



# **Australian Property Systems Limited**

ABN 93 096 925 610

## **Interim Financial Report For the Half-Year Ended 31 December 2011**

# 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 2011.

### 1. Directors

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

Geoff Thomas (appointed 24 December 2010)  
Stephen Jones (appointed 24 December 2010)  
James Whitelaw (appointed 24 December 2010)

### 2. Review of operations and results

The consolidated entity recorded an operating loss after tax for the half-year ended 31 December 2011 of \$196,102 (2010: \$35,083 profit). The profit for the December 2010 half year includes income of \$81,604 relating to research and development concession claims.

Since balance date there has been no revenue and expenses have been kept to a minimum. In July 2011 the Group received \$50,000 as a loan from Presidential Capital Pty Ltd, an entity associated with Geoff Thomas, a director of the Company. The loan is secured by a fixed charge over the assets of the company. Interest on the \$50,000 loan was payable monthly in advance at a rate of 20% per annum. In May 2012 the Company received a new loan of \$420,000 from Presidential Capital Pty Ltd without which it would not have been able to meet its solvency declaration. It is, similarly, secured by a fixed charge over the assets of the company, with interest will be payable monthly in advance at a rate of 20% per annum. The new loan was used to repay the existing loan from Presidential Capital Pty Ltd (with the exception of \$7500 fixed interest that is standing to the account of the lender as accrued interest but is not repayable until the \$420,000 loan is due to be repaid). The first loan was otherwise cleared and there are no defaults under the first loan. The balance of the advance paid other trade and other payables and borrowings of the Company. The loan is convertible to ordinary shares at the option of the lender at a price to be determined. This loan will be repaid from monies received from –

- A rights issue or other capital raising;
- Net profits after tax in connection with a business venture; or
- Sale of the company's assets;

and then, to the extent not already paid, by 31 December 2015.

The directors intend to undertake a capital raising by way of an renounceable rights issue in the near future. The proceeds are to be used to pay creditors, repay loans and 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 and development of revenue generating opportunities.

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 following basis:

- excess cash following receipt of the \$420,000 loan of approximately \$160,000 as at 18 May 2012 is sufficient to fund ongoing expenses until the rights issue;
- the consolidated entity's liabilities are not large – being \$108,113 at 30 June 2011 and \$317,747 at 31 December 2011 (including directors' fees of \$60,000 plus GST in respect of the period and a further \$60,000 plus GST in accrued directors' fees carried forward);
- the consolidated entity's level of expenditure has been reduced;
- management is currently reviewing the proposed rights issue which will be sufficient to fund the ongoing operations in the short term; and
- the loan provided by Presidential Capital Pty Ltd of \$420,000 is not expected to be called upon for repayment except under the repayment terms (as set out above).

AUSTRALIAN PROPERTY SYSTEMS LIMITED

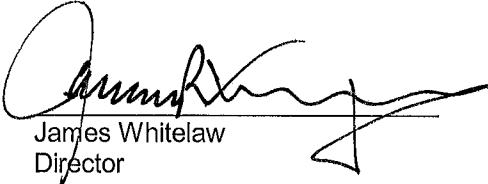
DIRECTORS' REPORT

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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 31<sup>st</sup> day of May 2012

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 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 2011, 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



NIGEL BATTERS  
Partner

Brisbane, Queensland  
31 May 2012

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Half-year 31 Dec 2011 \$	31 Dec 2010 \$
<b>Revenue</b>		
Interest	1,109	1,091
Other		-
	<u>1,109</u>	<u>1,091</u>
<b>Other income</b>		
Research and development tax concession	-	81,603
		<u>81,603</u>
<b>Expenses</b>		
Employee benefits – directors' fees	120,000	-
Consultancy fees	43,674	4,534
Licensing fees	1,364	31,047
Audit fees	5,000	-
Computer costs	91	1,139
Finance costs	4,493	6
Impairment – loans receivable	1,109	1,033
Other expenses	21,480	9,852
	<u>197,211</u>	<u>47,611</u>
<b>Profit/(loss) before income tax</b>	(196,102)	35,083
Income tax expense	-	-
<b>Profit/(loss) for the half-year</b>	<u>(196,102)</u>	<u>35,083</u>
Other comprehensive income for the period		-
<b>Total comprehensive income/(loss) for the period</b>	<u>(196,102)</u>	<u>35,083</u>
<b>Total comprehensive income/(loss) for the period is attributable to:</b>		
Owners of the parent	(196,102)	35,083
Non-controlling interest	-	-
	<u>(196,102)</u>	<u>35,083</u>
	<b>Cents</b>	<b>Cents</b>
Basic & diluted earnings per share (loss)	(0.37)	0.1

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 2011**

	<b>Note</b>	<b>31 Dec 2011</b>	<b>30 Jun 2011</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		10,629	14,296
Trade and other receivables - GST		19,325	2,126
<b>Total Current Assets</b>		29,954	2,126
<b>Total Assets</b>		29,954	16,422
<b>Current Liabilities</b>			
Trade and other payables	3	225,273	108,113
Borrowings	4	92,474	-
<b>Total Current Liabilities</b>		317,747	108,113
<b>Total Liabilities</b>		317,747	108,113
<b>Net Liabilities</b>		(287,793)	(91,691)
<b>Equity</b>			
Contributed equity		3,381,000	3,381,000
Reserve		403,723	403,723
Accumulated losses		(4,072,516)	(3,876,414)
<b>Total Deficiency</b>		(287,793)	(91,691)

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 2011**

	Contributed equity \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
<b>31 December 2011</b>				
<i>Balance at 1 July 2011</i>	3,381,000	403,723	(3,876,414)	(91,691)
<i>Profit/(loss) for the half-year</i>	-	-	(196,102)	(196,102)
<i>Balance at 31 December 2011</i>	3,381,000	403,723	(4,072,516)	(287,793)
<b>31 December 2010</b>				
<i>Balance at 1 July 2010</i>	3,381,000	403,723	(3,881,253)	(96,530)
<i>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)

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 2011**

	Half-year	
	31 Dec 2011	31 Dec 2010
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Receipts from operating activities	-	-
Payments to suppliers and employees	(96,141)	(95,812)
R&D tax offset received	-	81,603
Interest received	-	1,091
Finance costs paid	-	(6)
Net cash used in operating activities	(3,667)	(13,124)
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings	92,474	-
Net cash provided by financing activities	92,474	-
Net decrease in cash and cash equivalents	(3,667)	(13,124)
Cash and cash equivalents at the beginning of the reporting period	14,296	18,513
Cash and cash equivalents at the end of the reporting period	10,629	5,389

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 2011**

**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 2011 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 2011 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. Trade and other payables**

	<b>31 Dec 2011</b>	<b>30 Jun 2011</b>
	<b>\$</b>	<b>\$</b>
Trade payables and accruals	88,780	108,113
Directors fees payable	132,000	-
Accrued interest – Presidential Capital	4,493	-
	225,273	108,113

For details on accrued interest – Presidential Capital refer to Note 4.

**4. Borrowings**

Loan – Presidential Capital (secured)	50,000	-
Loans – Director related entities (unsecured)	42,474	-
	92,474	-

In July 2011 the Group received \$50,000 as a loan from Presidential Capital Pty Ltd, an entity associated with Geoff Thomas, a director of the Company. The loan is secured by a fixed charge over the assets of the company. Interest on the \$50,000 loan is payable monthly in advance at a rate of 20% per annum. Interest of \$4,493 was accrued in relation to this loan during the half-year. This loan was subsequently repaid out of the funds from the \$420,000 loan received subsequent to period end. Refer to note 6 for further details.

During the current period entities associated with Stephen Jones and Geoff Thomas paid Company costs on behalf of the Company. Loans – director related entities represent the amounts owed back to the directors related entities. These amounts are unsecured, interest free and repayable upon demand. These amounts were repaid subsequent to period end out of the funds from the \$420,000 loan. Refer to note 6 for further details.

**5. Contingent Liabilities**

There has been no material change to contingent liabilities disclosed in the financial report for 30 June 2011.

**AUSTRALIAN PROPERTY SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

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**6. Subsequent Events and Ongoing Operations**

During the half-year the consolidated entity incurred a loss after tax of \$196,102 (2010 half year profit: \$35,083). The profit for the December 2010 half year includes income of \$81,604 relating to research and development concession claims.

In May 2012 the Company received a new loan of \$420,000 from Presidential Capital Pty Ltd without which it would not have been able to meet its solvency declaration. It is, similarly, secured by a fixed charge over the assets of the company, with interest will be payable monthly in advance at a rate of 20% per annum. The new loan was used to repay the existing loan from Presidential Capital Pty Ltd (with the exception of \$7500 fixed interest that is standing to the account of the lender as accrued interest but is not repayable until the \$420,000 loan is due to be repaid). The first loan was otherwise cleared and there are no defaults under the first loan. The balance of the advance paid other trade and other payables and borrowings of the Company. The loan is convertible to ordinary shares at the option of the lender at a price to be determined. This loan will be repayable from monies received from –

- A rights issue or other capital raising;
- Net profits after tax in connection with a business venture; or
- Sale of the company's assets;

and then, to the extent not already paid, by 31 December 2015.

The directors intend to undertake a capital raising by way of a renounceable rights issue. The proceeds are to be used to pay creditors, repay loans and 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 directors intend to undertake a capital raising by way of an renounceable rights issue in the near future. The proceeds are to be used to pay creditors, repay loans and 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 and development of revenue generating opportunities.

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 following basis:

- excess cash following receipt of the \$420,000 loan of approximately \$160,000 as at 18 May 2012 is sufficient to fund ongoing expenses until the rights issue;
- the consolidated entity's liabilities are not large – being \$108,113 at 30 June 2011 and \$317,747 at 31 December 2011 (including directors' fees of \$60,000 plus GST in respect of the period and a further \$60,000 plus GST in accrued directors' fees carried forward);
- the consolidated entity's level of expenditure has been reduced;
- management is currently reviewing the proposed rights issue which will be sufficient to fund the ongoing operations in the short term; and

the loan provided by Presidential Capital Pty Ltd of \$420,000 is not expected to be called upon for repayment except under the repayment terms (as set out above).

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 2011**

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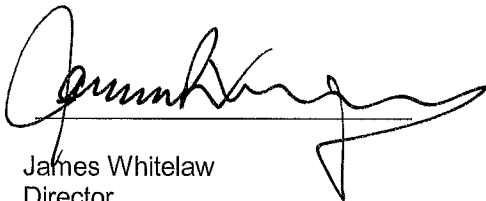
In the opinion of the directors the attached financial statements and notes:

- (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 2011 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 31<sup>st</sup> day of May 2012

**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 2011, 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 the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation 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 half-year 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 2011 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 2011 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

Without qualifying our conclusion, we draw attention to Note 6 in the 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



**NIGEL BATTERS**  
Partner

Brisbane, Queensland  
31 May 2012

