

# **Australian Property Systems Limited**

ABN 93 096 925 610

## **Interim Financial Report For the Half-Year Ended 31 December 2009**

# AUSTRALIAN PROPERTY SYSTEMS LIMITED

## DIRECTORS' REPORT

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The directors present their report together with the financial statements on the consolidated entity consisting of Australian Property Systems Limited (APSL) and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

### 1. Directors

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

Geoff Thomas (appointed 23 December 2010)  
Stephen Jones (appointed 23 December 2010)  
James Whitelaw (appointed 23 December 2010)  
Geoffrey Jamieson (resigned 30 October 2009)  
Brian Wilkie (resigned 23 December 2010)  
Logan Campbell (resigned 20 November 2009)  
John Rivett (appointed 10 August 2010, resigned 23 December 2010)  
Nell Gibson (appointed 27 November 2009, resigned 23 December 2010)

### 2. Review of operations and results

The consolidated entity recorded an operating loss after tax for the half-year ended 31 December 2009 of \$399,784 (2008: \$415,323 loss).

Since balance date there has been no revenue other than a small amount of interest income and expenses have been kept to a minimum. In August 2010 APSL received \$81,603 from the Australian Taxation Office for research and development concession claims in respect of expenditure incurred in the 2009 financial year for projects registered with Innovation Australia. In July 2011 the Group received \$50,000 as a loan from an entity associated with Geoff Thomas, a director of the Company appointed on 23 December 2010. The loan is secured by a fixed charge over the intellectual property patents and a floating charge over the assets of the company and repayable in six months. Interest is payable monthly in advance at a rate of 24% per annum, to be reduced to 20% if the Group does not default on the loan. The loan is convertible to ordinary shares at the option of the lender at a price to be determined.

The current board has been in office since 23 December 2010 following the extraordinary general meeting where shareholders voted against various resolutions which included a proposed rights issue and placement to raise a maximum of \$145,669. The current directors intend to undertake a capital raising by way of an underwritten non-renounceable rights issue on the basis of 5 ordinary shares for every 2 shares held to raise \$260,000. The proceeds are to be used to fund the ongoing operations of the Group in the short term while the directors investigate the business potential of the Group's property development system and associated intellectual property. The rights issue is being fully underwritten by an entity associated with James Whitelaw and Geoff Thomas. There is no underwriting fee chargeable.

Since balance date, the Technology Licence Agreement with Australian Property Systems (No 1) Pty Ltd, an entity associated with former directors, Geoffrey Jamieson and Brian Wilkie, has been terminated and related technology assets acquired by the Group for \$1.00. Licence fees paid to Australian Property Systems (No 1) Pty Ltd were \$60,000 per annum.

Notwithstanding the losses to date, the directors believe the consolidated entity is a going concern and able to pay its debts as and when they become due and on the basis:

- the consolidated entity's liabilities are not large – being \$40,766 at 31 December 2009 and \$66,836 at 31 December 2010;
- the consolidated entity's level of expenditure has been reduced;
- cash received from the proposed underwritten rights issue will be sufficient to fund the ongoing operations in the short term; and
- the loan provided by Geoff Thomas of \$50,000 is not called upon for repayment.

AUSTRALIAN PROPERTY SYSTEMS LIMITED


DIRECTORS' REPORT

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3. **Auditor's independence declaration**

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

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



James Whitelaw  
Director

Dated this 4<sup>th</sup> day of August 2011

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The Directors  
Australian Property Systems Limited  
Level 2  
333 Ann Street  
BRISBANE QLD 4000

Dear Sirs

**Auditor's Independence Declaration**

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

JOHNSTON RORKE  
Chartered Accountants



R. C. N. WALKER  
Partner

Brisbane, Queensland  
4 August 2011

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-year 31 Dec 2009 \$	31 Dec 2008 \$
<b>Revenue</b>		
Consulting fees	-	80,000
Licence and training	-	25,455
Interest	954	12,987
Other	353	681
	<u>1,307</u>	<u>119,123</u>
<b>Expenses</b>		
Consultancy fees	161,784	273,650
Licensing fees	31,963	94,270
Audit fees	25,000	10,000
Bad and doubtful debts	30,841	34,292
Computer costs	28,732	9,244
Depreciation	17,201	2,605
Finance costs	200	184
Rent	8,707	16,410
Recruitment costs	600	38,930
Listing costs	-	15,899
Impairment – loans receivable	26,592	-
Other expenses	69,471	38,962
	<u>401,091</u>	<u>534,446</u>
<b>Loss before income tax</b>	(399,784)	(415,323)
Income tax expense	-	-
<b>Loss for the half-year</b>	<u>(399,784)</u>	<u>(415,323)</u>
Other comprehensive loss for the year	-	-
<b>Total comprehensive income for the year</b>	<u>(399,784)</u>	<u>(415,323)</u>
<b>Total comprehensive loss for the year is attributable to:</b>		
Owners of the parent	(399,784)	(412,813)
Non-controlling interest	-	(2,510)
	<u>(399,784)</u>	<u>(415,323)</u>
	<b>Cents</b>	<b>Cents</b>
Basic & diluted earnings per share (loss)	(0.8)	(0.8)

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**

**CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2009**

	<b>Note</b>	<b>31 Dec 2009 \$</b>	<b>30 Jun 2009 \$</b>
<b>Current Assets</b>			
Cash and cash equivalents		43,130	365,004
Trade and other receivables	3	-	62,032
<b>Total Current Assets</b>		<u>43,130</u>	<u>427,036</u>
<b>Non-Current Assets</b>			
Trade and other receivables	3	-	26,592
Property, plant and equipment		-	17,201
<b>Total Non-Current Assets</b>		<u>-</u>	<u>43,793</u>
<b>Total Assets</b>		<u>43,430</u>	<u>470,829</u>
<b>Current Liabilities</b>			
Trade and other payables		40,766	68,681
<b>Total Current Liabilities</b>		<u>40,766</u>	<u>68,681</u>
<b>Total Liabilities</b>		<u>40,766</u>	<u>68,681</u>
<b>Net Assets</b>		<u>2,364</u>	<u>402,148</u>
<b>Equity</b>			
Contributed equity		3,381,000	3,381,000
Reserve		403,723	403,723
Accumulated losses		(3,782,359)	(3,382,575)
<b>Total Equity</b>		<u>2,364</u>	<u>402,148</u>

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Contributed equity \$	Share-based payments reserve \$	Accumulated losses \$	Non- controlling interest \$	Total \$
<b>31 December 2009</b>					
<i>Balance at 1 July 2009</i>	3,381,000	403,723	(3,382,575)	-	402,148
<i>Loss for the half-year</i>	-	-	(399,784)	-	(399,784)
<i>Balance at 31 December 2009</i>	3,381,000	403,723	(3,782,359)	-	2,364
<b>31 December 2008</b>					
<i>Balance at 1 July 2008</i>	3,381,000	403,723	(2,277,146)	(11,071)	1,496,506
<i>Loss for the half-year</i>	-	-	(412,813)	(2,510)	(415,323)
<i>Balance at 31 December 2008</i>	3,381,000	403,723	(2,689,959)	(13,581)	1,081,183

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

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-year 31 Dec 2009	31 Dec 2008
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Receipts from operating activities	31,544	72,132
Payments to suppliers and employees	(354,172)	(600,508)
R&D tax offset received	-	116,178
Interest received	954	12,987
Finance costs paid	(200)	(184)
Net cash used in operating activities	(321,874)	(399,395)
<b>Cash Flows From Investing Activities</b>		
Loans provided to other entities	-	(108,756)
Net cash used in investing activities	-	(108,756)
Net increase/(decrease) in cash and cash equivalents	(321,874)	(508,151)
Cash and cash equivalents at the beginning of the reporting period	365,004	931,945
Cash and cash equivalents at the end of the reporting period	43,130	423,794

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.



**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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**1. Summary of Accounting Policies**

**Basis of preparation of half-year report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Australian Property Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

**Changes in accounting policies**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current period.

*Presentation of financial statements*

AASB 101 prescribes the contents and structures of the financial statements. Changes reflected in this financial report include:

- The replacement of the income statement with a statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of "other comprehensive income". In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- The adoption of the single statement approach to the presentation of the statement of comprehensive income; and
- Other financial statements are renamed in accordance with the Standard.

*Operating Segments*

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board.

This has resulted in no change to Segment reporting for the current period due to the Group operating in only one segment. The Group has applied AASB 8 Operating Segments from 1 July 2009.

**2. Segment Information**

The Group has one reportable segment being the seeking of opportunities to provide services in respect of property development in Australia.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**3. Trade and Other Receivables**

	31 Dec 2009 \$	30 Jun 2009 \$
<b>Trade and Other Receivables</b>		
<b>Current</b>		
Trade debtors	-	78,230
Provision for impairment	-	(35,750)
	-	42,480
Other receivables	-	19,552
	-	62,032
<b>Non-Current</b>		
Loan receivable – AAHA	-	167,651
Provision for impairment	-	(167,651)
	-	-
Loan receivable – other	26,592	26,592
Provision for impairment	(26,592)	-
	-	26,592

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 owned a number of properties which were intended to be developed for residential purposes under an affordable housing product mix. The loan provided to AAHA is unsecured and was written off in the December 2009 half year.

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 loan was fully provided for in the December 2009 half year.

**4. Contingent Liabilities**

At 30 June 2009 the Group had contingent liabilities in respect of the Technology Licence Agreement disclosed with Australian Property Systems (No 1) Pty Ltd, an entity associated with Geoffrey Jamieson and Brian Wilke, former directors of Australian Property Systems Limited. A licence fee of \$1.7 million was payable if the Group completed a capital raising in excess of \$5 million or if the intellectual property is patented outside of Australia. Since balance date it has been agreed that the Technology Licence Agreement be terminated and the related technology assets acquired by the Group for \$1.00, although formal documentation of the underlying agreements are yet to be finalised.

Except as disclosed above, there has been no material change to contingent liabilities disclosed in the financial report for 30 June 2009.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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**5. Subsequent Events and Ongoing Operations**

During the half-year the consolidated entity incurred a loss after tax of \$399,784 (2008 half year loss: \$415,323).

Since balance date there has been no revenue other than a small amount of interest income and expenses have been kept to a minimum. In August 2010 APSL received \$81,603 from the Australian Taxation Office for research and development concession claims in respect of expenditure incurred in the 2009 financial year for projects registered with Innovation Australia.

In July 2011 the Group received \$50,000 as a loan from an entity associated with Geoff Thomas, a director of the Company appointed on 23 December 2010. The loan is secured by a fixed charge over the intellectual property patents and a floating charge over the assets of the company and repayable in six months. Interest is payable monthly in advance at a rate of 24% per annum, to be reduced to 20% if the Group does not default on the loan. The loan is convertible to ordinary shares at the option of the lender at a price to be determined.

The current board has been in office since 23 December 2010 following the extraordinary general meeting where shareholders voted against various resolutions which included a proposed rights issue and placement to raise a maximum of \$145,669. The current directors intend to undertake a capital raising by way of an underwritten non-renounceable rights issue on the basis of 5 ordinary shares for every 2 shares held to raise \$260,000. The proceeds are to be used to fund the ongoing operations of the Group in the short term while the directors investigate the business potential of the Group's property development system and associated intellectual property. The rights issue is being fully underwritten by an entity associated with James Whitelaw and Geoff Thomas. There is no underwriting fee chargeable.

Since balance date, the Technology Licence Agreement with Australian Property Systems (No 1) Pty Ltd, an entity associated with former directors, Geoffrey Jamieson and Brian Wilkie, has been terminated and related technology assets acquired by the Group for \$1.00. Licence fees paid to Australian Property Systems (No 1) Pty Ltd were \$60,000 per annum.

Notwithstanding the losses to date, the directors believe the consolidated entity is a going concern and able to pay its debts as and when they become due and on the basis:

- the consolidated entity's liabilities are not large – being \$40,766 at 31 December 2009 and \$66,836 at 31 December 2010;
- the consolidated entity's level of expenditure has been reduced;
- cash received from the proposed underwritten rights issue will be sufficient to fund the ongoing operations in the short term; and
- the loan provided by Geoff Thomas of \$50,000 is not called upon for repayment.

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**

**DIRECTORS' DECLARATION**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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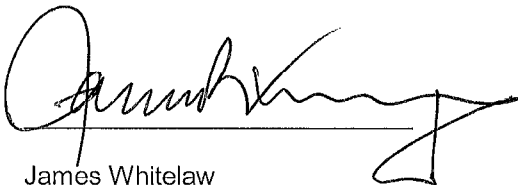
In the opinion of the directors the attached financial statements and notes:

- (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

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

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



James Whitelaw  
Director

Dated this 4<sup>th</sup> day of August 2011

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
AUSTRALIAN PROPERTY SYSTEMS LIMITED**

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**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Australian Property Systems Limited, which comprises the consolidated balance sheet as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

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

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Property Systems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

Without qualifying our conclusion, we draw attention to Note 5 in the interim financial report. The matters as set out in Note 5, 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 interim financial report.

**JOHNSTON RORKE**  
Chartered Accountants



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

Brisbane, Queensland  
4 August 2011