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Australian Property Systems Limited

ACN: 096 925 610

Financial Report
for the period ended 30 June 2002

Contents

Australian Property Systems Limited
ACN: 096 925 610

Company information

Directors:

Geoffrey S Jamieson
Brian B Wilkie
David S Tucker
Gregory A Caird
Leon C Offenhauser
Arthur Gerbanas

Bankers:

Westpac Banking Corporation
260 Queen Street, Brisbane Qld 4000

Auditors:

KPMG
345 Queen Street, Brisbane Qld 4000

Management:

Geoffrey S Jamieson
Chief Executive Officer

Gregory A Caird
Executive Director – Product Management

David S Tucker
Executive Director – Concept and Planning

Brian B Wilkie
Executive Director – Training

Arthur Gerbanas
Executive Director – Asset Management

Sasha Andjelkovic
Chief Financial Officer and Company Secretary

Registered Office:

Level 1, Naval Offices
3 Edward Street, Brisbane Qld 4000

Australian Property Systems Limited, incorporated and domiciled in Australia, is a public company limited by shares.

Australian Property Systems Limited
ACN: 096 925 610

Directors' report

The Directors present their report together with the financia l report of Australian Property Systems Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entity, for the period ended 30 June 2002 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial period are:

Geoffrey Stuart Jamieson
Managing Director

Age: 51

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 and has been involved in the property and building industry for over 25 years.

Director since 1 June 2001.

Gregory Alexander Caird
Executive Director – Product Management

Age: 49

Mr Caird is a Licensed Real Estate Agent and brings to the Company 20 years of experience in real estate, including residential and commercial development projects. Mr Caird has been responsible for the marketing of over 1,700 strata title proprieties using the Company's proprietary property development system.

Director since 29 June 2001.

David Sterling Tucker
Executive Director – Concept and Planning

Age: 43

Mr Tucker has 20 years experience in the property industry providing innovative approaches to developing financially viable projects with a high level of acceptability to the community and public authorities. Mr Tucker was previously Manager Planning Services at GHD Pty Ltd, a multi-disciplinary consultancy in Perth, Western Australia.

Director since 29 June 2001.

Brian Bernard Wilkie
Executive Director - Training

Age: 59

Mr Wilkie has been involved in real estate and small project development for 15 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 proprietary property development system. Over the past 3 years he has assisted with the implementation and establishment of the system within statutory authorities.

Director since 1 June 2001.

Arthur Gerbanas
Executive Director – Asset Management

Age: 45

Mr Gerbanas has a Bachelor of Science. He has previously held senior positions within BP and has performed external consulting roles to BP and other multinational organisations, involving asset management, investment management, development management, retail management, project management, facilities management, network planning and service station operations.

Appointed 16 July 2002.

Leon Craig Offenhauser
Non Executive Director

Age: 51

Mr Offenhauser has had many years of experience working in large accounting firms specialising in superannuation packaging. He has advised major accounting firms on the formation and operation of their financial services divisions. Mr Offenhauser is a Fellow of Australian Society of CPAs, Fellow of Australian Taxation Institute, Fellow of Australian Insurance Institute and an Associate of Australian Institute of Superannuation Trustees.

Appointed 28 June 2002.

Perry Wilkie
Non Executive Director

Age: 62

Mr Wilkie has more than 30 years experience in property development. He is an extremely dynamic and innovative strategist and is remarkably creative with conceptual aspects of property development. Since 1992 Mr Wilkie has been associated with the development of the Company's proprietary development system.

Appointed 29 June 2001, retired 2 July 2001.

Directors' report (cont'd)

Gregory John Vickery
Non Executive Director

Age: 55

Mr Vickery is Chairman of Partners, Deacons solicitors, Brisbane. He practices primarily in the corporate and commercial areas and has a major interest in commercial dispute resolution. Mr Vickery is adjunct professor in law at University of Queensland and is Vice Chairman, Law Council of Australia, Company law committee.

Appointed 25 May 2001, retired 1 June 2001.

Paul Michael Paxton-Hall
Non Executive Director

Age: 45

Mr Paxton – Hall is a partner of Deacons solicitors, Brisbane and is head of corporate commercial and technology business unit (Queensland). He regularly advises the Directors and secretaries of public companies, Government authorities and small to medium enterprises. He is a Director of Anglican Investment Development Fund and State Councillor, Chartered Secretaries Australia.

Appointed 25 May 2001, retired 1 June 2001.

Phillip Anthony Hourigan
Non Executive Director

Age: 39

Mr Hourigan is a partner at Deacons Solicitors, Brisbane and heads the Information Technology and Intellectual Property units. He is a current member, Queensland Law Society, Intellectual Property and IT&T Committees and has been responsible for many publications relating to legal issues associated with Intellectual Property and Information Technology.

Appointed 25 May 2001, retired 1 June 2001.

Directors' report (cont'd)

Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial period are:

Directors	***Board Meetings***	
	A	***B***
Mr G S Jamieson	14	15
Mr G A Caird	11	15
Mr D S Tucker	11	15
Mr B B Wilkie	14	15
Mr P Wilkie	-	-
Mr G J Vickery	-	-
Mr P M Paxton-Hall	-	-
Mr P A Hourigan	-	-

A - Number of meetings attended
B - Number of meetings held during the time the Directors held office during the period

Principal activities

The principal activity of the consolidated entity during the course of the financial period was the provision of management services by acting as development managers on behalf of landowners for the development of strata title units utilising the Company's proprietary development management system.

The Company is incorporated in Australia and its principal country of operation is Australia.

Review and results of operations

The Directors report a pre-tax profit for the period of $312,759. The operating profit after income tax amounted to $214,193.

On 1 June 2000, the Company acquired the international rights to a patented (provisional) property management system ("the System") that significantly reduces the risks associated with strata title property development.

The System allows the Company to act as a Development Manager without the conflicts of interest that are found in the property development industry. The Company does not purchase or own land, is not a property developer and does not market any property. The Company is a service organisation that earns income from the implementation of the System on behalf of land owners.

The Company has the unique opportunity to apply the System to the property portfolio's of multinational companies and currently has development agreements and feasibility agreements with multinational corporations and semi government instrumentalities who have major property portfolios.

Directors' report (cont'd)

Dividends

Dividends paid or declared by the Company during the financial period were:

Type	*Amount per share*	*Total ($)*	*Date of payment*
Interim	$1.00	147,000	1 December 2001
Final	$0.157	31,807	28 February 2002
		178,807	

These dividends were unfranked.

State of affairs

The Company was registered on 25 May 2001 and raised working capital by the issue of 147,000 ordinary shares at $1 per share.

On 25 February 2002, the Company acquired 100% of the issued share capital of Property Services Exchange Pty Ltd (a Company associated with Mr Geoffrey Jamieson, a Director of the Company). The consideration provided was 55,000 ordinary shares of the Company with a value of $55,000, representing the fair value of the assets acquired.

On 18 March 2002, the Company's shareholders approved the issue of 5 new ordinary shares for every one share on issue.

On 27 June 2002 it was resolved that the Company enter into an exclusive patent licence agreement (subject to maintaining the patents) for patents relating to a web-based management system and a funds management system with Ravenslea Nominees Pty Ltd (a Company associated with Mr Geoffrey Jamieson, a Director of the Company). The licence has nil cost providing the Company uses the patents for its own use in acting as development and/or fund managers. If the Company sub-licences the patents to outside parties, then a 10% royalty fee will be payable to Ravenslea Nominees Pty Ltd calculated on gross receipts received by the Company from licensing the development management and/or funds management patents to third parties. At the date of this report, the patent licence agreement with Ravenslea Nominees Pty Ltd has not been finalised.

On 28 June 2002 the Directors resolved to revalue the intellectual property of the Company to $10,445,359. The Directors' valuation was based on an independent valuation.

On 28 June 2002 the Company's shareholders approved the issue of 19 bonus shares for every one existing share held.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Events subsequent to balance date

- On 16 July 2002 it was resolved that a company associated with Mr Arthur Gerbanas and Mr Geoffrey Jamieson would be entitled to 3,500,000 options over the Company's ordinary shares exercisable at any time within 5 years of their issue date at $0.50 per share subject to the Company meeting certain milestones associated with an Asset Management process and the lodging of a provisional patent to protect the process.
- On 15 August 2002, the Directors of the Company incorporated APSLSP Pty Ltd for the purpose of providing eligible employees of the Company with a means to participate in profits of the Company through dividend distributions.

  Mr Geoffrey Jamieson and Mr Brian Wilkie have been appointed directors of APSLSP Pty Ltd and jointly control the voting rights of APSLSP Pty Ltd through the ownership of 1 'A' Class ordinary share each.

  The principal activity of APSLSP Pty Ltd is, to at all times, own 5% of the issued share capital of the Company and derive income through the receipt of dividends from the Company.

  Eligible employees of the Company will 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. The redeemable preference shares are non-voting and entitle the holders to participate in dividends as declared by the Board of APSLSP Pty Ltd.

  At the date of this report, APSLSP Pty Ltd held 1,074,000 ordinary shares in the Company.
- On 1 October 2002, the Company listed on the Newcastle Stock Exchange.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely developments

The consolidated entity will continue to pursue its strategy of 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.

Directors' report (cont'd)

Directors and senior executives emoluments

Recommendations for employee remuneration are made by Divisional Managers for the joint consideration of the Chief Financial officer and Chief Executive Officer of the Company. Senior executive appointments and remuneration are approved by the Board.

Details of the nature and amount of each major element of the emoluments of each director of the Company are:

	Base emolument $	Super contributions $	Total $
Director			
Non-executive			
Mr P Wilkie	62,500	-	62,500
Mr L C Offenhauser	-	-	-
Mr G J Vickery	-	-	-
Mr P M Paxton-Hall	-	-	-
Mr P A Hourigan	-	-	-
Executive			
Mr G A Caird	102,000	-	102,000
Mr G S Jamieson	82,000	-	82,000
Mr D S Tucker	59,950	5,450	65,400
Mr B B Wilkie	60,000	-	60,000
Executive officers (excluding directors)			
Mr P L Bernasconi	60,000	5,400	65,400
Mr M G Gaskin-Harris	47,211	4,249	51,460
Mr N S McNally	42,231	-	42,231

Directors' interests

The relevant interest of each director in the shares issued by the Company at the date of this report is as follows:

	Ordinary shares
Mr G S Jamieson	8,583,233
Mr G A Caird	2,764,000
Mr D S Tucker	400,000
Mr B B Wilkie	3,058,183
Mr A Gerbanas	450,000
Mr L C Offenhauser	100,000
Mr P Wilkie	3,432,233
	18,787,649

Directors' report (cont'd)

Indemnification of officers

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 entity, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Corporate governance

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 at least 4 Directors;
- the Chairman should 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 and quarterly 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; and
- the implementation of an appropriate committee structure to ensure that key areas such as audit, corporate governance, risk management and remuneration are effectively managed.

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.

Directors' report (cont'd)

Audit committee

Subsequent to 30 June 2002, the Board established an audit committee consisting of 2 Directors. The current members of the audit committee are:

Leon Craig Offenhauser (Non-Executive Chairman)
Geoffrey Stuart Jamieson (Managing Director and Chief Executive Officer)

The audit committee provides a forum for the effective communication between the Board and the auditors. The audit committee reviews:

- the annual, half-year and quarterly financial report prior to their approval by the Board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the audit functions.

The audit committee will invite the auditors to attend audit committee meetings.

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, through the audit committee, the Board 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.

Code of conduct

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

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community

Dated at Brisbane this   day of   2002.

Signed in accordance with a resolution of the Directors.

....	....
Brian B Wilkie *Director*	*Leon C Offenhauser* *Director*

Australian Property Systems Limited
ACN: 096 925 610

Statements of financial performance for the period ended 30 June 2002

	Note	Consolidated 25 May 2001 to 30 June 2002 $	The Company 25 May 2001 to 30 June 2002 $
Revenue from rendering of services	2	1,524,000	1,524,000
Other revenues from ordinary activities	2	44,272	44,272
Total revenue	2	1,568,272	1,568,272
Expenses from ordinary activities:			
Research and estimating expenses		(62,421)	(62,421)
Project management expenses		(82,873)	(82,873)
Systems and titles expenses		(56,798)	(56,798)
Sales and marketing expenses		(268,452)	(268,452)
Concept and planning expenses		(53,924)	(53,924)
Administrative expenses		(691,651)	(691,651)
Other expenses from ordinary activities		(39,394)	(39,394)
Profit from ordinary activities before related income tax expense		312,759	312,759
Income tax expense relating to ordinary activities	5(a)	(98,566)	(98,566)
Net profit	18	214,193	214,193
Basic earnings per share: Ordinary shares	6	$0.011	
Diluted earnings per share: Ordinary shares	6	$0.011	

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

Australian Property Systems Limited
ACN: 096 925 610

Statements of financial position as at 30 June 2002

	Note	Consolidated 2002 $	The Company 2002 $
Current assets			
Cash assets	8	248,910	248,910
Receivables	9	148,988	148,988
Other	10	58,775	58,775
Total current assets		456,673	456,673
Non-current assets			
Other financial assets	11	10,740	65,740
Plant and equipment	12	165,116	165,116
Intangible assets	13	10,500,359	10,445,359
Deferred tax assets		5,251	5,251
Total non-current assets		10,681,466	10,681,466
Total assets		11,138,139	11,138,139
Current liabilities			
Payables	14	276,911	276,911
Current tax liabilities	5(b)	102,976	102,976
Provisions	15	17,503	17,503
Interest bearing liabilities	21	10,182	10,182
Total current liabilities		407,572	407,572
Non-current liabilities			
Interest bearing liabilities	21	57,341	57,341
Deferred tax liabilities		840	840
Total non-current liabilities		58,181	58,181
Total liabilities		465,753	465,753
Net assets		10,672,386	10,672,386
Equity			
Contributed equity	16	212,740	212,740
Reserves	17	10,424,260	10,424,260
Retained profits	18	35,386	35,386
Total equity		10,672,386	10,672,386

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

Australian Property Systems Limited
ACN: 096 925 610

Statements of cash flows
for the period ended 30 June 2002

	Note	Consolidated 25 May 2001 to 30 June 2002 $	The Company 25 May 2001 to 30 June 2002 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,517,467	1,517,467
Cash payments in the course of operations		(1,132,121)	(1,132,121)
Income tax paid	5(b)	-	-
Interest received		4,222	4,222
Net cash provide d by operating activities	23(ii)	389,568	389,568
Cash flows from investing activities			
Payments for plant and equipment		(105,932)	(105,932)
Net cash used in investing activities		(105,932)	(105,932)
Cash flows from financing activities			
Proceeds from issue of shares		147,000	147,000
Finance lease payments		(2,919)	(2,919)
Dividends paid		(178,807)	(178,807)
Net cash provided by/(used in) financing activities		(34,726)	(34,726)
Net increase in cash held		248,910	248,910
Cash at the beginning of the financial period		-	-
Cash at the end of the financial period	23(i)	248,910	248,910

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

Notes to the financial statements for the period ended 30 June 2002

1 Statement of significant accounting policies

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

The Company was registered on 25 May 2001 and this financial report is for the period from incorporation to 30 June 2002. Consequently, no comparative information is provided in this financial report.

(b) Principles of consolidation

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Rendering of services

Revenue from rendering of services is recognised over the term of the contract in proportion to the level of services provided. Where income is received in advance of providing the service it is deferred and included in current payables in the statement of financial position.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

1 Statement of significant accounting policies (cont'd)

(d) 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

(f) Acquisitions of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

Notes to the financial statements
for the period ended 30 June 2002

1 Statement of significant accounting policies (cont'd)

(g) Patents, trademarks and licences

An associated entity, Australian Property Systems (No 1) Pty Ltd, has developed a patented property management system to develop property ("the System"). The Company has an exclusive licensing agreement with Australian Property Systems (No 1) Pty Ltd which grants the Company the right to use, commercialise and exploit the System. The Company has control over the economic benefit of the intellectual property of the System, which is a legal and enforceable right and is exchangeable.

Patents, trademarks and licences associated with the System are measured at fair value.

(h) Receivables

Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(i) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(j) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

1 Statement of significant accounting policies (cont'd)

(k) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value.

(l) Revaluations of non-current assets

Non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. Independent valuations are obtained at least every three years. Revaluation increments are recognised in the asset revaluation reserve.

(m) Depreciation and amortisation

Items of plant and equipment and intangible assets are depreciated/amortised using the straight line method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition or in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The depreciation/amortisation rates used for each class of asset are as follows:

Plant and equipment

■ Office furniture and equipment	7.5% - 20%
■ Computer software	33.3% - 50%
■ Leased assets – plant and equipment	25%

Intangibles

■ Patents	20 years (life of patent)

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

(n) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

Notes to the financial statements for the period ended 30 June 2002

1 Statement of significant accounting policies (cont'd)

(o) Employee entitlements

Wages, salaries and annual leave

The provision for employees' entitlements to wages, salaries and annual leave represents the amount which the employer has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

Superannuation fund

Contributions to employee superannuation funds are charged against income as incurred.

	Consolidated 25 May 2001 to 30 June 2002 $	The Company 25 May 2001 to 30 June 2002 $
2. Revenue from ordinary activities		
Revenue from rendering of services	1,524,000	1,524,000
Other revenues from operating activities		
Interest: Other parties	4,222	4,222
Rental income	3,452	3,452
Sundry income	36,598	36,598
Total other revenues	44,272	44,272
Total revenue from ordinary activities	1,568,272	1,568,272
3. Profit from ordinary activities before income tax expense		
Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:		
Depreciation of:		
- office furniture	7,150	7,150
- computer software	1,429	1,429
Amortisation of:		
- leased plant and equipment	1,442	1,442
Total depreciation and amortisation	10,021	10,021
Borrowing costs:		
- Finance charges on capitalised leases	742	742
Net expense from movements in provision for:		
- employee entitlements	17,503	17,503
Operating lease rental expense		
- minimum lease payments	11,212	11,212

Notes to the financial statements
for the period ended 30 June 2002

	Consolidated 25 May 2001 to 30 June 2002 $	The Company 25 May 2001 to 30 June 2002 $
4. Auditors' remuneration		
Audit services		
Auditors of the Company	23,208	23,208
Other services		
Auditors of the Company	27,905	27,905
5. Taxation		
(a) Income tax expense		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	93,828	93,828
Increase/(decrease) in income tax expense due to:		
Non-deductible expenditure	6,525	6,525
Deductible capital expenditure	(1,787)	(1,787)
Income tax expense attributable to operating profit	98,566	98,566
(b) Current tax liabilities		
Provision for current income tax		
Movements during the period:		
Balance at beginning of period	-	-
Income tax paid	-	-
Current period's income tax expense on operating profit	102,976	102,976
Balance at end of period	102,976	102,976

	Consolidated 2002 $
6. Earnings per share	
Basic earnings	0.011
Diluted earnings	0.011
Weighted average number of shares used in the calculation of basic earnings and diluted earnings per share:	
Ordinary shares	19,303,459

7. Segment information

The principal activity of the consolidated entity is the provision of patented (provisional) property development management services in Australia. This segment represents more than 90% of total revenue, total results and total assets of the consolidated entity.

	Consolidated 2002 $	The Company 2002 $
8. Cash assets		
Cash at bank	196,410	196,410
Term deposits	52,500	52,500
	248,910	248,910
9. Receivables		
Trade debtors	148,617	148,617
Other debtors	371	371
	148,988	148,988
10. Other current assets		
Prepayments	58,775	58,775
11. Other financial assets		
Investment in controlled entity, at cost	-	55,000
Loan to related party	10,740	10,740
	10,740	65,740

	Consolidated 2002 $	The Company 2002 $
12. Plant and equipment		
Office furniture and equipment		
At cost	67,982	67,982
Accumulated depreciation	(7,150)	(7,150)
	60,832	60,832
Computer software		
At cost	37,950	37,950
Accumulated depreciation	(1,429)	(1,429)
	36,521	36,521
Leased plant and equipment		
At cost	69,205	69,205
Accumulated amortisation	(1,442)	(1,442)
	67,763	67,763
Total plant and equipment - net book value	165,116	165,116

Reconciliations

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

	Consolidated 2002 $	The Company 2002 $
Office furniture and equipment		
Carrying amount at beginning of period	-	-
Additions	67,982	67,982
Depreciation	(7,150)	(7,150)
Carrying amount at end of period	60,832	60,832
Computer software		
Carrying amount at beginning of period	-	-
Additions	37,950	37,950
Depreciation	(1,429)	(1,429)
Carrying amount at end of period	36,521	36,521
Leased plant and equipment		
Carrying amount at beginning of period	-	-
Additions	69,205	69,205
Amortisation	(1,442)	(1,442)
Carrying amount at end of period	67,763	67,763

	Consolidated 2002 $	The Company 2002 $
13. Intangible assets		
Patents, trademarks and licences		
At fair value	10,500,359	10,445,359
Accumulated amortisation	-	-
Carrying amount at end of period	10,500,359	10,445,359

In June 2002, the directors revalued the patented (provisional) property management system licensed from Australian Property Systems (No 1) Pty Ltd ("the System"). In deriving the fair value of this licence, the directors have:

- Had regard to the Company's secure access to the System though the Technology Licence Agreement with Australian Property Systems (No 1) Pty Ltd for a period of 20 years, which commenced on 1 June 2001.
- Determined that the Company's earnings are largely based on the successful use and exploitation of the System.
- Considered an indicative valuation of the Company (which includes the licence) prepared by an external party in April 2002.
- Considered the appropriateness of the underlying assumptions and estimates made in the April 2002 valuation of the Company and the effect of events impacting the Company since this date.
- Assigned approximately 85% of the minimum amount of the April 2002 valuation of the Company to the directors' valuation of the System.
- Conducted appropriate due diligence on the underlying information to derive their valuation.

	Consolidated 2002 $	The Company 2002 $
14. Payables		
Trade creditors	149,184	149,184
Other creditors and accruals	127,727	127,727
	276,911	276,911
15. Provisions		
Employee entitlements	17,503	17,503
Number of employees	**No.**	**No.**
Number of employees at period end	11	11

	Consolidated 2002 $	The Company 2002 $

16. Contributed equity

Issued and paid-up capital

21,274,000 ordinary shares, fully paid	212,740	212,740

Movements in ordinary share capital

The Company was registered on 25 May 2001 and raised working capital by the issue of 147,000 ordinary shares of $1 per share.

On 25 February 2002, the Company issued 55,000 ordinary shares as consideration for the acquisition of Property Services Exchange Pty Ltd.

On 18 March 2002 five new ordinary shares were issued for every one held, resulting in an increase in the number of ordinary shares on issue to 1,010,000.

On 27 June 2002 the Company issued 53,700 ordinary shares for nil consideration in preparation for the establishment of the APSLSP Pty Ltd Share Scheme (refer Note 26).

On 28 June 2002 the Company's shareholders approved the issue of 19 bonus shares for every one existing share held.

Conditions attaching to ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

	Consolidated 2002 $	The Company 2002 $

17. Reserves

Asset revaluation	10,424,260	10,424,260
Movements during the period		
Balance at beginning of period	-	-
Revaluation of intangibles (refer Note 13)	10,424,260	10,424,260
Balance at end of period	10,424,260	10,424,260

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with AASB 1041 'Revaluation of Non-current Assets'.

	Note	Consolidated 2002 $	The Company 2002 $
18. Retained profits			
Retained profits at the beginning of the period		-	-
Net profit		214,193	214,193
Dividends	19	(178,807)	(178,807)
Retained profits at the end of the period		35,386	35,386

19. Dividends

Dividends paid by the Company are:

Type	*Amount per share*	*Total amount ($)*	*Date of payment*
Interim	$1.00	147,000	1 December 2001
Final	$0.157	31,807	28 February 2002
		178,807	

All dividends were unfranked.

	The Company 2002 $
Dividend franking account	
Class C (30%) franking credits available to shareholders of the Company for subsequent financial years.	240,277

The above available amounts are based on the balance of the dividend franking account at period end adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of franked dividends recognised as a liability at period end; and

(c) franking credits that the Company may be prevented from distributing in subsequent years.

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

From 1 July 2002 the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after-tax profits.

As a result the "franking credits available" were converted from $240,277 to $102,976 as at 1 July 2002.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

20. Additional financial instrument disclosure

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2002	Note	Weighted average interest rate $	Floating interest rate $	Fixed interest maturing in 1 year or less $	Non interest bearing $	Total $
Financial assets						
Cash assets	8	3.00%	196,410	-	-	196,410
Term deposits	8	4.64%	-	52,500	-	52,500
Receivables	9	-	-	-	148,988	148,988
Other financial assets	11	-	-	-	10,740	10,740
			196,410	52,500	159,728	408,638
Financial liabilities						
Payables	14	-	-	-	276,911	276,911
Employee entitlements	15	-	-	-	17,503	17,503
			-	-	294,414	294,414

	Consolidated 2002 $	The Company 2002 $

(b) Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a variety of customers and counterparties and by performing due diligence procedures on major new customers. However, at 30 June 2002, 73% of the consolidated entity's trade debtors was owed by one customer, Shell Company of Australia Ltd.

(c) Net fair value of financial assets and liabilities

The carrying amounts of the consolidated entity's financial assets and liabilities approximate net fair value.

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Notes to the financial statements
for the period ended 30 June 2002

21. Commitments

Finance lease payment commitments

Finance lease commitments are payable:

Within one year	18,347	18,347
One year or later and no later than five years	73,216	73,216
	91,563	91,563
Less: Future lease finance charges	(24,040)	(24,040)
	67,523	67,523
Lease liabilities provided for in the financial statements:		
Current	10,182	10,182
Non-current	57,341	57,341
	67,523	67,523

The Company leases equipment under a finance lease agreement expiring in five years. At the end of the lease term the Company has the option to purchase the equipment at a price deemed to be a bargain purchase option.

	Consolidated 2002 $	The Company 2002 $
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	14,950	14,950
One year or later and no later than five years	3,747	3,747
	18,697	18,697

The Company leases a property under a non-cancellable operating lease expiring within two years. The lease provides the Company with a right of renewal at which time all terms are re-negotiated.

	2002 Ordinary shares held (%)

22. Controlled entities

(a) Particulars in relation to controlled entities

Name	
Australian Property Systems Limited	
Controlled entity	
Property Services Exchange Pty Limited	100

(b) Acquisition of controlled entity

During the financial period the consolidated entity purchased 100% of the shares of Property Services Exchange Pty Limited. The consideration provided was 55,000 ordinary shares of the Company with a value of $55,000 representing the fair value of assets acquired.

		Consolidated 2002 $	The Company 2002 $

23. Notes to the statement of cash flows

(i) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank. Cash as at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	Note	Consolidated 2002 $	The Company 2002 $
Cash at bank	7	196,410	196,410
Term deposits		52,500	52,500
		248,910	248,910

	Consolidated 2002 $	The Company 2002 $

23. Notes to the statement of cash flows (cont'd)

(ii) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

	Consolidated 2002 $	The Company 2002 $
Profit from ordinary activities after income tax	214,193	214,193
Add/(less) non-cash items:		
Depreciation/amortisation of plant and equipment	(10,021)	(10,021)
Amounts set aside to provisions	17,503	17,503
Increase/(decrease) in income tax payable	102,976	102,976
(Increase)/decrease in deferred tax balances	(4,411)	(4,411)
Net cash provided by operating activities before change in assets and liabilities	320,420	320,420
Change in assets and liabilities during the financial period:		
Increase in receivables	(148,988)	(148,988)
(Increase) in prepayments	(58,775)	(58,775)
(Increase) in trade creditors	149,184	149,184
Increase in other creditors and accruals	127,727	127,727
Net cash provided by operating activities	389,568	389,568

(iii) Non cash financing activities

During the period the Company acquired plant and equipment with an aggregate fair value of $69,205 by means of a finance lease. This acquisition is not reflected in the Statements of Cash Flows.

24. Directors' remuneration

The number of Directors whose income from the Company or any related party falls within the following bands:

	The Company 2002 $
$0 - $9,999	4
$60,000 - $69,999	3
$80,000 - $89,999	1
$100,000 - $109,999	1

Total income paid or payable, or otherwise made available to all Directors of the Company and controlled entities from the Company or any related party	$
	371,900

25. Related parties

Directors

The names of each person holding the position of Director of Australian Property Systems Limited during the financial period are Messrs G S Jamieson, G A Caird, D S Tucker, B B Wilkie, P Wilkie, G J Vickery, P M Paxton-Hall and P A Hourigan. Messrs P Wilkie, G J Vickery, P M Paxton-Hall and P A Hourigan retired during the period.

Details of Directors' remuneration are set out in Note 24.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the date of incorporation and there were no material contracts involving Directors' interests subsisting at period end.

Directors' holdings of shares	***2002 Number held***
The interests of Directors of the Company and their Director related entities in the shares of the Company at period end are set out below:	
Australian Property Systems Limited	
Ordinary shares	19,082,700

Directors' transactions with the Company

Technology Licence Agreement

On 1 June 2001, Australian Property Systems (No 1) Pty Ltd, an entity associated with Messrs 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 in consideration for:

- An initial licence fee of $10,000;
- A monthly licence fee of $5,000 per month; and
- A monthly royalty of 1% of revenue earned from use of the intellectual property outside of Australia.

In the event that the Company completes a successful capital raising of $5 million, a further licence fee of $1.7 million will become due and payable by the Company. Of this amount, $1.3 million will be payable to current Directors and their Director related entities. At the date of this report, this capital raising has not been completed.

The term of the Technology Licence Agreement is for a period of 20 years commencing 1 June 2001.

The total amount payable by the Company under the Technology Licence Agreement for the period ended 30 June 2002 is $70,000. Of this amount $7,300 is payable at period end.

25. Related parties (cont'd)

Other transactions

During the period the Company purchased office equipment from certain Directors and their Director related entities. The details of these transactions are as follows:

Director	*Details*	*$*
D S Tucker	Sale of office equipment to the Company	5,352
G A Caird	Sale of office equipment to the Company	2,950
B Wilkie	Sale of office equipment to the Company	697

During the period, the Company paid rental to an entity associated with Mr G A Caird under a lease agreement for premises occupied by the Company's Perth office in the amount of $12,437. Of this amount, $506 is owing to the Company at period end. The Company received rental income from an entity associated with Mr G A Caird in the amount of $1,611 for a sub lease.

On 25 February 2002, the Company acquired 100% of the issued capital of Property Services Exchange Pty Limited (a Company associated with Mr Geoffrey Jamieson, a Director of the Company). The consideration provided was 55,000 ordinary shares of the Company with a value of $55,000, representing the fair value of the assets acquired.

The terms and conditions of these transactions with Directors and their Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

26. Events subsequent to balance date

- On 16 July 2002 it was resolved that a company associated with Mr Arthur Gerbanas and Mr Geoffrey Jamieson would be entitled to 3,500,000 options over the Company's ordinary shares exercisable at any time within 5 years of their issue date at $0.50 per share subject to the Company meeting certain milestones associated with an Asset Management process and the lodging of a provisional patent to protect the process.
- On 15 August 2002, the Directors of the Company incorporated APSLSP Pty Ltd for the purpose of providing eligible employees of the Company with a means to participate in profits of the Company through dividend distributions.

  Mr Geoffrey Jamieson and Mr Brian Wilkie have been appointed directors of APSLSP Pty Ltd and jointly control the voting rights of APSLSP Pty Ltd through the ownership of 1 'A' Class ordinary share each.

  The principal activity of APSLSP Pty Ltd is, to at all times, own 5% of the issued share capital of the Company and derive income through the receipt of dividends from the Company.

  Eligible employees of the Company will 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. The redeemable preference shares are non-voting and entitle the holders to participate in dividends as declared by the Board of APSLSP Pty Ltd.

Notes to the financial statements for the period ended 30 June 2002

26. Events subsequent to balance date (cont'd)

At the date of this report, APSLSP Pty Ltd held 1,074,000 ordinary shares in the Company.

- On 1 October 2002, the Company listed on the Newcastle Stock Exchange.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

The financial effects of the above transactions have not been brought to account in the financial statements for the period ended 30 June 2002.

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Directors' declaration

In the opinion of the Directors of Australian Property Systems Limited ("the Company"):

(a) the financial statements and notes, set out on pages 10 to 30 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the period ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this day of 2002.

Signed in accordance with a resolution of the Directors:

....	....
Brian B Wilkie *Director*	*Leon C Offenhauser* *Director*

Independent audit report to the members of Australian Property Systems Limited

Scope

We have audited the financial report of Australian Property Systems Limited ("the Company") for the financial period ended 30 June 2002 consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 26, and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Australian Property Systems Limited is in accordance with:

(a) 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 2002 and of their performance for the period ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

S Crane
Partner

Brisbane

2002