year included:

	Options Granted	
	Jan 07	May 07
Options are granted for no consideration and have a five year life		
Exercise price	$1.00	$2.00
Grant date – see above		
Expiry date – see above		
Share price at grant date	$0.25	$0.25
Expected price volatility of the company's shares	130%	130%
Expected dividend yield	0%	0%
Risk-free interest rate	5.62%	6.1%
Option value per option	$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.

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:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to GWR Financial Services [1]	-	190,000	-	190,000
Options issued on 20% interest in PSX [2]	-	170,000	-	170,000
	-	360,000	-	360,000

(1) 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.

(2) 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.

27. **Subsequent events**

APSL has entered into a licence agreement with Churches of Christ (QLD).

The services agreement with Housing Asia Pacific (Mr Trevor Peach) has been terminated by mutual agreement.

AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2008 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.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2008 required by section 295A of the *Corporations Act 2001*.

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

G Jamieson
Director

Dated this 29th day of September 2008

JOHNSTON RORKE
CHARTERED ACCOUNTANTS

Level 30, Central Plaza One
345 Queen Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3222 8500
Website www.jr.com.au
Email jr@jr.com.au

INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF AUSTRALIAN PROPERTY SYSTEMS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Australian Property Systems Limited, which comprises the balance sheet as at 30 June 2008, 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, and other explanatory notes and the directors' declaration of 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.

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 Accounting Standard AASB101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

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 2008 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in Section 11 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Australian Property Systems Limited for the year ended 30 June 2008, complies with Section 300A of the Corporations Act 2001.

JOHNSTON RORKE
Chartered Accountants

Walker

R C N WALKER
Partner

Brisbane, Queensland
29 September 2008

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 and half-year 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.

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.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 September 2008.

(a) Distribution of Shareholders

Category (size of Holding)	Class of equity security Ordinary Shares	Options
1 – 1,000	-	-
1,001 – 5,000	36	-
5,001 – 10,000	10	-
10,001 – 100,000	52	6
100,001 and over	42	5
	140	11

(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	21,738,000	41.76
G A Thomas	10,625,000	20.41
B B Wilkie	3,780,550	7.26

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

	Number of Ordinary Fully Paid Shares Held	% Held of issued Ordinary Capital
Tamlin Holdings Pty Ltd	13,491,600	25.94
Geoffrey Thomas (Geoffrey Thomas Family Account)	10,625,000	20.41
Tamlin Holdings Pty Ltd (Superannuation Fund Account)	2,950,000	5.67
GWR Financial Services Pty Ltd (Alderley Investments Account)	2,548,500	4.90
Ravenslea Nominees Pty Ltd (No 1 Account)	2,364,000	4.54
Lateral Solutions (QLD) Pty Ltd (SPA Staff Superannuation Fund)	2,200,000	4.23
Helen Jane Martin & Gregory Alexander Caird (Martin Caird Super Fund)	1,360,000	2.61
Mr Terry Smith (NLN Account)	1,154,300	2.22
Ravenslea Nominees Pty Ltd (No 2 Account)	1,100,000	2.11
APSLSP Pty Ltd	1,074,000	2.06

	Number of Ordinary Fully Paid Shares Held	% Held of issued Ordinary Capital
Gow Consulting Pty Ltd (Superannuation Fund Account)	1,046,600	2.01
Nebo (Qld) Pty Ltd (Nebo Account	935,950	1.80
ABICH Pty Ltd (GA Caird Family Account)	909,000	1.75
Arthur Gerbanas	900,000	1.73
APS No1 Pty Ltd	718,000	1.38
Boda Investments Pty Ltd	655,410	1.26
Russell Barker	406,125	0.78
DBA Consultancy Pty Ltd (Culchulainn Natural Superannuation Accounl)	400,000	0.77
GWR Financial Services Pty Ltd (Alderley Investments Account)	400,000	0.77
EMUSE Investments Pty Ltd	350,000	0.67
	45,596,885	87.60%

(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.

(f) Unquoted equity securities

	Number on issue	Number of holders
Options to take up ordinary shares		
- G S Jamieson	14,045,000	1
- G A Thomas	5,000,000	1
- GWR Financial Services Pty Ltd	6,000,000	1
- eMuse Investments Pty Ltd	1,350,000	1
- Craig Ross Family Super Fund	125,000	1
- Auteuil Super Fund	100,000	1
- RJS Superannuation Fund	100,000	1
- Steele Family Super Fund	100,000	1
- The Nestor Super Fund	80,000	1
- Perry Super Fund	50,000	1
- Stitz Medical Super Fund	50,000	1
Total	27,000,000	11