

Australian Property Systems Limited

ABN 93 096 925 610

Interim Financial Report For the Half-Year Ended 31 December 2010

AUSTRALIAN PROPERTY SYSTEMS LIMITED

DIRECTORS' REPORT

The directors present their report together with the financial statements on the consolidated entity consisting of Australian Property Systems Limited (APSL) and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

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)
Neil Gibson (appointed 27 November 2009, resigned 23 December 2010)

2. Review of operations and results

The consolidated entity recorded an operating profit after tax for the half-year ended 31 December 2010 of \$35,083 (2009: \$399,784 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 \$115,043 at 30 June 2010 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.

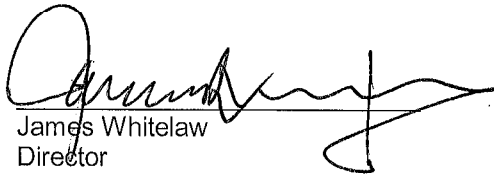
AUSTRALIAN PROPERTY SYSTEMS LIMITED

DIRECTORS' REPORT

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 12 day of August 2011

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Email jr@jr.com.au

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 2010, 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 2010

	Half-year	
	31 Dec 2010	31 Dec 2009
	\$	\$
Revenue		
Interest	1,091	954
Other	-	353
	1,091	1,307
Other income		
Research and development tax concession	81,603	-
Expenses		
Consultancy fees	4,534	161,784
Licensing fees	31,047	31,963
Audit fees	-	25,000
Bad and doubtful debts	-	30,841
Computer costs	1,139	28,732
Depreciation	-	17,201
Finance costs	6	200
Rent	-	8,707
Recruitment costs	-	600
Impairment – loans receivable	1,033	26,592
Other expenses	9,852	69,471
	47,611	401,091
Profit/(loss) before income tax	35,083	(399,784)
Income tax expense	-	-
Profit/(loss) for the half-year	35,083	(399,784)
Other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year	35,083	(399,784)
Total comprehensive income/(loss) for the year is attributable to:		
Owners of the parent	35,083	(399,784)
Non-controlling interest	-	-
	35,083	(399,784)
	Cents	Cents
Basic & diluted earnings per share (loss)	0.1	(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 2010

	Note	31 Dec 2010 \$	30 Jun 2010 \$
Current Assets			
Cash and cash equivalents		5,389	18,513
Total Current Assets		5,389	18,513
Total Assets		5,389	18,513
Current Liabilities			
Trade and other payables		66,836	115,043
Total Current Liabilities		66,836	115,043
Total Liabilities		66,836	115,043
Net Liabilities		(61,447)	(96,530)
Equity			
Contributed equity		3,381,000	3,381,000
Reserve		403,723	403,723
Accumulated losses		(3,846,170)	(3,881,253)
Total Deficiency		(61,447)	(96,530)

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 2010

	Contributed equity \$	Share-based payments reserve \$	Accumulated losses \$	Non- controlling interest \$	Total \$
31 December 2010					
<i>Balance at 1 July 2010</i>	3,381,000	403,723	(3,881,253)	-	(96,530)
<i>Profit/(loss) for the half-year</i>	-	-	35,083	-	35,083
<i>Balance at 31 December 2010</i>	3,381,000	403,723	(3,846,170)	-	(61,447)
31 December 2009					
<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

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 2010

	Half-year 31 Dec 2010	31 Dec 2009
	\$	\$
Cash Flows From Operating Activities		
Receipts from operating activities	-	31,544
Payments to suppliers and employees	(95,812)	(354,172)
R&D tax offset received	81,603	-
Interest received	1,091	954
Finance costs paid	(6)	(200)
Net cash used in operating activities	(13,124)	(321,874)
Net decrease in cash and cash equivalents	(13,124)	(321,874)
Cash and cash equivalents at the beginning of the reporting period	18,513	365,004
Cash and cash equivalents at the end of the reporting period	5,389	43,130

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 2010

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 2010 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 2010 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.

2. Segment Information

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

3. Contingent Liabilities

At 30 June 2010 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 2010.

4. Subsequent Events and Ongoing Operations

During the half-year the consolidated entity incurred a profit after tax of \$35,083 (2009 half year loss: \$399,784). The profit for the current half year includes income of \$81,603 relating to 2009 research and development concession claims.

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 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 related to James Whitelaw and Geoff Thomas. There is no underwriting fee chargeable.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

4. Subsequent Events and Ongoing Operations (continued)

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 \$115,043 at 30 June 2010 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 2010

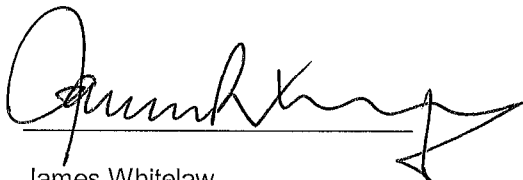
In the opinion of the directors the attached financial statements and notes:

- (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 2010 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 4th day of August 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Systems Limited, which comprises the consolidated balance sheet as at 31 December 2010, 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.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 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 2010 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 4 in the interim financial report. The matters as set out in Note 4, 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