



# **Australian Property Systems Limited**

ABN 93 096 925 610

## **Annual Report**

**30 June 2009**

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## CORPORATE DIRECTORY AND INFORMATION

---

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

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## CHAIRMAN'S REPORT

### Review and results of operations

The directors report a consolidated operating loss of \$1,094,358 (2008: loss of \$597,497). The Group's underlying operating results, prior to large non-recurring, non-operating items, was as follows:

	2009	2008
	\$	\$
Revenue – fees and licences	166,955	62,091
Interest and other income	20,886	37,874
	<u>187,841</u>	<u>99,965</u>
Expenses	<u>(999,542)</u>	<u>(813,640)</u>
Loss before large non recurring, non operating items	(811,701)	(713,675)
Non recurring and/or non operating items:		
• Research and development tax concession	129,934	116,178
• Gain on sale of property held for resale	39,741	-
• Impairment – software development	(284,681)	-
– loan receivable (AAHA)	<u>(167,651)</u>	<u>-</u>
Loss before tax	<u>(1,094,358)</u>	<u>(597,497)</u>

During the financial year the Company's ability to generate income was substantially affected by the sharp and sustained downturn in the property and construction industries in which the Company operates. Issues affecting banks in turn resulted in the widespread lack of development finance available in the market. This affected the ability to apply the APSL patented system to new projects, as potential clients and licensees were typically faced with capital and cash flow difficulties. This has had a marked impact on the cash flow of the Company and has, in turn, resulted in the decision by the Board (acting on audit advice) to impair the value of certain assets of the company in the financial year to 30 June 2009. Relevantly, the loan to the Affordable Housing Association Inc (AAHA, as noted below) was impaired pending repayment in the present or future financial years, as was the value of the present version of the PSX development software that is being developed in conjunction with an external professional software house.

During the financial year the Company derived some income from consultancy agreements with landowners (both private developers and not for profit organisations) wishing to utilise the Company's intellectual property. While the Company remains engaged on some of these projects, lack of finance on the part of the client has impeded progress on the projects or caused them to be shelved.

In addition to consultancy work premised on the patented development system, significant effort was also put into achieving a return on the resources applied in the Australian Affordable Housing Association Inc (AAHA), a not for profit organisation that uses the Company's patented system. The main focus has been trying to enter into joint venture arrangements with parties with appropriate capital to undertake the development of properties owned by AAHA.

Negotiations are currently being undertaken by AAHA and, if successful, could realise future revenue streams in the medium to long term for the Company. Regrettably, none of the proposed joint venture arrangements are likely to generate revenue for the Company in the financial year ending 30 June 2010. However, none will be at the risk or cost of the Company.

The Company has also contracted to earn income from an 18 lot Townhouse development. Generation of that revenue is subject to the sale of the townhouses, financing and settlement occurring. The Company is also working on a number of other initiatives in relation to its intellectual property that may provide future revenue streams to the Company but these initiatives are subject to ongoing confidential negotiations. The uncertainties in the property sector and usual risks associated with development of property, the board cannot be certain of the achievement of revenue from the AAHA projects or other avenues and therefore preservation of cash reserves is paramount in the absence of further revenue generation. In the interim, the consolidated entity's net level of expenditure is being substantially reduced, so as to conserve resources until potential revenues are able to be generated.

  
G. Jamieson  
Chairman

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

---

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 2009.

### 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

#### 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 67)*

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 37)*

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. He has not held directorships with other listed companies in the last three years.

### 2. Principal Activities

The principal activity of the consolidated entity during the course of the financial year was utilisation of the company's development management system. The system allows the consolidated entity to either licence its system or project manage developments under the system. The consolidated entity has also carried out negotiations on behalf of AAHA to develop its properties which, if successful, may generate a share of the development profit from the particular projects (which the Company is contracting for).

### 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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' 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

### 6. Subsequent Events

No other matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect the Group operations in future financial years, or results of those operations in future financial years, or the state of affairs in future financial years.

### 7. Likely Developments and Expected Results of Operations

The consolidated entity will continue to pursue its strategy of 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.

Should the Company generate any revenue from the development of properties by AAHA, this will be at no risk or cost to the Company.

### 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:

	<b>Ordinary Shares</b>	<b>Options</b>
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:

<b>Date options granted</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number under option</b>
9/08/2005	8/08/2010	\$0.50	25,000,000
3/01/2007	2/01/2012	\$1.00	1,000,000
10/05/2007	9/05/2012	\$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 2009 or since the end of the financial year.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

---

### 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.

The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

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

##### *Non-executive directors*

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

##### *Long-term incentives*

As a long-term incentive, eligible employees and directors of the company can, from time to time, be invited to apply for redeemable preference shares in APSLSP Pty Ltd in accordance with the terms and conditions of the APSLSP Pty Ltd Share Scheme Deed. This invitation is discretionary and not based on any service or performance criteria. The redeemable preference shares are non-voting and entitle the holders to participate in dividends as declared by the board of APSLSP Pty Ltd. APSLSP Pty Ltd operates for the purpose of providing eligible employees and directors of the company with a means to participate in profits of the company through dividend distributions. The principal activity of APSLSP Pty Ltd is to own issued share capital of the company and derive income through the receipt of dividends from the company.

#### **B. Details of remuneration**

##### *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)

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### 11. Remuneration Report (cont'd)

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

##### 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 – licencing 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:

	<b>Short-term benefits</b>		<b>Share-based</b>	
	<b>Cash salary and fees</b>	<b>Cash bonus</b>	<b>payment Options</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2009</b>				
<b>Directors</b>				
G S Jamieson	250,000	-	-	250,000
L M Campbell	176,666	-	-	176,000
B B Wilkie	-	-	-	-
	426,666	-	-	426,666
<b>Other key management personnel</b>				
T Peach	8,708	-	-	8,708
	435,374	-	-	435,374
<b>2008</b>				
<b>Directors</b>				
G S Jamieson – Managing director	250,000	-	-	250,000
L M Campbell	-	-	-	-
G A Thomas – Non-executive	-	-	-	-
B B Wilkie – Non-executive	-	-	-	-
	250,000	-	-	250,000
<b>Other key management personnel</b>				
T Peach	95,000	4,000	-	99,000
	345,000	4,000	-	349,000

There were no other executives in the current or prior year. All directors and other key management personnel are engaged by Australian Property Systems Limited. During the financial year Trevor Peach resigned from his management position and ended his consultancy agreement with the Company.

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

DIRECTORS' REPORT

---

**11. Remuneration Report (cont'd)**

**C. 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*

Mr Campbell's remuneration is subject to a consultation agreement signed by the board dated 1 July 2008 between the company and Aden Developments Pty Ltd ("Aden"), a company associated with Mr Campbell.

- *Term of the agreement* – 3 years with early termination upon agreement by both parties by giving 3 months notice.
- *Base fees* – Base fees commence at \$165,000 per annum increasing to \$185,000 per annum from 1 February 2009.



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### 11. Remuneration Report (cont'd)

#### ***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 or 2009.

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

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

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

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

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### 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 any the bonus is payable in future years.

Name	Cash bonus	
	Paid %	Forfeited %
G S Jamieson	-	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
L M Campbell	4	4

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

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

There are no committees of the board of directors.

### 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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

---

### 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.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 as none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

There were no fees paid or payable to the auditor for non-audit services in the 2008 and 2009 financial years.

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



---

G Jamieson  
Director

Dated this 9th day of October 2009

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](http://www.jr.com.au)  
Email [jr@jr.com.au](mailto: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 2009, 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  
9 October 2009

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**INCOME STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Consolidated		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Revenue</b>					
Consulting fees		150,955	-	150,955	-
Licence and training		16,000	62,091	16,000	62,091
Sale – property held for resale		270,000	-	270,000	-
Interest		19,422	37,640	44,955	40,021
Other		1,464	234	380	-
		<u>457,841</u>	<u>99,965</u>	<u>482,290</u>	<u>102,112</u>
<b>Other income</b>					
Research and development tax concession	4	129,934	116,178*	116,152	116,178*
<b>Expenses</b>					
Cost- property held for resale		220,157	-	220,157	-
Consulting fees		574,953	401,181	574,953	401,181
Licensing fees		116,487	110,768	116,487	110,768
Audit fees		29,000	40,000	29,000	40,000
Doubtful debts		72,042	55,000	72,042	55,000
Computer costs		29,503	61,364	27,753	23,985
Finance costs		379	1,084	379	1,084
Impairment – software development	11	284,681	-	-	-
Impairment – loan receivable	7	167,651	-	167,651	-
Impairment – intercompany receivable	7	-	-	355,000	-
Other expenses		187,280	144,243	184,718	134,176
		<u>1,682,133</u>	<u>813,640</u>	<u>1,748,140</u>	<u>766,194</u>
<b>Loss before income tax</b>	4	(1,094,358)	(597,497)	(1,149,698)	(547,904)
Income tax expense	5	-	-*	-	-*
<b>Loss for the year</b>		<u>(1,094,358)</u>	<u>(597,497)</u>	<u>(1,149,698)</u>	<u>(547,904)</u>
Net loss attributable to minority interest		(11,071)	9,919	-	-
<b>Loss attributable to members of the parent entity</b>		<u>(1,105,429)</u>	<u>(587,578)</u>	<u>(1,149,698)</u>	<u>(547,904)</u>
		<b>Cents</b>	<b>Cents</b>		
Basic and diluted earnings per share	24	(2.1)	(1.1)		

\* The 2008 comparatives have been represented in 2009 to show research and development tax concession as other income whereas in the 2008 financial report it was shown as a credit to tax expense.

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

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## BALANCE SHEETS

AS AT 30 JUNE 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	6	365,004	931,945	352,893	913,090
Trade and other receivables	7	62,032	57,961	61,842	57,961
Inventories	8	-	220,157	-	220,157
Other assets	9	-	116,178	-	116,178
Total current assets		427,036	1,326,241	414,735	1,307,386
<b>Non-Current Assets</b>					
Trade and other receivables	7	26,592	25,519	37,149	295,488
Property, plant and equipment	10	17,201	15,079	17,201	15,079
Intangible assets	11	-	284,681	-	-
Total non-current assets		43,793	325,279	54,350	310,567
Total assets		470,829	1,651,520	469,085	1,617,953
<b>Current Liabilities</b>					
Trade and other payables	12	68,681	155,014	66,921	66,091
Total current liabilities		68,681	155,014	66,921	66,091
Total liabilities		68,681	155,014	66,921	66,091
Net assets		402,148	1,496,506	402,164	1,551,862
<b>Equity</b>					
Contributed equity	13	3,381,000	3,381,000	3,381,000	3,381,000
Reserves	14	403,723	403,723	403,723	403,723
Accumulated losses	15	(3,382,575)	(2,277,146)	(3,382,559)	(2,232,861)
Parent entity interest		402,148	1,507,577	402,164	1,551,862
Minority interest	16	-	(11,071)	-	-
Total equity		402,148	1,496,506	402,164	1,551,862

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2009**

<b>Consolidated</b>	<b>Contributed equity \$</b>	<b>Share-based payments reserve \$</b>	<b>Accumulated losses \$</b>	<b>Minority interest \$</b>	<b>Total \$</b>
<i>Balance at 1 July 2007</i>	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)
<i>Balance at 30 June 2008</i>	3,381,000	403,723	(2,277,146)	(11,071)	1,496,506
Loss for the year	-	-	(1,105,429)	11,071	(1,094,358)
<i>Balance at 30 June 2009</i>	3,381,000	403,723	(3,382,575)	-	402,148
<b>Parent entity</b>					
<i>Balance at 1 July 2007</i>	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)
<i>Balance at 30 June 2008</i>	3,381,000	403,723	(2,232,861)	-	1,551,862
Loss for the year	-	-	(1,149,698)	-	(1,149,698)
<i>Balance at 30 June 2009</i>	3,381,000	403,723	(3,382,559)	-	402,164

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**CASH FLOW STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Cash Flows From Operating Activities</b>					
Receipts from operating activities		124,739	25,956	124,739	25,448
Proceeds from sale of property		270,000	-	270,000	-
R&D tax concession		246,112	-	232,330	-
Payments to suppliers and employees		(918,443)	(812,460)	(897,008)	(752,344)
Interest received		9,873	37,640	9,873	40,021
Finance costs		(379)	(1,084)	(379)	(1,084)
Net cash outflows from operating activities	23	(268,098)	(749,948)	(260,445)	(687,959)
<b>Cash Flows From Investing Activities</b>					
Payments for plant and equipment		(9,163)	(2,999)	(9,163)	(2,999)
Payments for intangible assets		(94,680)	(190,000)	-	-
Loans provided to AAHA/other		(160,000)	(25,519)	(160,000)	(25,519)
Loans provided to subsidiaries		-	-	(95,588)	(265,648)
Net cash outflows from investing activities		(263,843)	(218,518)	(264,751)	(294,166)
<b>Cash Flows From Financing Activities</b>					
Proceeds from issues of shares		-	764,000	-	764,000
Payments of share issue costs		(35,000)	-	(35,000)	-
Net cash inflows/(outflows) from financing activities		(35,000)	764,000	(35,000)	764,000
<b>Net decrease in cash and cash equivalents held</b>		(566,941)	(204,466)	(560,196)	(218,125)
Cash and cash equivalents at the beginning of the financial year		931,945	1,136,411	913,090	1,131,215
<b>Cash and cash equivalents at the end of the financial year</b>	6	365,004	931,945	352,893	913,090

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



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 1. Summary of significant accounting policies

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

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

This general purpose financial report for the financial year ended 30 June 2009 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.

##### *Early adoption of standards*

The Group has not elected to apply early adoption of standards to the annual reporting period.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

#### (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 2009 and the results of all subsidiaries for the year then ended. Australian Property Systems Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

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

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

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

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

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

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

#### (c) Segment reporting

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

#### (d) Revenue recognition

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

Consulting fees are recognised as revenue as the services are provided.

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.

#### *Government Grants*

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

#### (e) Income tax

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

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

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

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

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

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

#### (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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

#### **(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).

#### **(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.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

---

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

**(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.

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

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

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

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

*Loans and receivables*

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

*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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

### 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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

#### **(q) Employee benefits (cont'd)**

##### *(iv) Share-based payments*

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

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

##### *(v) Bonus plans*

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

#### **(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 period, adjusted for bonus elements in ordinary shares issued during the period.

##### *(ii) Diluted earnings per share*

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



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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

#### (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.

#### (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 period.

#### (w) New accounting standards and interpretations

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

Standard/Interpretation	Application date of standard	Application date for the Group
AASB 3 <i>Business Combinations</i> – revised and consequential amendments to other accounting standards resulting from its issue	1 Jul 2009	1 Jul 2009
AASB 8 <i>Operating Segments</i> and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
AASB 101 <i>Presentation of Financial Statements</i> – revised and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
AASB 123 <i>Borrowing Costs</i> – revised and consequential amendments to other accounting standards resulting from its issue	1 Jan 2009	1 Jul 2009
AASB 127 <i>Consolidated and Separate Financial Statements</i> – revised and consequential amendments to other accounting standards resulting from its issue	1 Jul 2009	1 Jul 2009
AASB 2008-1 <i>Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations</i>	1 Jan 2009	1 Jul 2009

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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

#### (w) New accounting standards and interpretations (cont'd)

Standard/Interpretation	Application date of standard	Application date for the Group
AASB 2008-5 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 Jan 2009	1 Jul 2009
AASB 2008-6 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 Jul 2009	1 Jul 2009
AASB 2008-7 <i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 Jan 2009	1 Jul 2009
AASB 2009-8 <i>Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions</i>	1 Jan 2010	1 Jul 2010

- The Directors anticipate that the adoption of these standards and interpretations in future years may have the following impacts:
- 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 non-controlling interests (minority interest) in an acquiree – either 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 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.
- The revised AASB 101 is only expected to affect the presentation and disclosure of the financial report.
- The revised AASB 123 will require 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 already adopted the allowed alternative treatment of capitalising borrowing costs attributable to qualifying assets.
- 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 and 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 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 affected by these amendments. However, the Directors have not yet assessed the impact, if any.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

#### **(w) New accounting standards and interpretations (cont'd)**

- AASB 2008-5 and AASB 2008-6 – These amendments introduce various changes to IFRSs. The Directors have not yet assessed the further impact of the amendments, if any.
- 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.
- AASB 2009-8 introduces amendments to incorporate the requirements previously included in Interpretation 8 and Interpretation 11. The amendments require an entity that receives goods and services in share-based payment arrangements to account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash. The Directors have not yet assessed the further impact of the amendments, if any.

#### **(x) General**

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

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

Australian Property Systems Limited  
Level 1  
Naval Office  
3 Edward Street  
Brisbane 4000

And

5/35 Burdett Street  
ALBION QLD 4010

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

### 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.

#### **Credit risk**

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. 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 7.

#### **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. With regard to the contractual maturity analysis, trade and other payables are all payable within 3 months of the reporting date.

#### **Market risk**

The Group is not exposed to equity nor commodity price risks. The Group does not have borrowings and therefore the Group's exposure to interest rate risk primarily concerns interest received on cash deposits held at call. The Group is not exposed to foreign exchange risk.

Based on the financial instruments held at 30 June 2009, had interest rates weakened/strengthened by 1% with all other variables held constant, the Group's post-tax result for the year would have shown negligible movements for each of the reporting periods.

#### **Net fair values**

The net 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.

#### **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. Capital is total equity as disclosed in the balance sheet.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 3. Segment information

#### *Business segments*

The Group predominantly operates in one business segment. Its activities includes providing services in respect of property development and, where possible, provide those services using its property management system. The Group is also developing an IT platform to provide services for managing account transactions associated with property development projects.

#### *Geographical segment*

The Group's operations are based solely in Australia.

### 4. Loss before income tax

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific items:				
<i>Other income</i>				
Research and development tax concession*	129,934	116,178	116,152	116,178
<i>Expenses</i>				
Depreciation – plant and equipment	7,041	8,690	7,041	8,148
Operating lease rental expenses – minimum lease payments	-	11,732	-	11,732

\* These amounts represent the claims in respect of expenditure incurred in the 2008 and 2007 financial years for projects which have been registered with Innovation Australia. The Group has elected to receive this benefit as an immediate cash payment rather than increasing tax losses for a future benefit. The Group recognises the income on lodgement of the tax return with the Australian Taxation Office. The comparative has been represented this year as it was shown as a credit to income tax expense in the prior year.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

**5. Income tax**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>				
Loss before income tax expense	(1,094,358)	(597,497)	(1,149,698)	(547,904)
Tax at the Australian tax rate of 30% (2008: 30%)	(328,307)	(179,249)	(344,909)	(164,125)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Impairment - loan receivable	50,295	-	50,295	-
Impairment - Intercompany receivable	-	-	106,500	-
Research and development tax concession	(38,980)	(34,853)	(34,846)	(34,853)
	(316,992)	(214,102)	(222,960)	(198,978)
Deferred tax assets not recognised	316,992	214,102	222,960	198,978
Income tax expense	-	-	-	-

**Tax losses**

Tax losses and temporary differences for which no deferred tax asset has been recognised

	1,473,214	715,035	1,445,301	702,102
Potential tax benefit @ 30%	441,964	214,511	433,590	210,631

**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.

**6. Cash and cash equivalents**

Cash at bank	365,004	931,945	352,893	913,090
--------------	---------	---------	---------	---------

The cash at bank, which is held mainly in at call bank accounts, bears floating interest rates of 2.95% (2008: 6.85%).

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>7. Trade and other receivables</b>				
<b>Current</b>				
Trade debtors	78,230	109,000	78,174	109,000
Provision for impairment	(35,750)	(55,000)	(35,750)	(55,000)
	42,480	54,000	42,424	54,000
Other receivables	19,552	3,961	19,418	3,961
	62,032	57,961	61,842	57,961
<b>Non-current</b>				
Loan receivable – AAHA	167,651	-	167,651	-
Provision for impairment	(167,651)	-	(167,651)	-
	-	-	-	-
Loan receivable – other	26,592	25,519	26,592	25,519
Amounts owing by subsidiary	-	-	365,557	269,969
Provision for impairment	-	-	(355,000)	-
	-	-	10,557	269,969
	26,592	25,519	37,149	295,488

Current trade and other receivables are generally non-interest bearing and due 30 days from date of recognition.

Loan receivable – AAHA (Australian Affordable Housing Association Inc.), a not-for-profit organisation, was advanced to assist with short-term funding. AAHA is an incorporated association controlled by a committee which includes Geoff Jamieson as President and Logan Campbell as Secretary. AAHA owns a number of properties which are intended to be developed for residential purposes under an affordable housing product mix. The loan provided to AAHA is unsecured, at call and bears interest at 7% per annum.

Loan receivable – other relates to a loan provided to a former contractor. The loan is secured by way of a second registered mortgage over residential property and bears interest at 7% per annum. The loan was to be repaid by deducting a percentage of the amounts payable to the contractor during the term of the consultancy. The company is yet to enter into a new repayment arrangement with the former contractor. The comparative has been represented this year and was shown in the prior year as a restricted deposit.

Amounts owing by subsidiary – refer note 21.

### *Impaired receivables*

Trade debtors of \$35,750 (2008: \$55,000) were impaired at 30 June 2009. The provision for impairment was determined based on the length of time outstanding and expected amount to be collected.

The loan receivable owing by AAHA of \$167,651 (2008: \$nil) was considered to have been impaired at 30 June 2009. The recoverable amount of the receivable is dependent on AAHA either entering into development agreements with a joint venture or selling the properties in excess of their underlying debt. Based on the net assets of AAHA and that none of the properties held by AAHA have as yet been contracted to sell or develop in joint venture with a third party, the directors decided to fully impair the loan at balance date.

The amount owing by the subsidiary was considered to have been impaired at 30 June 2009 based on the carrying value of the subsidiary's net assets.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

**7. Trade and other receivables (cont'd)**

*Past due but not impaired receivables*

At 30 June 2009 trade debtors of \$42,480 (2008: \$54,000) in the Group and parent entity were past due but not impaired.

At 30 June 2009 loan receivable of \$26,592 (2008: \$25,519) in the Group and parent entity was past due but not impaired.

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Movement in provision for impairment of trade debtors:</i>				
Opening balance	55,000	-	55,000	-
Doubtful debts expense	72,042	55,000	72,042	55,000
Bad debts written off	(91,292)	-	(91,292)	-
Closing balance	<u>35,750</u>	<u>55,000</u>	<u>35,750</u>	<u>55,000</u>

**8. Inventories**

Property held for resale	<u>-</u>	<u>220,157</u>	<u>-</u>	<u>220,157</u>
--------------------------	----------	----------------	----------	----------------

Property held for resale comprised Lot 33, Ferry Rd, West End which was sold in 2009.

**9. Other assets**

R & D tax concession receivable	<u>-</u>	<u>116,178</u>	<u>-</u>	<u>116,178</u>
---------------------------------	----------	----------------	----------	----------------

**10. Property, plant and equipment**

Plant and equipment – at cost	70,864	61,701	69,364	60,201
Accumulated depreciation	<u>(53,663)</u>	<u>(46,622)</u>	<u>(52,163)</u>	<u>(45,122)</u>
	<u>17,201</u>	<u>15,079</u>	<u>17,201</u>	<u>15,079</u>
<i>Movement in plant and equipment:</i>				
Opening balance	15,079	20,770	15,079	20,228
Additions	9,163	2,999	9,163	2,999
Depreciation	<u>(7,041)</u>	<u>(8,690)</u>	<u>(7,041)</u>	<u>(8,148)</u>
Closing balance	<u>17,201</u>	<u>15,079</u>	<u>17,201</u>	<u>15,079</u>



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 11. Intangible assets

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Software development – at cost	284,681	284,681	-	-
Provision for impairment	(284,681)	-	-	-
	-	284,681	-	-
Movement in software development costs:				
Opening balance	284,681	-	-	-
Additions – internal development	-	284,681	-	-
Impairment	(284,681)	-	-	-
Closing balance	-	284,681	-	-

Software development costs comprise rewriting the PSX transaction management software to Dot Net language. The completion of this process was expected to be January 2009 and was placed on hold during 2009. Project completion is now expected to be by March 2010. The work has been contracted to Microgenx (external IT developers). At 30 June 2009, the directors considered the recoverable amount of the intangible asset which depends on future revenue being derived from property development projects utilising the company's development management system and transaction management software. The property development projects identified by the directors that may utilise the transaction management software include those properties held by Australian Affordable Housing Association (AAHA) – see note 7. As AAHA has not yet entered into contracts to develop any of its properties to date, the directors decided to fully impair the carrying value of software development costs at balance date.

### 12. Trade and other payables

Trade payables and accruals	68,681	155,014	66,921	66,091
-----------------------------	--------	---------	--------	--------

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

### 13. Contributed equity

#### **Share capital**

52,049,000 ordinary shares fully paid				
(2008: 52,049,000)	3,391,740	3,391,740	3,391,740	3,391,740
Treasury shares	(10,740)	(10,740)	(10,740)	(10,740)
	3,381,000	3,381,000	3,381,000	3,381,000

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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 13. Contributed equity (cont'd)

#### 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 2007	Balance		51,094,000		2,652,000
28 April 2008	Placement of shares	(i)	350,000	0.80	280,000
26 June 2008	Placement of shares	(ii)	605,000	0.80	484,000
	Share issue costs		-		(35,000)
30 June 08	Balance		52,049,000		3,381,000
30 June 09	Balance		52,049,000		3,381,000

(i) Issued on 28 April 2008 at 80 cents per share for cash pursuant to a placement.

(ii) Issued on 26 June 2008 at 80 cents per share for cash pursuant to a placement.

#### 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	9/05/2012	\$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 2009 (2008: nil). Refer to details set out in note 25.

### 14. Reserves

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Share-based payments reserve	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 25.

There were no movements in the reserve during the 2008 and 2009 financial years.

### 15. Accumulated losses

Opening balance	(2,277,146)	(1,689,568)	(2,232,861)	(1,684,957)
Net loss for the year	(1,105,429)	(587,578)	(1,149,698)	(547,904)
Closing balance	(3,382,575)	(2,277,146)	(3,382,559)	(2,232,861)

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 16. Minority interest

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest in Product Services Exchange Pty Ltd:				
Contributed equity	-	-	-	-
Accumulated losses	-	(11,071)	-	-
	-	(11,071)	-	-

### 17. Key management personnel disclosures

#### (a) Key management personnel compensation

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	435374	349,000	443,708	349,000
Share-based payments	-	-	-	-
	435374	349,000	443,708	349,000

#### (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	Balance at the end of the year	Vested and exercisable at the end of the year
<b>2009</b>					
<b>Directors</b>					
G S Jamieson	14,045,000	-	-	14,045,000	14,045,000
L M Campbell	-	-	-	-	-
B B Wilkie	-	-	-	-	-
<b>Total</b>	14,045,000	-	-	14,045,000	14,045,000
<b>2008</b>					
<b>Directors</b>					
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	-	-	-	-	-
<b>Other key management personnel</b>					
T Peach	-	-	-	-	-
<b>Total</b>	20,000,000	(955,000)	(5,000,000)	14,045,000	14,045,000

No options were exercised or granted compensation during the year (or in 2008).

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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

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

##### *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 resignation date (if applicable)	Balance at the end of the year
<b>2009</b>					
<b>Directors</b>					
G S Jamieson	21,738,000	-	-	-	21,738,000
M Campbell	12,500	-	-	-	12,500
B B Wilkie	3,780,550	-	-	-	3,780,550
<b>Other key management personnel</b>					
T Peach	-	-	-	-	-
<b>Total</b>	<b>25,531,050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,531,050</b>
<b>2008</b>					
<b>Directors</b>					
G S Jamieson	21,928,000	-	190,000	-	21,738,000
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)	-
<b>Other key management personnel</b>					
T Peach	-	-	-	-	-
<b>Total</b>	<b>37,764,350</b>	<b>-</b>	<b>(249,100)</b>	<b>(10,625,000)</b>	<b>25,531,050</b>

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

#### (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 2009 was \$60,000 (2008: \$60,000) for licence fees and \$36,000 (2008: \$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. No amount was payable by the company under the agreement at balance date (2008: \$nil).

##### *Rent of premises*

The company is a sub-tenant of Tamlin Holdings Pty Ltd, a company associated with G S Jamieson, which leases the premises where the company has its registered office. The sub-tenancy arrangement is month to month, however, the company pays the full lease and is reimbursed by Tamlin Holdings for its share of the premises. The amount paid by the company for rent of these premises for the year ended 30 June 2009 was \$17,916 (2008: \$16,163) and received \$8,943 (2008: \$8,770) from Tamlin Holdings as a reimbursement of the rental expense.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 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	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Audit services</i>				
Audit and review of financial reports of the consolidated entity	29,000	40,000	29,000	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

#### (a) Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	-	3,687	-	3,687
Later than one year but not later than five years	-	3,531	-	3,531
	-	7,218	-	7,218

The company pays rent at both its registered office and principal place of business on tenancy arrangements that are month to month – see also note 17(d).

#### (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	435,000	415,000	435,000	415,000
Later than one year but not later than five years	435,000	830,000	435,000	830,000
	870,000	1,245,000	870,000	1,245,000

The remuneration commitments shown above reflect the base fees payable to Mr G Jamieson and Mr L Campbell. 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 payable to Mr G Jamieson 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 to Mr G Jamieson 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.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 20. Contingent liabilities

Under the Technology Licence Agreement disclosed in note 17(d), 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 parent entity of the Group is Australian Property Systems Limited. Details of its subsidiary are set out in note 22.

#### *Key management personnel*

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

#### *Subsidiaries*

Transactions between Australian Property Systems Limited and its subsidiary during the year include loans advanced to the subsidiary during the year (refer to cash flow statement and note 7). The inter-company loan is unsecured, repayable in cash at call and bears interest at 7% per annum. Interest received during the year from the subsidiary was \$25,590 (2008: \$2,381).

During 2009 the parent entity recognised a provision for impairment of \$355,000 against the amount owing from the subsidiary. Refer to note 7 for further details.

#### *Loans to/from other related parties*

In the 2009 financial year the parent provided a loan of \$160,000 (2008: \$nil) to Australian Affordable Housing Association Inc. (AAHA), a not-for-profit organisation, which is deemed to be a related party because directors of the company, Mr G Jamieson and Mr L Campbell, are also the President and Secretary of the committee which controls AAHA. During 2009 the parent recognised a provision for impairment of \$167,651 (which includes unpaid interest) against the amount owed by AAHA. Interest charged by the parent during the year to AAHA was \$8,225 (2008: \$nil). Further details are set out in note 7.

### 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	Ownership Interest	
		2009	2008
		%	%
Product Services Exchange Pty Ltd	Australia	80	80

In addition to the above, the special purpose entity APSLSP Pty Ltd referred to note 25 has also been consolidated.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

**23. Cash flow information**

**Reconciliation of loss after income tax to net cash outflows from operating activities**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loss for the year	(1,094,358)	(597,497)	(1,149,698)	(547,904)
Depreciation	7,041	8,690	7,041	8,148
Impairment – software development	284,681	-	-	-
Impairment – loan receivable	167,651	-	167,651	-
Impairment - Intercompany receivable	-	-	355,000	-
Changes in operating assets and liabilities				
(Increase)/decrease in:				
Receivables	(13,993)	8,461	(12,605)	8,187
Inventories	220,157	(25,504)	220,157	(25,504)
Other assets	116,178	(116,178)	116,178	(116,178)
Increase/(decrease) in:				
Payables	44,545	(27,920)	35,831	(14,708)
Net cash outflows from operating activities	<u>(268,098)</u>	<u>(749,948)</u>	<u>(260,445)</u>	<u>(687,959)</u>

**Finance facilities**

At 30 June 2009, the consolidated entity had no unused finance facilities (2008: \$nil).

**AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**

**24. Earnings per share**

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<u>(2.1)</u>	<u>(1.1)</u>
Diluted earnings per share	<u>(2.1)</u>	<u>(1.1)</u>

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

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	<u>(1,105,429)</u>	<u>(587,578)</u>

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

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>52,049,000</u>	<u>51,160,858</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>52,049,000</u>	<u>51,160,858</u>

**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 25.

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



# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 25. 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.

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

#### Options granted

Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>2008 and 2009</b>						
3 Jan 2007	2 Jan 2012	\$1.00	1,000,000	-	1,000,000	1,000,000
10 May 2007	9 May 2012	\$2.00	1,000,000	-	1,000,000	1,000,000
9 Aug 2005	8 Aug 2010	\$0.50	25,000,000	-	25,000,000	25,000,000

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. Each option granted is exercisable into one ordinary share in Australian Property Systems Limited for cash. Options granted carry no dividend or voting rights. The options vested upon grant and there were no further vesting conditions. They are exercisable at any time within 5 years of grant.

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 25. Share-based payments (continued)

- (ii) In May 2007 1,000,000 options were granted as result of the sale of a 20% interest in a subsidiary, Product Services Exchange Pty Ltd (PSX). 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 1.22 years (2008: 2.22 years).

No options have been exercised or lapsed.

#### **Fair value of options granted**

The fair value at grant date is 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.

No options were granted in the 2008 and 2009 financial years.

#### **Share based payments expense**

There was no share based payment expense in the 2008 and 2009 financial years.

### 26. Ongoing operations

During the year the consolidated entity incurred a loss after tax of \$1,094,358 (2008: loss of \$597,497). 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 \$68,681 at 30 June 2009 (2008: \$155,014);
- the consolidated entity had net current assets of \$358,355 at 30 June 2009 (2008: \$1,171,227);
- the consolidated entity has put in place initiatives which are expected to generate additional revenues during 2010; and
- the consolidated entity's net level of expenditure can be reduced, if necessary, so as to conserve resources.

The directors have for some time been attempting to put in place joint venture agreements between Australian Affordable Housing Association Inc (AAHA), a not for profit organisation, and third parties to develop various properties owned by AAHA. If successful, these arrangements would include a profit sharing agreement between AAHA and the Company which may potentially generate future revenue for the Company over the longer term, subject to the projects themselves generating a profit. The properties held by AAHA were purchased for development as residential apartments for low to middle income groups and government assisted rental market. To date AAHA has been unable to finalise any joint venture agreements although confidential negotiations are currently being undertaken.. Whilst the directors are confident that the company will be able to generate future cash inflows through one or more joint venture arrangements with AAHA, the uncertainties in the property sector and usual risks associated with development of property, the board cannot be certain of the achievement of revenue from these projects or other avenues and therefore preservation of cash reserves is paramount in the absence of further revenue generation..

# AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

### 26. Ongoing operations (continued)

In the interim the ongoing operations of the company are dependent on the following:

- Sale of residential land held by a third party developer using the company's property management system. The directors estimate fees payable to the company of \$260,000 which are contingent on the sale proceeding.
- Reduction in expenses to allow sufficient time to finalise joint venture arrangements between AAHA and third parties. In this regard, Geoff Jamieson and Logan Campbell have agreed to forego their monthly consultancy fees of \$20,833 (Jamieson – the last payment being 1 September) and \$15,416 (Campbell – the last payment being 1 November) although Logan Campbell's agreement is subject to certain profit share agreements being signed between AAHA or the Company.
- Capital raising in the near future. The directors have entered into preliminary discussions with the company's major shareholders to potentially provide some further funding if required.

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**

---

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 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 2009 and of their performance for the financial year ended on that date; and
- (b) based on the matters set out in note 26, 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 2009 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 9th day of October 2009

## **INDEPENDENT AUDIT 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 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Australian Property Systems Limited (the company) and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *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 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 2009 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.

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

Without qualifying our opinion, we draw attention to Note 26 in the financial report. The matters as set out in Note 26, 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 financial report.

### **Report on the Remuneration Report**

We have audited the Remuneration Report contained in Section 11 of the directors' report for the year ended 30 June 2009. 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 2009 complies with Section 300A of the Corporations Act 2001.

**JOHNSTON RORKE**  
Chartered Accountants

  
**R C N WALKER**  
Partner

Brisbane, Queensland  
9 October 2009

## AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

### CORPORATE GOVERNANCE STATEMENT

---

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 a minimum 3 directors;
- the chairman should, preferably, be a non-executive director;
- the directors should possess a broad range of skills, qualifications and experience;
- the board should meet on a regular basis; and
- all available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

The primary responsibilities of the board include:

- the approval of the annual, half-year 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.

## AUSTRALIAN PROPERTY SYSTEMS LIMITED AND CONTROLLED ENTITIES

### CORPORATE GOVERNANCE STATEMENT

---

#### **Code of conduct**

As part of the board's commitment to the highest standard of conduct, APSL adopted a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Management of conflict of interest;
- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities and responsibilities to the environment and the community;
- Employment practices;
- Non audit services.

The board of directors is satisfied that there was no provision of non-audit services by the auditor during the year.



# AUSTRALIAN PROPERTY SYSTEMS LIMITED

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 June 2009.

(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
	<u>140</u>	<u>11</u>

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

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

	Number of Ordinary Shares Held	Percentage %
G S Jamieson	21,738,000	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	13,500,000	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

# **AUSTRALIAN PROPERTY SYSTEMS LIMITED**

## **SHAREHOLDER INFORMATION (CONTINUED)**

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 Account)	400,000	0.77
GWR Financial Services Pty Ltd (Alderley Investments Account)	400,000	0.77
EMUSE Investments Pty Ltd	350,000	0.67
	<u>45,596,885</u>	<u>87.60%</u>

(e) Voting Rights

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

Unquoted equity securities	Number on issue	Number of holders
Options to take up ordinary shares		
- G S Jamieson	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