

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**A.B.N. 93 096 925 610**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2008**

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

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The directors present their report together with the financial statements on the consolidated entity consisting of Australian Property Systems Limited (APSL) and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

### 1. **Directors**

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

GS Jamieson  
BB Wilkie  
LM Campbell

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

The consolidated entity recorded an operating loss after tax for the half-year ended 31 December 2008 of \$415,323 (2007: \$364,026 loss).

This result clearly marks the effect of the credit crunch and the overall downturn in the Australian property market. This was demonstrated by the proposed capital raising with KPMG not proceeding due to the inability to place any debt in the Property Fidelity project on a conservative LVR, as the direct result of the sudden decrease in bank liquidity.

While the adverse finance and market circumstances have continued to affect the business, the directors have undertaken significant steps in the fee earning activities of the business in order to deliver cash flow. While these steps were taken immediately on the capital raising not succeeding, it will take time to realise the full results of that strategy and it is expected that the main results will not be seen until mid to late 2009.

One significant step that APSL has undertaken is entering into consultancy agreements with clients, (commercial, not for profit and government) which deliver consultancy fees in the development of affordable housing and affordable aged care (these being the two principle property types that APSL is strategically focusing on delivering).

The Commonwealth stimulus package, together with the announcement and implementation of the National Rental Affordability Scheme (the Commonwealth rental subsidy scheme for affordable housing) has focussed financial and industry attention on both affordable housing and aged care and this has provided some assistance.

During the period, APSL entered into consultancy agreements to advise on the development of a large aged care and residential retirement community on the Sunshine Coast in Queensland and, separately, on the development of an affordable housing/senior's living development in Brisbane.

Since 31 December 2008, the Company has also been engaged for:

- (a) The development of a large residential site in northern Brisbane;
- (b) The development of a retirement community in Queensland;
- (c) The redevelopment of a retirement community in New South Wales;
- (d) The development and sale of a medium residential housing development at Collingwood Park.

The Company is further negotiating, on behalf of the Australian Affordable Housing Association, a joint venture arrangement for the development of properties owned by that not for profit organisation located in Queensland. The terms of this proposed joint venture arrangement are subject to the written heads of agreement, the terms of which are confidential and commercially sensitive and thus cannot be disclosed to the market at this time.

## AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

### DIRECTORS' REPORT

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The Company expects to be able to make an announcement regarding that arrangement in the coming months which, if successful, will produce materially increased revenues (along with the consultancy agreements referred to above) for APSL before the end of the 2009 financial year and 2010.

APSL continues to act as product manager for the Australian Affordable Housing Association, a not for profit organisation licensed to use the APSL system and, in that capacity, is also in negotiations with parties for the sale of two separate developments under the APSL System. If concluded, these should produce material revenue for the Company this financial year.

Given the current state of the property industry, APSL has also focussed on engaging with financial and development partners for the joint venture development of properties owned by clients (both commercial and not for profit organisations) which are licensed by APSL to use the APSL patented system. This is a pragmatic approach which delivers in the interests of the not for profit and commercial clients and will, in time, also generate management and advisory fees for APSL.

In this way, the types of revenue that APSL expects to receive have been extended beyond licensing and royalty success fees to consulting and advisory fees which then generate royalty success fees. The directors remain of the view that the patented APSL system (which facilitates settlements prior to construction on community title schemes), remains the central "value add" proposition that the Company has to offer. It is this, together with the significant intellectual property and development expertise which the directors have, combined with consultants engaged for clients, that delivers the value proposition.


For this reason, since 31 December 2008 the Company has entered into a non-binding Memorandum of Understanding with APP Corporation Pty Ltd, a leading development and project manager in Australasia and subsidiary of Transfield Services. This agreement in principle provides an Australasian wide delivery platform whereby APSL and APP will join in the market and deliver various projects for clients. The agreement provides for an in principle agreement on generation and payment of fees arising out of such agreements, the terms of which are commercially sensitive and therefore are unable to be disclosed.

While the business environment remains difficult for many businesses, the directors consider that the value proposition presented by APSL places it in an advantageous position compared to others who promote themselves as knowledgeable in the delivery of housing affordability and seniors living and APSL will capitalise on that competitive advantage in the coming period.

### **3. Auditor's independence declaration**

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

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

  
LM Campbell  
Managing Director

Dated this 16<sup>th</sup> day of March 2009

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

Dear Sirs

**Auditor's Independence Declaration**

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

**JOHNSTON RORKE**  
Chartered Accountants



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

Brisbane, Queensland  
16 March 2009

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>Half-year</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Consulting fees	80,000	-
Licence and training	25,455	2,804
Interest	12,987	19,991
Other	681	290
	<u>119,123</u>	<u>23,085</u>
<b>Expenses</b>		
Consultancy fees	273,650	201,365
Licensing fees	94,270	50,988
Audit fees	10,000	14,000
Bad and doubtful debts	34,292	-
Computer costs	9,244	42,316
Finance costs	184	2,965
Rent	16,410	3,942
Recruitment costs	38,930	-
Listing costs	15,899	11,710
Other expenses	41,567	59,825
	<u>534,446</u>	<u>387,111</u>
<b>Loss before income tax</b>	(415,323)	(364,026)
Income tax expense	<u>-</u>	<u>-</u>
<b>Loss for the half-year</b>	(415,323)	(364,026)
Loss/(profit) attributable to minority interests	<u>2,510</u>	<u>6,680</u>
<b>Loss attributable to members of the parent entity</b>	<u>(412,813)</u>	<u>(357,346)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share (loss)	(0.8)	(0.7)
Diluted earnings per share (loss)	(0.8)	(0.7)

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2008**

	<b>Note</b>	<b>31 Dec 2008 \$</b>	<b>30 Jun 2008 \$</b>
<b>Current Assets</b>			
Cash and cash equivalents		423,794	931,945
Trade and other receivables	3	69,579	57,961
Inventories		226,173	220,157
Current tax receivable		-	116,178
<b>Total Current Assets</b>		<b>719,546</b>	<b>1,326,241</b>
<b>Non-Current Assets</b>			
Trade and other receivables	3	134,275	25,519
Property, plant and equipment		12,474	15,079
Intangible assets		284,681	284,681
<b>Total Non-Current Assets</b>		<b>431,430</b>	<b>325,279</b>
<b>Total Assets</b>		<b>1,150,976</b>	<b>1,651,520</b>
<b>Current Liabilities</b>			
Trade and other payables		69,793	155,014
<b>Total Current Liabilities</b>		<b>69,793</b>	<b>155,014</b>
<b>Total Liabilities</b>		<b>69,793</b>	<b>155,014</b>
<b>Net Assets</b>		<b>1,081,183</b>	<b>1,496,506</b>
<b>Equity</b>			
Contributed equity		3,381,000	3,381,000
Reserve		403,723	403,723
Accumulated losses		(2,689,959)	(2,277,146)
Parent entity interest		1,094,764	1,507,577
Minority interest		(13,581)	(11,071)
<b>Total Equity</b>		<b>1,081,183</b>	<b>1,496,506</b>

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>Contributed equity \$</b>	<b>Share-based payments reserve \$</b>	<b>Accumulated losses \$</b>	<b>Minority interest \$</b>	<b>Total \$</b>
<b>31 December 2008</b>					
<i>Balance at 1 July 2008</i>	3,381,000	403,723	(2,277,146)	(11,071)	1,496,506
Issue of shares	-	-	-	-	-
Share issue costs	-	-	-	-	-
Loss for the half-year	-	-	(412,813)	(2,510)	(415,323)
<i>Balance at 31 December 2008</i>	<u>3,381,000</u>	<u>403,723</u>	<u>(2,689,959)</u>	<u>(13,581)</u>	<u>1,081,183</u>
<b>31 December 2007</b>					
<i>Balance at 1 July 2007</i>	2,652,000	403,723	(1,689,568)	(1,152)	1,365,003
Issue of shares	-	-	-	-	-
Share issue costs	-	-	-	-	-
Loss for the half-year	-	-	(357,346)	(6,680)	(364,026)
<i>Balance at 31 December 2007</i>	<u>2,652,000</u>	<u>403,723</u>	<u>(2,046,914)</u>	<u>(7,832)</u>	<u>1,000,977</u>

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>Half-year</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from operating activities	72,132	33,553
Payments to suppliers and employees	(600,508)	(483,778)
R&D tax offset received	116,178	-
Interest received	12,987	19,991
Finance costs paid	(184)	(2,965)
Net cash used in operating activities	<u>(399,395)</u>	<u>(433,199)</u>
<b>Cash Flows From Investing Activities</b>		
Payments for plant and equipment	-	(671)
Payments for intangible assets	-	(13,000)
Loans provided to other entities	<u>(108,756)</u>	<u>-</u>
Net cash used in investing activities	<u>(108,756)</u>	<u>(13,671)</u>
Net increase/(decrease) in cash and cash equivalents	(508,151)	(446,870)
Cash and cash equivalents at the beginning of the reporting period	<u>931,945</u>	<u>1,136,411</u>
Cash and cash equivalents at the end of the reporting period	<u>423,794</u>	<u>689,541</u>

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



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

### 1. Summary of Accounting Policies

#### (a) Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Australian Property Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

#### (b) Intangible assets

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

### 2. Segment Information

#### *Business segments*

The Group predominantly operates in one business segment. Its activities include licensing and training 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.

### 3. Trade and Other Receivables

	31 Dec 2008 \$	30 June 2008 \$
<b>Current</b>		
Trade debtors	102,579	109,000
Provision for impairment	(33,000)	(55,000)
	<u>69,579</u>	<u>54,000</u>
Other receivables	-	3,961
	<u>69,579</u>	<u>57,961</u>
<b>Non-Current</b>		
Loan receivables	134,275	25,519
	<u>134,275</u>	<u>25,519</u>

Loan receivables includes \$108,756 advanced to Australian Affordable Housing Association (AAHA), a not-for-profit organisation. AAHA owns a number of properties which are intended to be developed for residential purposes under an affordable housing product mix. This loan provided to AAHA is unsecured, at call and bears interest at 7% per annum. Since 31 December 2008 a further \$35,000 has been advanced to AAHA.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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### 4. Contingent Liabilities

There has been no material change to contingent liabilities disclosed in the financial report for 30 June 2008.

### 5. Subsequent Events

The directors have entered into a contract for the sale of Lot 33 Ferry Rd (Inventories – Property held for resale) for \$275,000 inc GST, on 9 March 2009. The property is expected to settle on the 8 April 2009.

Since balance date, the entity has lodged a Research & Development Tax Concession Claim with the Australian Taxation Department for the development of Affordable Housing Model & PSX transaction based software development. The entity will utilise the R&D Tax Concessions use carried forward losses to provide approximately \$130,000 of additional cashflows. The funds are expected to be received by early April 2009.

### 6. Ongoing Operations

During the half-year the consolidated entity incurred a loss after tax of \$415,323 (2007 half year loss: \$364,026). Notwithstanding this loss, the directors believe the consolidated entity is a going concern and able to pay its debts as and when they become due and payable given:

- the consolidated entity's liabilities are not large – being \$69,793 at 31 December 2008;
- the consolidated entity had net assets of \$1,081,183 at 31 December 2008 and net current assets of \$649,753 at the same date;
- the consolidated entity expects to complete the sale of Lot 33 Ferry Road and receive \$275,000 (including GST) in April 2009;
- the consolidated entity also expects to receive approximately \$130,000 from a R&D tax offset claim in April 2009;
- the consolidated entity has put in place initiatives which are expected to generate additional revenues during 2009; and
- the consolidated entity's net level of expenditure can be reduced, if necessary, so as to conserve resources.

Given the above, the financial statements have been prepared on a going concern basis, which assumes that the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business. Ongoing operations are dependent upon the matters described previously. Should the consolidated entity not obtain the expected receipts nor be able to generate additional revenues and/or reduce net expenditure as required, there is significant uncertainty that it will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary, should the consolidated entity not continue as a going concern.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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

- (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

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

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



G Jamieson  
Director

Dated this 16<sup>th</sup> day of March 2009

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Australian Property Systems Limited

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### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Systems Limited, which comprises the condensed consolidated balance sheet as at 31 December 2008, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Property Systems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our conclusion, we draw attention to Note 6 in the half-year financial report. The matters as set out in Note 6, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

**JOHNSTON RORKE**  
Chartered Accountants



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

Brisbane, Queensland  
16 March 2009