

Australian Property Systems Limited

ACN: 096 925 610

Financial Report

For the year ended 30 June 2004



Contents

Directors' report	2
Statements of financial performance	11
Statements of financial position	12
Statements of cash flows	13
Notes to the financial statements	14
Directors' declaration	42
Independent audit report to the members	43

Australian Property Systems Limited
ACN: 096 925 610

Company information

Directors at the date of this report

Ross Noye (Chairman)
Geoffrey S Jamieson
Brian B Wilkie

Bankers:

Westpac Banking Corporation
260 Queen Street, Brisbane Qld 4000

Auditors:

KPMG
345 Queen Street, Brisbane Qld 4000

Management:

Geoffrey S Jamieson
Managing Director and Company Secretary

Brian B Wilkie
Executive Director – Training and Business Development

Arthur Gerbanas
Executive Director – Asset Management

Registered office:

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

Stock Exchange:

The Company is listed on the Newcastle Stock Exchange.

Other information:

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 financial report of Australian Property Systems Limited ("the Company" or "APSL") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004 and the auditor's report thereon.

Directors

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

Ross Noye

Chairman

Age: 46

Mr Noye has over 19 years experience in finance and investment markets and the development, marketing and distribution of financial and investment products and services. He serves on the Queensland Regional Council and the National Advisory Committee for the Securities Institute of Australia (SIA), and is a member of the Securities and Derivatives Institute of Australia (SDIA).

Director since 29 March 2004.

Geoffrey Stuart Jamieson

Managing Director

Age: 53

Mr Jamieson is a member of the Financial Planning Association of Australia and a Foundation Member of the Australian Institute of Company Directors. Mr Jamieson has many years experience in Managing Director roles with public companies. He has expertise in Investment Banking, Investment Advisory and has been involved in the property and building industry for over 30 years.

Director since 1 June 2001.

Brian Bernard Wilkie

Executive Director – Training and Business Development

Age: 61

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 patented development management 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: 46

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.

Director since 16 July 2002. Resigned 26 August 2004

Australian Property Systems Limited
ACN: 096 925 610

Directors' report (cont'd)

Leon Craig Offenhauser
Non Executive Director

Age: 53

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.

Director since 28 June 2002. Resigned 12 January 2004.

Gregory Alexander Caird
Executive Director – Product Management

Age: 51

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 properties using the Company's proprietary property development system.

Director since 29 June 2001. Resigned 1 July 2003.

David Sterling Tucker
Executive Director – Concept and Planning

Age: 45

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. Resigned 8 September 2003.

Robert Allan Tuckey
Non Executive Director

Age: 60

Mr Tuckey is a fellow of the Institute Chartered Accountants in Australia and the Society of CPA's. He is a former senior partner at a national firm of Chartered Accountants and has over 35 years experience in business and the accounting profession specialising in the corporate reconstructions and insolvency areas.

Director since 20 March 2003. Resigned 27 September 2003.

Australian Property Systems Limited
ACN: 096 925 610

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 year are:

<i>Directors</i>	<i>Board Meetings</i>	
	<i>A</i>	<i>B</i>
Mr G S Jamieson	6	6
Mr B B Wilkie	6	6
Mr A Gerbanas	6	6
Mr R Noye	3	3
Mr C Offenhauser	3	3
Mr G Caird	0	0
Mr D Tucker	0	0
Mr R Tuckey	0	0

A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the period.

There are no sub-committees of the Board of Directors (refer Corporate Governance).

Principal activities

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

The consolidated entity holds the international rights to a patented property management system ("the System") that significantly reduces the risks associated with strata title property development.

The System allows the consolidated entity to act as a Development Manager without the conflicts of interest that are found in the property development industry. The consolidated entity does not purchase or own land, is not a property developer and does not market any property. The consolidated entity is a service organisation that earns income from the implementation of the System on behalf of land owners. As a result of numerous strategic planning meetings the consolidated entity is now intending on confining its principal activities to those associated with licensing its System to other organisations and training those organisations on how to implement the system therefore allowing the consolidated entity to focus on growing the business of licensing and training. For more information go to the Company website at <http://www.apsl.biz>

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

Review and results of operations

The Company has continued to make a substantial investment in developing the technology platforms and writing the procedure manuals that are required to bring scale to the APSL system, particularly in developing the licensing platform for the system and it is intended to continue making a substantial investment in licensing and training in the future to expand the licensing network. The Directors report a consolidated operating loss of (\$533,780) pre tax and a loss of (\$606,812) after tax (2003:\$1,537,138 loss). This loss was brought about as a result of trading losses and the write off of goodwill associated with a controlled entity, Libertas Securities Limited of (\$1,017,500).

Australian Property Systems Limited
ACN: 096 925 610

Directors' report (cont'd)

Review and results of operations (cont'd)

Included in this year's result is an amount of \$522,382 being amortisation of licences. This amortisation commenced on 1 July 2002 and will continue for 20 years in accordance with accounting policies. As a result of the Directors decision to write down the carrying value of the intellectual property to \$2,378,999 at 30 June 2004 (2003: \$9,987,499) future amortisation will be reduced accordingly. The introduction and adoption of International Accounting Standards will necessitate a total write off of this carrying value in accordance with those standards.

During the year the company realised on some project success fees and has new projects that have been signed as Development Management agreements that will realise success fees in the next financial year subject to completion of settlement.

APSL became entitled to a share of the settlement profits related to the sale of a development site by one of its clients. Under the terms of the development management agreement, APSL received an amount of approximately \$1.8 million on 30 December 2003, being its contractual share of value added to the site.

Dividends

No dividends have been paid or declared by the Company to members since the end of the previous financial year.

State of affairs

As mentioned above, the Directors decided to write down the carrying value of the intellectual property to \$2,378,999. This decision was based on the refocusing of the consolidated entity on growing the business of licensing and training. The carrying value of the intellectual property was therefore based on contracted future cashflows of the licensing agreements discounted using an appropriate risk rate.

The write down of \$7,034,785 was recorded against the Asset Revaluation Reserve.

Licensing agreement- Nu West Property Systems Pty Limited

On 23 September 2003, APSL entered into an agreement with Nu West Property Systems Pty Ltd ("Nu West" or the "Master Licensee") in accordance with the terms below:

The territories

1. Western Australia, South Australia and the Northern Territory; and
2. 10 countries in South East Asia.

The master licence fees are

- Territory 1 - \$20 million
- Territory 2 - \$25 million
- Total Master Licence fees payable - \$45 million

Variations:

On the 15 March 2004 and 11 June 2004 two deeds of variation were entered into between Nu West and APSL varying the terms of the license to the following:

The territories

1. Western Australia and the Northern Territory;
2. Option to take up further territories by June 2005

Australian Property Systems Limited
ACN: 096 925 610

Directors' report (cont'd)

Licensing agreement- Nu West Property Systems Pty Limited (cont'd)

The master licence fees are

- Territory 1 - \$10 million
- Territory 2 – option to take up 4 countries

The above master licence fees are payable in the following manner (these figures exclude GST):

	\$
1. On signing the agreement	90,910 (received)
2. Upon the execution of the master licence agreement	109,090 (received)
3. 10 working days thereafter 2 above	300,000 (received)
4. On signing of variation 15 March 2004	\$250,000 (received)
5. On signing of variation 11 June 2004	\$250,000 (received)
6. 9 equal payments of \$1 million each calendar year thereafter	<u>9,000,000</u>
Total Master Licence Fee for Territory 1:	<u>10,000,000</u>

Ongoing Master Licence Royalty

- 20% of all gross revenues received by the Master Licensee excluding sub licence fees and the sale of master licences by the Master Licensee
- 50% of all sub-licence fees sold
- 50% of all master licence fees assigned or sold

Term of Formal Master Licence

- 10 years from date of signing
- a further 10 years on the payment of \$1 million

Libertas Securities Limited (“Libertas”)

On the 15 June 2004 Lawfund, APSL and Libertas (a controlled entity of APSL) entered into a deed of agreement which was terminated by Lawfund some 2 weeks later. Pursuant to the Deed, Lawfund provided equity funding to Libertas of \$191,804. As a result, Lawfund held approximately 9% of the issued share capital of Libertas at 30 June 2004.

Lodgement of patents

During the financial year international patents have been lodged in relation to the property management system licensed from Australian Property Systems (No 1) Pty Ltd in the following international jurisdictions:

- United States of America
- Canada
- China
- India
- Singapore
- Philippines
- Sri Lanka
- Vietnam
- Mexico
- Indonesia
- New Zealand
- South Africa
- Japan
- Norway
- Europe
- South Korea
- Russia
- Croatia
- Poland
- United Arab Emirates
- Malaysia
- Hong Kong

Australian Property Systems Limited
ACN: 096 925 610

Directors' report (cont'd)

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 the 20 August 2004 APSL entered into a Strategic Alliance with Property Investment Research (PIR) one of Australia's leading independent research and rating agencies. The Alliance agreement provides for protection of each parties intellectual property and gives exclusivity to PIR's research and rating process of APSL products in Australia.

On the 18 October 2004 all of the staff and all of the Authorised Representatives of Libertas Securities Limited were transferred to Great Pacific Securities Pty Ltd on the basis that Great Pacific would continue to support the APSL product. This has achieved two things for APSL, a reduction in overhead of \$50,000 per month and a Dealership arrangement with Great Pacific similar to what it had with Libertas.

As a result of the strategy to become only a licensing and training company (which was the direction adopted by the Board from numerous strategic planning meetings), APSL has been substantially reducing staff numbers down to a small dynamic team able to take the Company forward in licensing its system to outside Development Managers wishing to take advantage of the APSL System.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year 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 Licensing and Training and increasing profitability and market share during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this financial report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Remuneration policies

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages include a mix of fixed remuneration and performance based remuneration.

Recommendations for employee remuneration are made by Divisional Managers for the joint consideration of the Board of the Company. Senior executive appointments and remuneration of non-executive Directors are approved by the Board.

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the consolidated entity's and each relevant segment's result exceeding, on sliding scale, by between 1% - 5% of before tax profit.

Senior executives can receive additional benefits as non-cash benefits, however no use of these benefits have occurred during the period.

Non-executive directors do not receive bonuses nor are they issued options on securities.

Australian Property Systems Limited
ACN: 096 925 610

Directors' report (cont'd)

Directors and senior executives remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest remuneration are:

	Base emolument	Super contributions	Total
	\$	\$	\$
<i>Director</i>			
<i>Non-executive</i>			
Mr R Noye	0	0	0
Mr C Offenhauser	17,000	0	17,000
Mr R Tuckey	6,250	0	6,250
<i>Executive</i>			
Mr G S Jamieson	190,000	0	190,000
Mr B B Wilkie	60,000	0	60,000
Mr A Gerbanas	190,000	0	190,000
Mr G Caird	0	0	0
Mr D Tucker	16,500	0	16,500
<i>Executive Officers (excluding directors)</i>			
<i>Consolidated</i>			
Mr A P M Kay (Director of subsidiary)	192,346	0	192,346
Ms J D McKinnon (Director of subsidiary)	62,019	0	62,019
Mr M G Candy (Director of subsidiary)	150,723	0	150,723
Mr S Andjelkovic (Company Secretary – resigned 1 April 2004)	42,175	0	42,175

There are no other executive officers of the company or consolidated entity.

Directors' interests

The relevant interest of each director in the shares issued by the companies within the consolidated entity and other related body corporates at the date of this report is as follows:

Australian Property Systems Limited	
Ordinary shares	
Mr G S Jamieson	8,644,961
Mr B B Wilkie	5,815,397
Mr A Gerbanas	450,000
Mr C Offenhauser	2,200,000
Mr G Caird	2,719,000
Mr D Tucker	400,000
Mr R Tuckey	50,000
Mr R Noye	100,000

Australian Property Systems Limited
ACN: 096 925 610

Directors' report (cont'd)

Unissued shares under option

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 which can be issued and exercised at any time within 5 years of their issue date at \$0.50 per share subject to the Company meeting certain milestones associated with the development of an Asset Management process and the lodging of a provisional patent to protect the process. As at the date of this report, no options have been issued to the company associated with Messrs Gerbanas and Jamieson.

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 entities, 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

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.

Australian Property Systems Limited
ACN: 096 925 610

Statements of financial performance
for the year ended 30 June 2004

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from rendering of services	3	3,999,425	2,302,752	3,939,412	2,163,002
Other revenues from ordinary activities	3	39,929	22,489	36,629	21,012
Total revenue from ordinary activities	3	4,039,354	2,325,241	3,976,041	2,184,014
Expenses from ordinary activities:					
Research and estimating expenses		(0)	(16,269)	(0)	(16,269)
Project management expenses		(20,328)	(11,576)	(20,328)	(11,576)
Systems and titles expenses		(38,500)	(71,400)	(38,500)	(71,400)
Sales and marketing expenses		(20,000)	(207,785)	(20,000)	(207,785)
Concept and planning expenses		(82,303)	(62,053)	(82,303)	(62,053)
Administrative expenses		(2,474,645)	(2,737,787)	(1,664,161)	(2,081,801)
Borrowing costs	4 (b)	(10,966)	(12,258)	(10,966)	(11,206)
Licensing expenses		(522,382)	(526,049)	(522,382)	(522,382)
Other expenses from ordinary activities		(386,510)	(214,155)	(386,510)	(187,572)
Write off of carrying value of investment	4(a)	0	0	(1,901,300)	0
Write off of carrying value of goodwill	4(a)	(1,017,500)	0	0	0
Profit/(loss) from ordinary activities before related income tax expense		(533,780)	(1,534,091)	(670,409)	(988,030)
Income tax expense relating to ordinary activities	6(a)	(73,032)	(3,047)	(73,032)	(3,047)
Net (loss)/profit		(606,812)	(1,537,138)	(743,441)	(991,077)
Net loss attributable to outside equity interests	22	6,425	0	0	0
Net profit attributable to members of the parent entity	20	(600,387)	(1,537,138)	(743,441)	(991,077)
Basic (losses)/earnings per share:					
Ordinary shares	7	\$(0.024)	\$(0.063)		
Diluted (losses)/earnings per share:					
Ordinary shares	7	\$(0.024)	\$(0.063)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 14 to 41.

Australian Property Systems Limited
ACN: 096 925 610

Statements of financial position
as at 30 June 2004

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current assets					
Cash assets	9	1,349,477	192,774	1,238,166	108,025
Receivables	10	407,247	653,950	380,849	509,231
Other	11	13,361	17,695	0	5,444
Total current assets		1,770,085	864,419	1,619,015	622,700
Non-current assets					
Receivables	10	12,676	10,740	10,739	14,116
Other financial assets	12	26,125	0	55,000	1,520,000
Plant and equipment	13	120,152	156,923	113,916	144,810
Intangible assets	14	2,378,999	11,059,999	2,378,999	9,936,166
Deferred tax assets	6(d)	19,515	0	19,515	0
Total non-current assets		2,557,467	11,227,662	2,578,169	11,615,092
Total assets		4,327,552	12,092,081	4,197,184	12,237,792
Current liabilities					
Payables	15	573,428	901,784	249,249	552,163
Current tax liabilities	6(b)	92,547	0	92,547	0
Provisions	16	59,148	183,558	35,331	132,829
Interest bearing liabilities	24	15,712	7,972	15,712	7,972
Other	17	0	182,315	0	182,315
Total current liabilities		740,835	1,275,629	392,839	875,279
Non-current liabilities					
Interest bearing liabilities	24	31,262	55,204	31,262	55,204
Deferred tax liabilities	6(c)	0	0	0	0
Other	17	0	26,000	0	26,000
Total non-current liabilities		31,262	81,204	31,262	81,204
Total liabilities		772,097	1,356,833	424,101	956,483
Net assets		3,555,455	10,735,248	3,773,083	11,281,309
Equity					
Contributed equity	18	2,082,740	1,812,740	2,082,740	1,812,740
Reserves	19	3,389,475	10,424,260	3,389,475	10,424,260
Outside equity interest	22	185,379	0	0	0
(Accumulated losses)/retained profits	20	(2,102,139)	(1,501,752)	(1,699,132)	(955,691)
Total equity		3,555,455	10,735,248	3,773,083	11,281,309

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 14 to 41.

Australian Property Systems Limited
ACN: 096 925 610

Statements of cash flows
for the year ended 30 June 2004

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of					
Operations		4,282,745	2,070,543	4,106,348	2,022,677
Cash payments in the course of					
Operations		(3,331,316)	(2,449,716)	(2,460,032)	(2,132,806)
Income tax paid	6(b)	(0)	(101,613)	(0)	(101,613)
Interest received		39,929	8,603	36,629	8,302
Interest paid		(10,966)	(12,258)	(10,966)	(11,206)
Net cash provided by/(used in) operating activities	26(ii)	980,392	(484,441)	1,671,979	(214,646)
Cash flows from investing activities					
Payments for plant and equipment		(22,298)	(41,901)	(22,298)	(29,121)
Payments for intangibles		0	(13,189)	0	(13,189)
Loan to other entities		(200,000)	0	(200,000)	0
Payments for purchases of investments		(26,125)	0	(436,300)	(365,000)
Net cash used in investing activities		(248,423)	(55,090)	(658,598)	(407,310)
Cash flows from financing activities					
Proceeds from issue of shares		270,000	500,000	270,000	500,000
Finance lease payments		(16,202)	(16,605)	(16,202)	(15,553)
Loans to related parties		(20,868)	0	(137,038)	(3,376)
Dividends paid		0	0	0	0
Proceeds on sale of interest in controlled entity		191,804	0	0	0
Net cash provided by/(used in) financing activities		424,734	483,395	116,760	481,071
Net increase/(decrease) in cash held		1,156,703	(56,136)	1,130,141	(140,885)
Cash at the beginning of the financial year		192,774	248,910	108,025	248,910
Cash at the end of the financial year	26(i)	1,349,477	192,774	1,238,166	108,025

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 41.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

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.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous reporting period.

(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.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(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 other current liabilities in the statement of financial position.

In the event that a landowner sells the site of a property development prior to the completion of a development management contract, the Company is entitled to 22.5% of any profit on disposal of the site. Such revenue is recognised upon receipt.

Upon settlement of a contract, the Company receives a net settlement fee and can also receive a profit share if more than 70% of the lots in the property development have been sold prior to settlement. Such revenue is recognised at the time of receipt.

Interest revenue

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

Notes to the financial statements
for the year ended 30 June 2004

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.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising the Australian wholly-owned subsidiaries set out in Note 25. The implementation date for the tax-consolidated group is 1 July 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases: and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a “stand-alone basis” so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries.

The contributions are payable as set out in the agreement and reflect the timing of the head entity’s obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(f) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(g) 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.

(h) Technology licences

A related 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.

The technology licences associated with the System are measured at fair value.

(i) Receivables

Trade debtors

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

(j) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Refer to note 1(m).

(k) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(l) 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.

(m) 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.

(n) Revaluations of non-current assets

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Revaluation increments are recognised in the asset revaluation reserve on a class of assets basis, except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense. Potential capital gains tax is only taken into account if the asset is held for sale.

(o) Depreciation and amortisation

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives taking into account estimated residual values, except for finance lease assets. 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.

Finance lease assets are amortised over the term of the relevant lease or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(o) Depreciation and amortisation (cont'd)

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

<i>Plant and equipment</i>	2004	2003
■ Office furniture and equipment	7.5% - 20%	7.5% - 20%
■ Computer software	33.3% - 50%	33.3% - 50%
■ Leased assets – plant and equipment	25%	25%
<i>Intangibles</i>		
■ Technology licences	20 years	20 years
■ Goodwill	20 years	20 years

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. Depreciation and amortisation are expensed.

(p) 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.

(q) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Superannuation plan

The Company and other controlled entities contribute to a defined contribution superannuation plan. Contributions are recognised as an expense as they are made. Further information is set out in Note 27.

(r) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount regardless of the extent to which they will be paid in cash.

2 Changes in accounting policy

There were no changes in accounting policy during the year ended 30 June 2004.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
3. Revenue from ordinary activities				
Revenue from rendering of services	3,999,425	2,302,752	3,939,412	2,163,002
<i>Other revenues from operating activities</i>				
Interest: Other parties	39,929	9,042	36,629	8,302
Rental income	0	4,143	0	4,143
Sundry income	0	9,304	0	8,567
Total other revenues	39,929	22,489	36,629	21,012
Total revenue from ordinary activities	4,039,354	2,325,241	3,976,041	2,184,014
4. (Loss)/profit from ordinary activities before income tax expense				
<i>(a) Individually significant expenses included in profit from ordinary activities before income tax expense</i>				
Write down of investments in controlled entities to recoverable amount	0	0	1,901,300	0
Write off of goodwill	1,017,500	0	0	0
<i>(b) (Loss)/profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:</i>				
Depreciation of:				
- office furniture and equipment	29,463	18,533	23,586	16,949
- computer software	10,771	6,027	10,771	6,027
	40,234	24,560	34,357	22,976
Amortisation of:				
- technology licences	522,382	526,049	522,382	522,382
- goodwill	55,000	27,500	0	0
- leased plant and equipment	17,301	17,301	17,301	17,301
	594,683	570,850	539,683	539,683
Total depreciation and amortisation	634,917	595,410	574,040	562,659
Borrowing costs:				
- Finance charges on capitalised leases	10,966	12,258	10,966	11,206
Operating lease rental expense				
- minimum lease payments	5,866	15,267	5,866	15,267
Loss on disposal of furniture and equipment	1,534	9,150	1,534	9,150

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
5. Auditors' remuneration				
Audit services				
- audit of financial reports	52,000	29,500	32,500	21,000
Other services				
- other assurance services	5,000	3,950	0	950
6. Taxation				
<i>(a) Income tax expense</i>				
Prima facie income tax (benefit)/expense calculated at 30% on the profit/(loss) from ordinary activities	(160,134)	(460,227)	(201,123)	(296,409)
Increase/(decrease) in income tax expense due to:				
Prior year overprovision	0	(1,363)	0	(1,363)
Non-deductible expenditure	522,644	166,065	414,964	156,714
Deductible capital expenditure	(54,000)	0	0	0
	308,510	(295,525)	213,841	(141,058)
Less tax effect of income tax losses not brought to account	235,458	298,572	140,809	144,105
Income tax expense attributable to profit/(loss) from ordinary activities	73,032	(3,047)	73,032	(3,047)
<i>(b) Current tax liabilities</i>				
<i>Provision for current income tax</i>				
Movements during the period:				
Balance at beginning of period	0	102,976	0	102,976
Income tax paid	0	(101,613)	0	(101,613)
Prior year overprovision	0	(1,363)	0	(1,363)
Current period's income tax expense on operating profit	92,547	0	92,547	0
Balance at end of period	92,547	0	92,547	0

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
6. Taxation (cont'd)				
<i>(c) Deferred tax assets</i>				
<i>Future income tax benefit</i>				
Future income tax benefits comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Provisions and accrued employee benefits not currently deductible	17,744	0	10,599	0
Other	1,771	0	8,916	0
	19,515	0	19,515	0
	19,515	0	19,515	0

Future income tax benefit not taken into account

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

Tax losses carried forward	0	298,572	0	144,105
Timing differences	0	18,527	0	11,256
	0	317,100	0	155,361
	0	317,100	0	155,361

The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated	
	2004	2003
	\$	\$
7. Earnings/(losses) per share		
Basic and diluted earnings/(losses)	(600,387)	(1,537,138)
	2004	2003
	Number	Number
Weighted average number of ordinary shares used as the denominator:		
Number for basic earnings/(losses) per share	25,014,000	24,474,000
Ordinary shares		
Number for diluted earnings/(losses) per share	25,014,000	24,474,000
Ordinary shares		

8. Segment information

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. All items are able to be reasonably allocated to a particular segment, and accordingly there are no unallocated items.

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

- Property development management – the provision of property development management services, and
- Wealth creation – the provision of wealth creation services.

Geographic segments

The consolidated entity operates solely within Australia.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

8. Segment information (cont'd)

Primary reporting Business segments	Property Development Management		Wealth Management		Consolidated	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Revenue						
Segment revenue	3,976,581	2,189,545	62,773	135,696	4,039,354	2,325,241
Total revenue					4,039,354	2,325,241
Results						
Segment result	113,474	(1,196,569)	(647,254)	(337,522)	(533,780)	(1,534,091)
Profit/(loss) from ordinary activities before income tax					(533,780)	(1,534,091)
Income tax expense					(73,032)	(3,047)
Net profit/(loss)					(606,812)	(1,537,138)
Depreciation and amortisation	(629,040)	(593,825)	(5,877)	(1,585)	(634,917)	(595,410)
Individually significant items						
Write off of goodwill	1,017,500	0	0	0	1,017,500	0
Assets						
Segment assets	4,128,744	11,858,710	198,808	233,371	4,327,552	12,092,081
Consolidated total assets					4,327,552	12,092,081
Liabilities						
Segment liabilities	583,121	1,150,940	188,976	205,893	772,097	1,356,833
Consolidated total liabilities					772,097	1,356,833
Acquisitions of non-current assets	22,298	34,520	0	8,298	22,298	42,818

Consolidated

The Company

2004 **2003** **2004** **2003**
\$ **\$** **\$** **\$**

9. Cash assets

Cash at bank	1,308,365	128,399	1,197,054	68,650
Term deposits	41,112	64,375	41,112	39,375
	1,349,477	192,774	1,238,166	108,025

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
10. Receivables				
Current				
Trade debtors	176,355	639,594	167,555	519,594
Less provision for doubtful trade debtors	(9,331)	(12,116)	(9,331)	(12,116)
	167,024	627,478	158,224	507,478
Other debtors	240,223	26,472	222,625	1,753
	407,247	653,950	380,849	509,231
Non-current				
Loan to related party	12,676	10,740	10,739	14,116
11. Other current assets				
Prepayments	13,361	17,695	0	5,444
12. Other financial assets				
Interest bearing deposit	26,125	0	0	0
Investment in controlled entities, at cost	0	0	55,000	1,520,000
	26,125	0	55,000	1,520,000
13. Plant and equipment				
Office furniture and equipment				
At cost	107,950	96,075	94,253	82,377
Accumulated depreciation	(55,146)	(25,683)	(47,685)	(24,098)
	52,804	70,392	46,568	58,279
Computer software				
At cost	52,414	43,525	52,414	43,525
Accumulated depreciation	(18,227)	(7,456)	(18,227)	(7,456)
	34,187	36,069	34,187	36,069
Leased plant and equipment				
At cost	69,205	69,205	69,205	69,205
Accumulated amortisation	(36,044)	(18,743)	(36,044)	(18,743)
	33,161	50,462	33,161	50,462
Total plant and equipment - net book value	120,152	156,923	113,916	144,810
<i>Reconciliations</i>				
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
Office furniture and equipment				
Carrying amount at beginning of period	70,392	60,832	58,279	60,832
Additions	12,325	35,743	12,325	22,046
Disposals	(450)	(7,650)	(450)	(7,650)
Depreciation	(29,463)	(18,533)	(23,586)	(16,949)
Carrying amount at end of period	52,804	70,392	46,568	58,279

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
13. Plant and equipment (cont'd)				
<i>Computer software</i>				
Carrying amount at beginning of period	36,069	36,521	36,069	36,521
Additions	9,973	7,075	9,973	7,075
Disposals	(1,084)	(1,500)	(1,084)	(1,500)
Depreciation	(10,771)	(6,027)	(10,771)	(6,027)
Carrying amount at end of period	34,187	36,069	34,187	36,069
<i>Leased plant and equipment</i>				
Carrying amount at beginning of period	50,462	67,763	50,462	67,763
Additions	0	0	0	0
Amortisation	(17,301)	(17,301)	(17,301)	(17,301)
Carrying amount at end of period	33,161	50,462	33,161	50,462
14. Intangible assets				
<i>Technology licences</i>				
At directors' valuation	2,378,999	9,987,499	2,378,999	9,936,166
<i>Goodwill</i>				
At cost	0	1,100,000	0	0
Accumulated amortisation	0	(27,500)	0	0
	0	1,072,500	0	0
	2,378,999	11,059,999	2,378,999	9,936,166

Technology licences

Technology licenses are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay.

During the course of the financial year, the Directors determined that the consolidated entity would change its focus to that of licensing its patented property management system (the 'System') and training those licensed organisations in the implementation of the System. As a result, the current year's valuation of technology licences was determined by Directors taking into account contracted future cash flows from licensing the System, discounted using an appropriate risk rate. This resulted in a write down of \$7,034,785 being recorded in the Asset Revaluation Reserve (refer Note 19).

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

14. Intangible assets (cont'd)

The valuation in the prior year was determined by the Directors based on discounted future cash flows anticipated from the successful implementation of the System.

Goodwill

The goodwill recognized by the consolidated entity related to the acquisition of Libertas Securities Limited on 6 January 2003. On 18 October 2004 all of the staff and all of the Authorised Representatives of Libertas Securities Limited were transferred to Great Pacific Securities Pty Ltd, a company unrelated to the consolidated entity, as part of the reorganisation of the consolidated entity's operations. Accordingly, the Directors decided to write off the carrying value of goodwill.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
15. Payables				
Trade creditors	78,740	329,086	56,540	201,162
Other creditors and accruals	494,688	572,698	192,709	351,001
	<u>573,428</u>	<u>901,784</u>	<u>249,249</u>	<u>552,163</u>
16. Provisions				
Employee entitlements	59,148	183,558	35,331	132,829
17. Other liabilities				
Current				
Deferred income	0	182,315	0	182,315
Non-current				
Other creditor	0	26,000	0	26,000

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
18. Contributed equity				
<i>Issued and paid-up capital</i>				
25,014,000 (2003: 24,474,000)				
ordinary shares, fully paid	2,082,740	1,812,740	2,082,740	1,812,740
Ordinary shares				
<i>Movements during the year</i>				
Balance at beginning of year				
24,474,000 (2003: 21,274,000) Shares	1,812,740	212,740	1,812,740	212,740
<i>Shares issued</i>				
<ul style="list-style-type: none"> Nil (2003: 2,200,000) for consideration for the acquisition of Libertas Securities Limited 	0	1,100,000	0	1,100,000
<ul style="list-style-type: none"> 540,000 (2003: 1,000,000) for cash to raise working capital 	270,000	500,000	270,000	500,000
Balance at end of year	2,082,740	1,812,740	2,082,740	1,812,740

Terms and 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		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
19. Reserves				
Asset revaluation	3,389,475	10,424,260	3,389,475	10,424,260
<i>Movements during the period</i>				
Balance at beginning of year	10,424,260	10,424,260	10,424,260	10,424,260
Revaluation of intangibles (refer Note 14)	(7,034,785)	0	(7,034,785)	0
Balance at end of year	3,389,475	10,424,260	3,389,475	10,424,260

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

19. Reserves (cont'd)

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'.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
20. (Accumulated losses)/retained profits				
(Accumulated losses)/retained profits at beginning of year	(1,501,752)	35,386	(955,691)	35,386
Net (loss)/profit attributable to members of the parent entity	(600,387)	(1,537,138)	(743,441)	(991,077)
Dividends	0	0	0	0
(Accumulated losses)/retained profits at end of year	(2,102,139)	(1,501,752)	(1,699,132)	(955,691)

21. Dividends

No dividends were paid by the Company during the year. (2003: Nil)

	The Company	
	2004	2003
	\$	\$
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	195,523	102,976

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

- (a) franking credits that will arise from the payment of the amount of the current tax liability;
- (b) franking debits that will arise from the payment of franked dividends recognised as a liability at year 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.

	Consolidated	
	2004	2003
	\$	\$
22. Outside equity interest		
Outside equity interests in controlled entities comprise:		
Interest in loss from ordinary activities after income tax	(6,425)	0
Interest in share capital	191,804	0
Total outside equity interest	185,379	0

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

23. 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:

		Weighted average interest rate	Floating interest rate	Fixed interest maturing in:		Non- interest bearing	Total
	Note	%	\$	1 year or less	1 - 5 years	\$	\$
				\$	\$		
2004							
Financial assets							
Cash assets	9	3.83%	1,308,365	0	0	0	1,308,365
Term deposit	9	4.05%	0	41,112	0	0	41,112
Receivables	10	-	0	0	0	419,923	419,923
Other financial assets	12	5.50%	0	0	26,125	0	26,125
			1,308,365	41,112	0	419,923	1,795,525
Financial liabilities							
Payables	15	-	0	0	0	573,428	573,428
Employee entitlements	16	-	0	0	0	59,148	59,148
Lease liability	23	7.40%	0	15,712	31,262	0	46,974
			0	15,712	31,262	632,576	679,550

		Weighted average interest rate	Floating interest rate	Fixed interest maturing in:		Non- interest bearing	Total
	Note	%	\$	1 year or less	1 - 5 years	\$	\$
				\$	\$		
2003							
Financial assets							
Cash assets	9	3.00%	107,938	0	0	20,461	128,399
Term deposit	9	4.40%	0	64,375	0	0	64,375
Receivables	10	-	0	0	0	664,690	664,690
			107,938	64,375	0	685,151	857,464
Financial liabilities							
Payables	15	-	0	0	0	901,784	901,784
Employee entitlements	16	-	0	0	0	183,558	183,558
Lease liability	23	7.40%	0	7,972	55,204	0	63,176
			0	7,972	55,204	1,085,342	1,148,518

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

23. Additional financial instrument disclosure (cont'd)

(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.

(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.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
24. Commitments and contingent liabilities				
<i>Finance lease payment commitments</i>				
Finance lease commitments are payable:				
Within one year	20,181	20,181	20,181	20,181
One year or later and no later than five years	36,999	48,036	36,999	48,036
	57,180	68,217	57,180	68,217
Less: Future lease finance charges	(10,206)	(5,041)	(10,206)	(5,041)
	46,974	63,176	46,974	63,176
Lease liabilities provided for in the financial statements:				
Current	15,712	7,972	15,712	7,972
Non-current	31,262	55,204	31,262	55,204
	46,974	63,176	46,974	63,176

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.

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
24. Commitments and contingent liabilities (cont'd)				
<i>Non-cancellable operating lease commitments</i>				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	0	3,747	0	3,747
One year or later and no later than five years	0	0	0	0
	0	3,747	0	3,747
	0	3,747	0	3,747

The Company leased a property under a non-cancellable operating lease which expired during the year. The lease provided the Company with a right of renewal which was not exercised.

Non-cancellable management services agreements

A number of key senior executives are employed under non-cancellable management services agreements. The terms of these agreements are detailed in Note 28.

Executive termination benefits

Under the terms of the non-cancellable management services agreements described above, the following contingent liability exists in relation to the conditions for termination (refer also Note 28):

- \$3 million payable to Tamlin Holdings Pty Ltd (a company associated with Mr Jamieson) in the event that the agreement is terminated for any reason by APSL (other than an act of default on the part of Tamlin Holdings Pty Ltd in the performance of its duties) within the 5 year term of the agreement which commenced on 2 June 2001.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	Ordinary shares	Ordinary shares
	held (%)	held (%)

25. Controlled entities

(a) Particulars in relation to controlled entities

Name: Australian Property Systems Limited

Controlled entities

Product Services Exchange Pty Limited	100	100
Libertas Securities Limited	91	100

(b) Acquisition of controlled entity

Acquisitions of entity

During the 2003 financial year the consolidated entity purchased 100% of the voting shares of Libertas Securities Limited. Details of the acquisition are as follows:

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<i>Inflow of cash</i>				
Fair value of net assets of entity acquired	0	0	0	0
Goodwill on acquisition	0	1,100,000	0	1,100,000
Consideration (in shares)	0	1,100,000	0	1,100,000

Libertas Securities Limited (formerly Charter Pacific Securities Ltd) was acquired on 6 January 2003 and the operating results of the entity from that date have been included in consolidated operating result. The entity holds an unrestricted securities dealers licence and operates in the wealth creation industry. The purchase price was based on an independent valuation.

Subsequent to acquisition and up to 30 June 2004, \$801,300 has been invested (1,602,600 shares at \$0.50 per share), bringing the total investment in Libertas Securities Limited to 1,901,300 at 30 June 2004.

On 18 October 2004, all of the staff and Authorised Representatives of Libertas Securities Limited were transferred to Great Pacific Securities Pty Ltd as part of the reorganisation of the consolidated entity's operations. Accordingly, the directors decided to write off the carrying value of the Company's investment in Libertas Securities Limited, as it will not be recovered through the future cash flows generated by that entity.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
26. Notes to the statement of cash flows				
<i>(i) Reconciliation of cash</i>				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits. 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:				
Cash at bank	1,308,365	128,399	1,197,054	68,650
Term deposits	41,112	64,375	41,112	39,375
	<u>1,349,477</u>	<u>192,774</u>	<u>1,238,166</u>	<u>108,025</u>
<i>(ii) Reconciliation of (loss)/profit from ordinary activities after income tax to net cash (used in)/provided by operating activities</i>				
(Loss)/profit from ordinary activities after income tax	(606,812)	(1,537,138)	(743,441)	(991,077)
Add/(less) items classified as Investing/financing:				
(Profit)/loss on sale of assets	1,534	9,150	1,534	9,150
Finance charges on capitalised leases	10,966	12,258	10,966	11,206
<i>Add/(less) non-cash items:</i>				
Depreciation/amortisation of plant and equipment	112,535	41,861	51,658	40,277
Amortisation of intangibles	522,382	553,549	522,382	522,382
Write down of investment in controlled entities to recoverable amount	0	0	1,901,300	0
Write off of goodwill	1,017,500	0	0	0
Write down of other intangibles	51,333	0	0	0
Write down of intercompany loan	0	0	119,545	0
Amounts set aside to provisions	(124,410)	178,171	(97,498)	127,442
Increase/(decrease) in income tax payable	92,547	(102,976)	92,547	(102,976)
(Increase)/decrease in deferred tax balances	(19,515)	4,411	(19,515)	4,411
Net cash (used in)/provided by operating activities before change in assets and liabilities	<u>1,058,060</u>	<u>(840,714)</u>	<u>1,839,478</u>	<u>(379,185)</u>

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
26. Notes to the statement of cash flows (cont'd)				
<i>(ii) Reconciliation of (loss)/profit from ordinary activities after income tax to net cash (used in)/provided by operating activities (cont'd)</i>				
<i>Change in assets and liabilities during the financial period:</i>				
Decrease/(increase) in receivables	465,635	(517,078)	349,254	(372,359)
Decrease/(increase) in prepayments	4,334	41,080	5,444	53,331
(Decrease)/increase in accounts payable	(365,322)	649,956	(339,882)	301,252
Increase in deferred income	(182,315)	182,315	(182,315)	182,315
Net cash (used in)/provided by operating activities	980,392	(484,441)	1,671,979	(214,646)

27. Employee benefits

Aggregate liability for employee benefits, including on-costs

Current

Employee benefits provision	59,418	183,558	35,331	132,829
<i>Number of employees</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Number of employees at year end	15	15	11	11

Superannuation plan

During the year the superannuation plan was transferred to 100F with employees voting for the transfer at a properly constituted meeting of APSL Superannuation Pty Ltd.

Employee share plan

Eligible employees of the Company are 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.

APSLSP Pty Ltd operates for the purpose of providing eligible employees of the Company with a means to participate in profits of the Company through dividend distributions. The principal activity of APSLSP Pty Ltd is to own 5% of the issued share capital of the Company and derive income through the receipt of dividends from the Company.

No shares in APSLSP Pty Ltd had yet been issued to employees at 30 June 2004.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

28. Directors' and executives disclosures

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages include a mix of fixed remuneration and performance based remuneration.

Recommendations for employee remuneration are made by Divisional Managers for the joint consideration of the Board of the Company. Senior executive appointments and remuneration of non-executive Directors are approved by the Board.

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the consolidated entity's and each relevant segment's result exceeding, on sliding scale, by between 1% - 5% of before tax profit.

Senior executives can receive additional benefits as non-cash benefits, however no use of these benefits have occurred during the period.

Non-executive directors do not receive bonuses nor are they issued options on securities.

Name	Year	Primary		Post employment	Total
		Salary & Fees \$	Bonus \$	Superannuation benefits \$	
Specified directors					
Non-executive					
Mr R Noye (Chairperson) Appointed 29.03.04	2004	0			0
Mr C Offenhauser (ex Chairperson) Resigned 12.01.04	2004	17,000			17,000
	2003	25,000			25,000
Mr R Tuckey (Director) Resigned 27.09.03	2004	6,250			6,250
	2003	6,250			6,250
Executive					
Mr G Jamieson (CEO) (Company Secretary)	2004	190,000			190,000
	2003	190,000			190,000
Mr B Wilkie (Director)	2004	60,000			60,000
	2003	60,500			60,500
Mr A Gerbanas (Director)	2004	190,000			190,000
	2003	105,439			105,439
Mr G Caird (Director) Resigned 01.07.03	2004	0			0
	2003	102,000			102,000
Mr D Tucker (Director) Resigned 08.09.03	2004	16,500			16,500
	2003	60,000		5,400	65,400
Total all specified directors	2004	479,750			479,750
	2003	549,189		5,400	554,589

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

28. Directors' and executives disclosures (cont'd)

Name	Year	Primary		Post employment	Total
		Salary & Fees \$	Bonus \$	Superannuation benefits \$	
<i>Specified executives</i>					
Mr S Andjelkovic (ex Company Sec.) Resigned 01.01.04	2004	42,175			42,175
	2003	70,000		6,300	76,300
Mr A McKay (Director Libertas Securities Limited)	2004	192,346			192,346
	2003	67,043		6,033	73,076
Ms J McKinnon (Director Libertas Securities Limited)	2004	62,019			62,019
	2003	38,772			38,772
Mr M Candy (Director Libertas Securities Limited)	2004	150,723			150,723
	2003	54,693		6,922	61,615
Total all specified executives	2004	447,263			447,263
	2003	230,508		19,255	249,763

Directors' holdings of shares

The movements during the reporting period in the number of ordinary shares of Australian Property Systems Limited held, directly, indirectly or beneficially, by each specified director and specified executives, including their personally related entities is as follows:

	Held at 1 July 2003	Purchases	Sales	Held at 30 June 2004
<i>Specified directors</i>				
Mr R Noye	0	100,000	0	100,000
Mr C Offenhauser	2,200,000	0	0	2,200,000
Mr R Tuckey	50,000	0	0	50,000
Mr G Jamieson	8,644,961	0	0	8,644,961
Mr B Wilkie	6,559,997	0	(730,600)	5,829,397
Mr A Gerbanas	450,000	0	0	450,000
Mr G Caird	2,764,000	0	(45,000)	2,719,000
Mr D Tucker	400,000	0	0	400,000

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

28. Directors' and executives disclosures (cont'd)

Directors' transactions with the Company

(i) 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, (of which G S Jamieson controls 30% of the ordinary shares and 51% of the vote by way of preference shares and of which B B Wilkie holds 30% of the ordinary shares) 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 year ended 30 June 2004 is \$60,000 (2003: \$59,400). Of this amount \$5,000 (2003: \$11,000) is payable at year end.

(ii) Other transactions

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 which can be issued and exercised 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. As at the date of this report, no options have been issued to the company associated with Messrs Gerbanas and Jamieson.

(iii) Management Services Agreements

A number of Directors perform services to the group in line with management services agreements as follows:

Tamlin Holdings Pty Ltd

On 2 June 2001, a management agreement was entered into between APSL and Tamlin Holdings Pty Ltd ("Tamlin"), a company associated with Mr Jamieson, whereby Tamlin agreed to provide management services to the Company on the following basis:

- Term of the agreement – 5 years,
- Fees – Range from \$84,000 per annum in the first year to \$650,000 per annum by year 5, the increases being subject to the Company achieving certain profit milestones,
- Annual bonus fees – a sliding scale (from 1% - 5% of before tax profit) based on the group profitability (given the group's profitability, no bonus is payable for the financial year ended 30 June 2004 (2003: nil)), and
- Termination - \$3 million payable to Tamlin, if terminated for any reason by APSL (other than an act of default on the part of Tamlin Holdings Pty Ltd in the performance of its duties) prior to year 5.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

28. Directors' and executives disclosures (cont'd)

Fees paid and/or payable by the Company in connection with this agreement have been included in Directors' remuneration above and are as follows: total paid \$174,166 (2003: \$185,251), payable \$15,834, (2003: \$4,749).

Gow Consulting Pty Ltd

Gow Consulting Pty Ltd ("Gow"), a company associated with Mr Brian Wilkie provides management services to the Company via a consultancy arrangement on normal commercial terms which is billed monthly. No written agreement exists. Fees paid and/or payable by the Company in connection with this agreement have been included in Directors' remuneration above and are as follows: total paid \$60,000 (2003: \$60,500), payable nil (2003: nil).

Gerbanas Enterprises Pty Ltd

Gerbanas Enterprises Pty Ltd ("Gerbanas"), a company associated with Mr A Gerbanas provides management services to the Company via a consultancy arrangement on normal commercial terms which is billed monthly. No written agreement exists. Fees paid and/or payable by the Company in connection with this agreement have been included in Directors' remuneration above and are as follows: total paid \$190,000 (2003: \$105,439), payable nil (2003: nil). The consultancy is scheduled to finish on 31 December 2004.

29. Non director related parties

The classes of non-director related parties are:

- Wholly owned controlled entities;
- Partly owned controlled entities;

Transactions

All transactions with non-director related parties are on normal terms and conditions. Loans to non director related entities have no repayment terms and are interest free.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
The aggregate amount of other transactions with non-directors related parties				
<i>Loan advances to:</i>				
Controlled entities	0	0	116,169	0
Other related entities	20,868	0	20,868	0
Receivables				
<i>Amounts receivable other than trade debts</i>				
Current				
Controlled entities	0	0	22,597	1,728
Other related entities	20,868	0	0	0

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

29. Non-Director related parties (cont'd)

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<i>Non current</i>				
Controlled entities	0	0	0	3,376
Other controlled entities	12,676	10,740	10,740	10,740
<i>Total amounts receivable including trade debts</i>				
Controlled entities	0	0	22,597	5,104
Other related entities	33,544	10,740	10,740	10,740
Payables				
<i>Amounts payable other than trade creditors</i>				
<i>Current</i>				
Controlled entities	0	0	26,323	65,000
<i>Total amounts payable including trade creditors</i>				
Controlled entities	0	0	26,323	65,000

30. Events subsequent to reporting date

On the 20th August APSL entered into a Strategic Alliance with Property Investment Research (PIR) one of Australia's leading independent research and rating agency. The Alliance agreement provides for protection of each parties intellectual property and gives exclusivity to PIR's research and rating process of APSL products in Australia.

On the 18 October 2004 all of the staff and all of the Authorised Representatives of Libertas Securities Limited were transferred to Great Pacific Securities Pty Ltd on the basis that Great Pacific would continue to support the APSL product. This has achieved two things for APSL, a reduction in overhead of \$50,000 per month and a Dealership arrangement with Great Pacific similar to what it had with Libertas.

As a result of the strategy to become only a licensing and training company (which was the direction adopted by the Board from numerous strategic planning meetings), APSL has been substantially reducing staff numbers down to a small dynamic team able to take the Company forward in licensing its system to outside Development Managers wishing to take advantage of the APSL System.

International Financial reporting standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This Financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

30. Events subsequent to reporting date (cont'd)

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to APSL's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years although it is expected that there will be greater volatility in reporting than under current Australian GAAP.

The Board is to establish a formal project, monitored by a steering committee, to achieve transition to IFRS reporting. The consolidated entity's implementation project will consist of three phases as described below.

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase will include:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- evaluation of the implications for staff, for example training requirements
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The consolidated entity expects to complete the assessment and planning phase by 31 December 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with IFRS requirements
- identifying potential financial impacts as at transition date and for subsequent reporting periods prior to adoption of IFRS
- developing revised IFRS disclosures
- designing accounting and business processes to support IFRS reporting obligations
- identifying and planning required changes to financial reporting and business source systems
- developing training programs for staff

Australian Property Systems Limited
ACN: 096 925 610

Notes to the financial statements
for the year ended 30 June 2004

30. Events subsequent to reporting date (cont'd)

The consolidated entity has not commenced its design phase. The design phase is expected to be completed during the 2005 financial year.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

Except for certain training that has been given to operational staff, the consolidated entity has not yet commenced the implementation phase. However, the consolidated entity expects this phase to be substantially complete by 30 June 2005.

The key implications of the conversion to IFRS on the consolidated entity are as follows:

- income tax will be calculated based on the “balance sheet” approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity
- financial instruments must be recognised in the Statement of Financial Position and most financial instruments must be carried at fair value
- intangible assets:
 - internally generated intangible assets will not be recognised;
 - intangible assets can only be revalued if there is an active market;
- impairments of assets will be determined on a discounted basis, with strict tests for determining whether cash-generating operations have been impaired
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Independent audit report to the members of Australian Property Systems Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements (notes 1 to 30), and the directors' declaration for both Australian Property Systems Limited (the "Company"), and Australian Property Systems Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 the Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year 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

2004