Australian Property Systems Limited

ACN: 096 925 610

Financial Report
for the year ended 30 June 2003

APSL
DEVELOPMENT MANAGERS

Australian Property Systems Limited
ACN: 096 925 610

Contents

Australian Property Systems Limited
ACN: 096 925 610

Company information

Directors:

Geoffrey S Jamieson
Brian B Wilkie
Arthur Gerbanas

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 Chief Executive Officer

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.

Directors' report (cont'd)

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 2003 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:

Geoffrey Stuart Jamieson
Managing Director

Age: 52

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.

Brian Bernard Wilkie
Executive Director – Training and Business Development

Age: 60

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: 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.

Appointed 16 July 2002.

Leon Craig Offenhauser
Chairman – Non Executive Director

Age: 52

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.
Resigned 12 January 2004.

Directors' report (cont'd)

Gregory Alexander Caird
Executive Director – Product Management

Age: 50

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.

Appointed 29 June 2001. Resigned 1 July 2003.

David Sterling Tucker
Executive Director – Concept and Planning

Age: 44

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: 59

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.

Appointed 20 March 2003. Resigned 27 September 2003.

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:

Directors	***Board Meetings***	
	A	***B***
Mr G S Jamieson	6	6
Mr B B Wilkie	6	6
Mr A Gerbanas	6	6
Mr L C Offenhauser	6	6
Mr G A Caird	4	6
Mr D S Tucker	5	6
Mr R A Tuckey	1	1

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).

Directors' report (cont'd)

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 Company's proprietary development management system.

The Company 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 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. 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 made a substantial investment in developing the technology platforms that will be required to bring scale to the APSL system particularly in developing the future licensing platform for the system, this expenditure and delays in projects contributed to a loss for the financial year. The Directors report a pre-tax consolidated loss for the year of $1,534,091 (2002: $312,759 profit for the 13 month period). The consolidated operating loss after income tax amounted to $1,537,138 (2002: $214,193 profit).

Included in this year's results is an amount of $526,049 being amortisation of licences. This amortisation commenced on 1 July 2002 and will continue for 20 years in accordance with accounting policies.

Due to the process involved in gaining initial acceptance of APSL's new and unique approach to managing property developments, the settlement of a number of projects expected during the financial year was delayed. Accordingly system management fees associated with these settlements did not occur during the year ended 30 June 2003 as initially expected. It is expected that these fees will be received and revenue brought to account in the 2003/04 financial year.

Given the progress made in relation to the gaining of acceptance of APSL's patented new and unique method of managing property development, these delays are not anticipated in future.

Acquisition of Libertas Securities Limited ("Libertas") wealth management business

On 6 January 2003, the Company acquired Libertas Securities Limited, a licenced securities dealer. It was APSL's intention to develop this business so as to provide an effective distribution source for completed direct property product. Refer subsequent events note below regarding subsequent agreement to dispose of 50% of APSL's ordinary shareholding interest in Libertas.

Dividends

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

State of affairs

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 own 5% of the issued share capital of the Company and derive income through the receipt of dividends from the Company. As at the date of this report, APSLSP Pty Ltd was entitled to an additional 160,000 shares at an issue price of $0.50, as a result of additional share placements made by APSL during the year. At the date of this report these shares have not been issued.

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.

The Company also issued the following shares during the year:

- 2.2 million shares for a consideration of 50 cents each (total value $1.1 million) in consideration for the acquisition of Libertas on 6 January 2003, and
- 1 million shares at a consideration of 50 cents each for working capital purposes (total value $500,000) on 6 January 2003.

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

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

Development management contract – Ultimo Project

Subsequent to 30 June 2003, 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.

Licencing 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 Licencee") in accordance with the terms below:

The territories:

1. Western Australia, South Australia and the Northern Territory, and
2. Certain 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

Directors' report (cont'd)

The above master licence fee is 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.	80 working days thereafter 2 above	4,000,000
5.	1 calendar year from payment 4 above	4,500,000
6.	8 equal payments of $4.5 million each calendar year thereafter	36,000,000
	Total Master Licence Fee for the Territories:	45,000,000

Ongoing Master Licence Royalty:

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

Master Licence Ongoing commitments

- If APSL introduce a purchaser for the master licence for Singapore for any amount over $200 million, Nu West will sell and pay APSL 50% of the relevant fees
- If APSL introduce any sub licencee in any State included in territory 1 for $10 million, Nu West will sell and pay APSL 50% of the relevant fees
- If APSL introduce any sub licencee for territory 2 for a sum to be mutually agreed, Nu West will sell and pay APSL 50% of the relevant fees
- Nu West will use best endeavours to sell as many sub licences as is practicable in each of the territories

Term of Formal Master Licence

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

Working capital finance

Subsequent to year end, the Company has raised $250,000 through the issue of 500,000 fully paid ordinary shares at $0.50 each.

Short term loan finance

On 26 September 2003, APSL entered into a loan agreement with Ms Linda Gow (a person associated with a Director, Mr Brian Wilkie) to borrow $80,000 for lodging patents in certain countries so as to protect the intellectual property within those countries (refer "lodgement of patents" below). The term of the loan is for 12 months, the loan is secured by a third party agreement to which APSL is a party and interest is payable monthly in arrears at 15% per annum.

Libertas Securities Limited ("Libertas") – Sale of 50% controlling interest to Lawfund Australia Pty Limited ("Lawfund")

On 10 October 2003, APSL and Lawfund agreed to enter into a deed of agreement whereby APSL will sell 50% of the ordinary shares it holds in Libertas to Lawfund for $825,000, to be fully financed via a loan from APSL. This loan is to be repaid to APSL as and when application monies are received from new dealer members (the dealership needs to recruit 82 advisors to fully recover the loan and recover its own investment). It is intended to have at least 150 advisors in the dealership. Lawfund has also agreed to fund 50% of Libertas' cash flow shortfall until break-even point. Lawfund has some 1200 members made up of well established legal firms, financial planning firms, real estate firms and accountancy firms, all having a large client base that can support and grow Libertas.

Lodgement of patents

During the financial year APSL was issued with an Australian international phase standard patent and since the end of 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
- Phillipines
- Sri Lanka
- Vietnam
- Mexico
- Indonesia
- New Zealand
- South Africa
- Japan
- Norway
- Europe
- South Korea
- Russia
- Croatia
- Poland
- United Arab Emerites
- Malaysia

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 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 Board of the Company. Senior executive appointments and remuneration of non-executive Directors are approved by the Board.

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

	Base emolument	**Super contributions**	**Total**
	$	**$**	**$**
Director			
Non-executive			
Mr L C Offenhauser	25,000	0	25,000
Mr R A Tuckey	6,250	0	6,250
Executive			
Mr G A Caird	102,000	0	102,000
Mr G S Jamieson	193,272	0	193,272
Mr D S Tucker	60,000	5,400	65,400
Mr B B Wilkie	60,500	0	60,500
Mr A Gerbanas	105,439	0	105,439
Executive Officers (excluding directors)			
The Company			
Mr S Andjelkovic	70,000	6,300	76,300
Consolidated			
Mr A P M Kay	67,043	6,033	73,076
Ms J D McKinnon	38,772	0	38,772
Mr M G Candy	54,693	4,922	59,615

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	6,559,997
Mr A Gerbanas	450,000

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.

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 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.

Board committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Directors' report (cont'd)

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 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 adopted a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Management of conflict of interest
- 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 2004.

Signed in accordance with a resolution of the Directors.

....	....
Geoffrey S Jamieson	*Brian B Wilkie*
Director	*Director*

Australian Property Systems Limited
ACN: 096 925 610

Statements of financial performance
for the year ended 30 June 2003

	Note	Consolidated		The Company	
		Year ended 30 June 2003 $	**Period ended 30 June 2002 $**	**Year ended 30 June 2003 $**	**Period ended 30 June 2002 $**
Revenue from rendering of services	3	2,302,752	1,524,000	2,163,002	1,524,000
Other revenues from ordinary activities	3	22,489	44,272	21,012	44,272
Total revenue from ordinary activities	3	2,325,241	1,568,272	2,184,014	1,568,272
Expenses from ordinary activities:					
Research and estimating expenses		(16,269)	(62,421)	(16,269)	(62,421)
Project management expenses		(11,576)	(82,873)	(11,576)	(82,873)
Systems and titles expenses		(71,400)	(56,798)	(71,400)	(56,798)
Sales and marketing expenses		(207,785)	(268,452)	(207,785)	(268,452)
Concept and planning expenses		(62,053)	(53,924)	(62,053)	(53,924)
Administrative expenses		(2,737,787)	(691,651)	(2,081,801)	(691,651)
Borrowing costs	4	(12,258)	(742)	(11,206)	(742)
Licencing expenses		(526,049)	0	(522,382)	0
Other expenses from ordinary activities		(214,155)	(38,652)	(187,572)	(38,652)
(Loss)/profit from ordinary activities before related income tax expense		(1,534,091)	312,759	(988,030)	312,759
Income tax expense relating to ordinary activities	6(a)	(3,047)	(98,566)	(3,047)	(98,566)
Net (loss)/profit	20	(1,537,138)	214,193	(991,077)	214,193
Basic (losses)/earnings per share:					
Ordinary shares	7	$(0.063)	$0.011		
Diluted (losses)/earnings per share:					
Ordinary shares	7	$(0.063)	$0.011		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 14 to 40.

Australian Property Systems Limited
ACN: 096 925 610

Statements of financial position
as at 30 June 2003

	Note	Consolidated		The Company	
		30 June 2003	30 June 2002	30 June 2003	30 June 2002
		$	$	$	$
Current assets					
Cash assets	9	192,774	248,910	108,025	248,910
Receivables	10	653,950	148,988	509,231	148,988
Other	11	17,695	58,775	5,444	58,775
Total current assets		864,419	456,673	622,700	456,673
Non-current assets					
Receivables	10	10,740	10,740	14,116	10,740
Other financial assets	12	0	0	1,520,000	55,000
Plant and equipment	13	156,923	165,116	144,810	165,116
Intangible assets	14	11,059,999	10,500,359	9,936,166	10,445,359
Deferred tax assets	6(d)	0	5,251	0	5,251
Total non-current assets		11,227,662	10,681,466	11,615,092	10,681,466
Total assets		12,092,081	11,138,139	12,237,792	11,138,139
Current liabilities					
Payables	15	901,784	276,911	552,163	276,911
Current tax liabilities	6(b)	0	102,976	0	102,976
Provisions	16	183,558	17,503	132,829	17,503
Interest bearing liabilities	23	7,972	10,182	7,972	10,182
Other	17	182,315	0	182,315	0
Total current liabilities		1,275,629	407,572	875,279	407,572
Non-current liabilities					
Interest bearing liabilities	23	55,204	57,341	55,204	57,341
Deferred tax liabilities	6(c)	0	840	0	840
Other	17	26,000	0	26,000	0
Total non-current liabilities		81,204	58,181	81,204	58,181
Total liabilities		1,356,833	465,753	956,483	465,753
Net assets		10,735,248	10,672,386	11,281,309	10,672,386
Equity					
Contributed equity	18	1,812,740	212,740	1,812,740	212,740
Reserves	19	10,424,260	10,424,260	10,424,260	10,424,260
(Accumulated losses)/retained profits	20	(1,501,752)	35,386	(955,691)	35,386
Total equity		10,735,248	10,672,386	11,281,309	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 14 to 40.

Australian Property Systems Limited
ACN: 096 925 610

Statements of cash flows
for the year ended 30 June 2003

	Note	Consolidated		The Company	
		Year ended 30 June 2003	Period ended 30 June 2002	Year ended 30 June 2003	Period ended 30 June 2002
		$	$	$	$
Cash flows from operating activities					
Cash receipts in the course of operations		2,070,543	1,517,467	2,022,677	1,517,467
Cash payments in the course of operations		(2,449,716)	(1,132,121)	(2,132,806)	(1,132,121)
Income tax paid	6(b)	(101,613)	0	(101,613)	0
Interest received		8,603	4,222	8,302	4,222
Interest paid		(12,258)	0	(11,206)	0
Net cash provided by/(used in) operating activities	25(ii)	(484,441)	389,568	(214,646)	389,568
Cash flows from investing activities					
Payments for plant and equipment		(41,901)	(105,932)	(29,121)	(105,932)
Payments for intangibles		(13,189)	0	(13,189)	0
Payments for purchases of investments		0	0	(365,000)	0
Net cash used in investing activities		(55,090)	(105,932)	(407,310)	(105,932)
Cash flows from financing activities					
Proceeds from issue of shares		500,000	147,000	500,000	147,000
Finance lease payments		(16,605)	(2,919)	(15,553)	(2,919)
Loans to related parties		0	0	(3,376)	0
Dividends paid		0	(178,807)	0	(178,807)
Net cash provided by/(used in) financing activities		483,395	(34,726)	481,071	(34,726)
Net increase/(decrease) in cash held		(56,136)	248,910	(140,885)	248,910
Cash at the beginning of the financial year		248,910	0	248,910	0
Cash at the end of the financial year	25(i)	192,774	248,910	108,025	248,910

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 40.

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.

Going concern

The Company and the consolidated entity have incurred a net loss for the year ended 30 June 2003 of $991,077 and $1,537,138 respectively (2002: profit of $214,193 and $214,193 respectively). The Company and the consolidated entity also have an excess of current liabilities over current assets at 30 June 2003 of $252,579 and $411,210 respectively (2002: net current assets of $49,101 and $49,101 respectively). The directors acknowledge that at 30 June 2003 these factors indicated a significant uncertainty as to whether the Company was able to continue as a going concern and therefore, whether it would realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements.

However, the directors believe that the transactions that have occurred, the agreements the company has entered into and placements that have taken place since the end of the financial year as detailed in Note 30 have provided the Company and the consolidated entity with significant cash inflows and earnings which will enable the Company and the consolidated entity to pay their debts as and when they fall due.

(b) Comparative information

The Company was registered on 25 May 2001 and accordingly the comparative information, presented in this financial report is for the period from 25 May 2001 to 30 June 2002.

(c) 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.

1 Statement of significant accounting policies (cont'd)

(d) 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.

(e) 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.

1 Statement of significant accounting policies (cont'd)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

1 Statement of significant accounting policies (cont'd)

(k) 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(n).

(l) Goodwill

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

(m) 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.

(n) 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.

(o) 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. Independent valuations are obtained at least every three years. 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.

1 Statement of significant accounting policies (cont'd)

(p) 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.

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

Plant and equipment	**2003**	**2002**
■ 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%
Intangibles		
■ Technology licences	20 years	20 years
■ Goodwill	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.

(q) 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.

(r) 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 26.

1 Statement of significant accounting policies (cont'd)

(s) 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

(a) Provisions and contingent liabilities

The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year. This change in policy had no impact on the result attributable to members of the Company.

	Consolidated		The Company	
	Year ended 30 June 2003	Period ended 30 June 2002	Year ended 30 June 2003	Period ended 30 June 2002
	$	$	$	$
3. Revenue from ordinary activities				
Revenue from rendering of services	2,302,752	1,524,000	2,163,002	1,524,000
Other revenues from operating activities				
Interest: Other parties	9,042	4,222	8,302	4,222
Rental income	4,143	3,452	4,143	3,452
Sundry income	9,304	36,598	8,567	36,598
Total other revenues	22,489	44,272	21,012	44,272
Total revenue from ordinary activities	2,325,241	1,568,272	2,184,014	1,568,272

Notes to the financial statements
for the year ended 30 June 2003

	Consolidated		The Company	
	Year ended 30 June 2003	Period ended 30 June 2002	Year ended 30 June 2003	Period ended 30 June 2002
	$	$	$	$
4. (Loss)/profit from ordinary activities before income tax expense				
(Loss)/profit from ordinary activities before income tax expense has been arrived at after charging/ (crediting) the following items:				
Depreciation of:				
- office furniture and equipment	18,533	7,150	16,949	7,150
- computer software	6,027	1,429	6,027	1,429
	24,560	8,579	22,976	8,579
Amortisation of:				
- technology licences	526,049	0	522,382	0
- goodwill	27,500	0	0	0
- leased plant and equipment	17,301	1,442	17,301	1,442
	570,850	1,442	539,683	1,442
Total depreciation and amortisation	595,410	10,021	562,659	10,021
Borrowing costs:				
- Finance charges on capitalised leases	12,258	742	11,206	742
Net expense from movements in provision for:				
- employee entitlements	166,055	17,503	115,326	17,503
Operating lease rental expense				
- minimum lease payments	15,267	11,212	15,267	11,212
Loss on disposal of furniture and equipment	9,150	0	9,150	0
5. Auditors' remuneration				
Auditors of the Company KPMG Australia				
Audit Services				
- audit of financial reports	29,500	23,208	21,000	23,208
Other services				
- other assurance services	3,950	27,905	950	27,905

	Consolidated		The Company	
	Year ended 30 June 2003	**Period ended 30 June 2002**	**Year ended 30 June 2003**	**Period ended 30 June 2002**
	$	**$**	**$**	**$**
6. Taxation				
(a) Income tax expense				
Prima facie income tax (benefit)/expense calculated at 30% on the profit/(loss) from ordinary activities	(460,227)	93,828	(296,409)	93,828
Increase/(decrease) in income tax expense due to:				
Prior year overprovision	(1,363)	0	(1,363)	0
Non-deductible expenditure	166,065	6,525	156,714	6,525
Deductible capital expenditure	0	(1,787)	0	(1,787)
	(295,525)	98,566	(141,058)	98,566
Less tax effect of income tax losses not brought to account	298,572	0	144,105	0
Income tax expense attributable to profit/(loss) from ordinary activities	3,047	98,566	3,047	98,566
(b) Current tax liabilities				
Provision for current income tax				
Movements during the period:				
Balance at beginning of period	102,976	0	102,976	0
Income tax paid	(101,613)	0	(101,613)	0
Prior year overprovision	(1,363)	0	(1,363)	0
Current period's income tax expense on operating profit	0	102,976	0	102,976
Balance at end of period	0	102,976	0	102,976
(c) Deferred tax liabilities				
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
Income currently included for accounting purposes but not yet taxable	0	840	0	840

	Consolidated		The Company	
	Year ended 30 June 2003	**Period ended 30 June 2002**	**Year ended 30 June 2003**	**Period ended 30 June 2002**
	$	**$**	**$**	**$**

6. Taxation (cont'd)

(d) Deferred tax assets

Future income tax benefit

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	0	5,251	0	5,251

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	298,572	0	144,105	0
Timing differences	18,257	0	11,256	0

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.

Notes to the financial statements for the year ended 30 June 2003

	Consolidated 2003 $	Consolidated 2002 $
7. Earnings/(losses) per share		
Basic and diluted earnings/(losses)	(1,537,138)	214,193
Weighted average number of ordinary shares used as the denominator:		
Number for basic earnings/(losses) per share		
Ordinary shares	24,474,000	19,303,459
Number for diluted earnings/(losses) per share		
Ordinary shares	24,474,000	19,303,459

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.

Primary reporting business segments	Property Development Management		Wealth Management		Consolidated	
Revenue	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Segment revenue	2,189,545	1,568,272	135,696	0	2,325,241	1,568,272
Total revenue					2,325,241	1,568,272
Segment result	(1,196,569)	312,759	(337,522)	0	(1,534,091)	312,759
Profit/(loss) from ordinary activities before income tax					(1,534,091)	312,759
Income tax expense					(3,047)	(98,566)
Net profit/(loss)					(1,537,138)	214,193
Depreciation and amortisation	(593,825)	(10,021)	(1,585)	0	(595,410)	(10,021)
Segment assets	11,858,710	11,138,139	233,371	0	12,092,081	11,138,139
Consolidated total assets					12,092,081	11,138,139
Segment liabilities	1,150,940	465,753	205,893	0	1,356,833	465,753
Consolidated total liabilities					1,356,833	465,753
Acquisitions of non-current assets	34,520	175,137	8,298	0	42,818	175,137

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
9. Cash assets				
Cash at bank	128,399	196,410	68,650	196,410
Term deposits	64,375	52,500	39,375	52,500
	192,774	248,910	108,025	248,910

The bank term deposits mature within 12 months and pay interest at a weighted average interest rate of 4.40% (2002: 4.64%) at 30 June 2003.

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
10. Receivables				
Current				
Trade debtors	639,594	148,617	519,594	148,617
Less provision for doubtful trade debtors	(12,116)	0	(12,116)	0
	627,478	148,617	507,478	148,617
Other debtors	26,472	371	1,753	371
	653,950	148,988	509,231	148,988
Non-Current				
Loan to related party	10,740	10,740	14,116	10,740
11. Other current assets				
Prepayments	17,695	58,775	5,444	58,775
12. Other financial assets				
Investment in controlled entities, at cost	0	0	1,520,000	55,000

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
13. Plant and equipment				
Office furniture and equipment				
At cost	96,075	67,982	82,377	67,982
Accumulated depreciation	(25,683)	(7,150)	(24,098)	(7,150)
	70,392	60,832	58,279	60,832
Computer software				
At cost	43,525	37,950	43,525	37,950
Accumulated depreciation	(7,456)	(1,429)	(7,456)	(1,429)
	36,069	36,521	36,069	36,521
Leased plant and equipment				
At cost	69,205	69,205	69,205	69,205
Accumulated amortisation	(18,743)	(1,442)	(18,743)	(1,442)
	50,462	67,763	50,462	67,763
Total plant and equipment - net book value	156,923	165,116	144,810	165,116

Reconciliations

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

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Office furniture and equipment				
Carrying amount at beginning of period	60,832	0	60,832	0
Additions	35,743	67,982	22,046	67,982
Disposals	(7,650)	0	(7,650)	0
Depreciation	(18,533)	(7,150)	(16,949)	(7,150)
Carrying amount at end of period	70,392	60,832	58,279	60,832
Computer software				
Carrying amount at beginning of period	36,521	0	36,521	0
Additions	7,075	37,950	7,075	37,950
Disposals	(1,500)	0	(1,500)	0
Depreciation	(6,027)	(1,429)	(6,027)	(1,429)
Carrying amount at end of period	36,069	36,521	36,069	36,521
Leased plant and equipment				
Carrying amount at beginning of period	67,763	0	67,763	0
Additions	0	69,205	0	69,205
Amortisation	(17,301)	(1,442)	(17,301)	(1,442)
Carrying amount at end of period	50,462	67,763	50,462	67,763

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
14. Intangible assets				
Technology licences				
At directors' valuation	9,987,499	10,500,359	9,936,166	10,445,359
Goodwill				
At cost	1,100,000	0	0	0
Accumulated amortisation	(27,500)	0	0	0
	1,072,500	0	0	0
	11,059,999	10,500,359	9,936,166	10,445,359

Technology licences 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. The current year's valuation was determined by directors, taking into account the prior year directors' valuation, additions and disposals during the year, amortisation of technology licences during the year and market movements.

In deriving the prior year directors' valuation, the directors 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.

On 26 May 2003 the standard patent with a term of 20 years was issued. Legal fees amounting to $13,189 incurred in lodging patents since the valuation date have been capitalised.

Capital gains tax has not been recognised in determining the revaluation to fair value. The capital gains tax payable if the assets were sold at reporting date at fair value is $3,318,000 (2002: $3,150,108); the Company $2,980,850 (2002: $3,133,608).

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
15. Payables				
Trade creditors	329,086	149,184	201,162	149,184
Other creditors and accruals	572,698	127,727	351,001	127,727
	901,784	276,911	552,163	276,911
16. Provisions				
Employee entitlements	183,558	17,503	132,829	17,503
17. Other liabilities				
Current				
Deferred income	182,315	0	182,315	0
Non-current				
Other creditor	26,000	0	26,000	0
18. Contributed equity				
Issued and paid-up capital				
24,474,000 (2002: 21,274,000) ordinary shares, fully paid	1,812,740	212,740	1,812,740	212,740

Movements in ordinary share capital

On 6 January 2003 the Company issued 2,200,000 ordinary shares at $0.50 per share as consideration for the acquisition of Libertas Securities Limited.

On 6 January 2003 the Company raised working capital by the issue of 1,000,000 ordinary shares at $0.50 per share to Boda Investments Pty Ltd.

18. Contributed equity (cont'd)

Prior year movements

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.

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

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	
	2003 $	2002 $	2003 $	2002 $
19. Reserves				
Asset revaluation	10,424,260	10,424,260	10,424,260	10,424,260
Movements during the period				
Balance at beginning of year	10,424,260	0	10,424,260	0
Revaluation of intangibles (refer Note 14)	0	10,424,260	0	10,424,260
Balance at end of year	10,424,260	10,424,260	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'.

	Consolidated		The Company	
20. (Accumulated losses)/retained profits				
(Accumulated losses)/retained profits at beginning of year	35,386	0	35,386	0
Net (loss)/profit attributable to members of the parent entity	(1,537,138)	214,193	(991,077)	214,193
Dividends	0	(178,807)	0	(178,807)
(Accumulated losses)/retained profits at end of year	(1,501,752)	35,386	(955,691)	35,386

21. Dividends

No dividends were paid by the Company during the year (2002: Total dividends paid - $178,807 ($1.157 per share fully franked and paid as follows: $1.00 per share on 1 December 2001 and $0.157 per share on 28 February 2002)).

	The Company	
	2003	**2002**
	$	**$**
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	102,976	240,277

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.

Change in measurement of dividend franking account

In accordance with the New Business Tax System (Imputation) Act 2002, the measurement basis of the dividend franking account changed on 1 July 2002 from an after-tax profits basis to an income tax paid basis.

The amount of franking credits available to shareholders disclosed as at 30 June 2003 has been measured under the new legislation and represents income tax paid amounts available to frank distributions. The balance disclosed as at 30 June 2002 has been measured under the legislation existing at 30 June 2002 and represents after-tax profits able to be distributed fully franked at the current tax rate.

The change in the basis of measurement does not change the underlying value of franking credits or tax offsets available to shareholders from the dividend franking account.

Comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the "franking credits available" balance as at 30 June 2002 would have been $102,976.

22. 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:

2003	**Note**	**Weighted average interest rate**	**Floating interest rate $**	**Fixed interest maturing in: 1 year or less $**	**Fixed interest maturing in: 1 to 5 years $**	**Non interest bearing $**	**Total $**
Financial assets							
Cash assets	9	3.00%	107,938	0	0	20,461	128,399
Term deposits	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	7.4%	0	7,972	55,204	0	63,176
			0	7,972	55,204	1,085,342	1,148,518
2002							
Financial assets							
Cash assets	9	3.00%	196,410	0	0	0	196,410
Term deposits	9	4.64%	0	0	52,500	0	52,500
Receivables	10	-	0	0	0	159,728	159,728
			196,410	0	52,500	159,728	408,638
Financial liabilities							
Payables	15	-	0	0	0	276,911	276,911
Employee entitlements	16	-	0	0	0	17,503	17,503
Lease liability	23	7.4%	0	10,182	57,341	0	67,523
			0	10,182	57,341	294,414	361,937

(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 2003, 47% (2002: 73%) of the consolidated entity's trade debtors was owed by one customer, Shell Company of Australia Ltd.

22. Additional financial instrument disclosure (cont'd)

(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	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
23. Commitments and contingent liabilities				
Finance lease payment commitments				
Finance lease commitments are payable:				
Within one year	20,181	18,347	20,181	18,347
One year or later and no later than five years	48,036	73,216	48,036	73,216
	68,217	91,563	68,217	91,563
Less: Future lease finance charges	(5,041)	(24,040)	(5,041)	(24,040)
	63,176	67,523	63,176	67,523
Lease liabilities provided for in the financial statements:				
Current	7,972	10,182	7,972	10,182
Non-current	55,204	57,341	55,204	57,341
	63,176	67,523	63,176	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 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Non-cancellable operating lease commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	3,747	14,950	3,747	14,950
One year or later and no later than five years	0	3,747	0	3,747
	3,747	18,697	3,747	18,697

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

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 29.

23. Commitments and contingent liabilities (cont'd)

Executive termination benefits

Under the terms of the non-cancellable management services agreements described above, the following contingent liabilities exist in relation to the conditions for termination (refer also Note 29):

- $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.

24. Controlled entities

(a) Particulars in relation to controlled entities

Name: Australian Property Systems Limited

	2003 Ordinary shares held (%)	2002 Ordinary shares held (%)
Controlled entities		
Product Services Exchange Pty Limited	100	100
Libertas Securities Limited	100	0

(b) Acquisition of controlled entity

During the 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	
	2003 $	2002 $	2003 $	2002 $
Inflow of cash				
Fair value of net assets of entity acquired	0	0	0	0
Goodwill on acquisition	1,100,000	0	1,100,000	0
Consideration (in shares)	1,100,000	0	1,100,000	0

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. At the date of acquisition Libertas had $30 million funds under management upon which it is entitled to earn fees revenue. Purchase price was based on an independent valuation.

Since the initial acquisition and up to 30 June 2003, a further $365,000 was invested (730,000 shares at $0.50 per share). Subsequent to 30 June 2003 and up to the date of this report, a further $294,000 was invested (588,000 shares at $0.50 per share).

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
25. 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 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	9	128,399	196,410	68,650	196,410
Term deposits	9	64,375	52,500	39,375	52,500
		192,774	248,910	108,025	248,910
(ii) Reconciliation of (loss)/profit from ordinary activities after income tax to net cash (used in)/provided by operating activities					
(Loss)/profit from ordinary activities after income tax		(1,537,138)	214,193	(991,077)	214,193
Add/(less) items classified as Investing/financing:					
(Profit)/loss on sale of assets		9,150	0	9,150	0
Finance charges on capitalised leases		12,258	0	11,206	0
Add/(less) non-cash items:					
Depreciation/amortisation of plant and equipment		41,861	(10,021)	40,277	(10,021)
Amortisation of intangibles		553,549	0	522,382	0
Amounts set aside to provisions		178,171	17,683	127,442	17,683
Increase/(decrease) in income tax payable		(102,976)	102,976	(102,976)	102,976
(Increase)/decrease in deferred tax balances		4,411	(4,411)	4,411	(4,411)
Net cash (used in)/provided by operating activities before change in assets and liabilities		(840,714)	320,420	(379,185)	320,420
Change in assets and liabilities during the financial period:					
Increase in receivables		(517,078)	(148,988)	(372,359)	(148,988)
Decrease/(increase) in prepayments		41,080	(58,775)	53,331	(58,775)
Increase in accounts payable		649,956	276,911	301,252	276,911
Increase in deferred income		182,315	0	182,315	0
Net cash (used in)/provided by operating activities		(484,441)	389,568	(214,646)	389,568

25. Notes to the statement of cash flows

(iii) Non cash financing activities

During the year the Company acquired plant and equipment with an aggregate fair value of $0 (2002: $69,205) by means of a finance lease. This acquisition is not reflected in the Statements of Cash Flows.

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
26. Employee benefits				
Aggregate liability for employee benefits, including on-costs				
Current				
Employee benefits provision	183,558	17,503	132,829	17,503
Number of employees	***No.***	***No.***	***No.***	***No.***
Number of employees at year end	15	11	11	11

Superannuation plan

APSL staff are members of APSL Superannuation Pty Ltd (ACN: 100 285 505), a defined contribution superannuation plan, for purposes of SGC and voluntary superannuation contributions. The fund has been established to invest in a balanced portfolio of investments. The fund currently maintains 100% of its holdings in cash.

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 2003.

	The Company 2003 No.	The Company 2002 No.

27. Directors' remuneration

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

	The Company 2003 No.	The Company 2002 No.
$0 - $9,999	1	4
$20,000 - $29,999	1	0
$60,000 - $69,999	2	3
$80,000 - $89,999	0	1
$100,000 - $109,999	2	1
$190,000 - $199,999	1	0

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
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	557,861	371,900	557,861	371,900

28. Executives' remuneration

The number of executive officers of the Company and of controlled entities, whose remuneration falls within the following bands:

	Consolidated 2003 No.	Consolidated 2002 No.	The Company 2003 No.	The Company 2002 No.
$100,000 - $109,999	2	1	2	1
$190,000 - $199,999	1	0	1	0

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Total income paid or payable, to executive officers of the Company and controlled entities from the Company and of controlled entities whose income is $100,000 or more	400,711	102,000	400,711	102,000

29. Related parties

Directors

The names of each person holding the position of Director of Australian Property Systems Limited during the financial year are Messrs G S Jamieson, G A Caird, D S Tucker, B B Wilkie, A Gerbanas, L C Offenhauser, R A Tuckey.

Details of Directors' remuneration are set out in Note 27.

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

Directors' holdings of shares	***2003 Number held***	***2002 Number held***
The interests of Directors of the Company and their Director related entities in the shares of the Company at year end are set out below:		
Australian Property Systems Limited - Ordinary shares	21,604,633	19,082,700

Aggregate Movements

During the year, 2.2 million shares were issued to Mr Offenhauser in relation to the Company's acquisition of Libertas Securities Limited. Mr Tuckey acquired 100,000 shares. Other net movements resulted from the impact of changes in Directors during the year.

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 2003 is $59,400 (2002: $70,000). Of this amount $11,000 (2002: $7,300) is payable at year end.

29. Related parties (cont'd)

(ii) Acquisition of Libertas Securities wealth management business

APSL acquired Libertas Securities Limited, a licenced securities dealer on 6 January 2003 from parties associated with Mr LC Offenhauser for $1,100,000. Consideration was paid via placement of 2,200,000 ordinary shares in APSL. This transaction was approved at an extraordinary general meeting held on 6 January 2003.

(iii) Other transactions

During the year, 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 $14,950 (2002: $12,437). Of this amount, $nil (2002: $506) is owing by the Company at year end. The Company received rental income from an entity associated with Mr G A Caird in the amount of $2,762 (2002: $1,611) for a sub lease.

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.

During the prior 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

Also during the prior period, the Company acquired 100% of the issued capital of Property Services Exchange Pty Limited (a company associated with Mr G 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 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.

As at year end, an amount of $10,740 (2002: $10,740) was owing by APSLSP Pty Ltd in relation to the issue of shares for the Company's approved employee share plan. As at year end an amount of $3,376 (2002: nil) was owing to the Company by Product Services Exchange Pty Ltd.

29. Related parties (cont'd)

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 2003 (2002: 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.

Fees paid and/or payable by the Company in connection with this agreement have been included in Directors' remuneration in Note 27 and are as follows: total paid $185,251 (2002: $82,000), payable $4,749 (2002: $nil).

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 in Note 27 and are as follows: total paid $60,500 (2002: $60,000), payable $5,000 (2002: nil).

Abich Pty Ltd

Abich Pty Ltd ("Abich"), a company associated with Mr Greg Caird provides or has provided management services to the Company via 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 Note 27 and are as follows: total paid $102,000 (2002: $102,000), payable nil (2002: nil).

30. Events subsequent to reporting date

Development management contract – Ultimo Project

Subsequent to 30 June 2003, 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.

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

Licencing 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 Licencee") in accordance with the terms below:

The territories:

1. Western Australia, South Australia and the Northern Territory, and
2. Certain 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

The above master licence fee is 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. 80 working days thereafter 2 above	4,000,000	
5. 1 calendar year from payment 4 above	4,500,000	
6. 8 equal payments of $4.5 million each calendar year thereafter	36,000,000	
Total Master Licence Fee for the Territories:	45,000,000	

Ongoing Master Licence Royalty:

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

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

Master Licence Ongoing commitments

- If APSL introduce a purchaser for the master licence for Singapore for any amount over $200 million, Nu West will sell and pay APSL 50% of the relevant fee
- If APSL introduce any sub licencee in any State included in territory 1 for $10 million, Nu West will sell and pay APSL 50% of the relevant fee
- If APSL introduce any sub licencee for territory 2 for a sum to be mutually agreed, Nu West will sell and pay APSL 50% of the relevant fee
- Nu West will use best endeavours to sell as many sub licences as is practicable in each of the territories

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

Term of Formal Master Licence

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

Working capital finance

Subsequent to year end, the Company has raised $250,000 through the issue of 500,000, fully paid ordinary shares at $0.50 each.

Short term loan finance

On 26 September 2003, APSL entered into a loan agreement with Ms Linda Gow (a person associated with a Director, Mr Brian Wilkie) to borrow $80,000 for lodging patents in certain countries so as to protect the intellectual property within those countries (refer "lodgement of patents" below). The term of the loan is for 12 months, the loan is secured by a third party agreement to which APSL is a party and interest is payable monthly in arrears at 15% per annum.

Libertas Securities Limited ("Libertas") – Sale of 50% controlling interest to Lawfund Australia Pty Limited ("Lawfund")

On 10 October 2003, APSL and Lawfund agreed to enter into a deed of agreement whereby APSL will sell 50% of the ordinary shares it holds in Libertas to Lawfund for $825,000, to be fully financed via a loan from APSL. This loan is to be repaid to APSL as and when application monies are received from new dealer members (the dealership needs to recruit 82 advisors to fully recover the loan and recover its own investment). It is intended to have at least 150 advisors in the dealership. Lawfund has also agreed to fund 50% of Libertas' cash flow shortfall until break-even point. Lawfund has some 1200 members made up of well established legal firms, financial planning firms, real estate firms and accountancy firms, all having a large client base that can support and grow Libertas.

Lodgement of patents

During the financial year APSL was issued with an Australian international phase standard patent and since the end of 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 22 international jurisdictions, including USA, European Economic Community and selected South East Asian countries.

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.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2003.

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 11 to 40 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 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year 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 2004

Signed in accordance with a resolution of the Directors:

....

Geoffrey S Jamieson
Director

Brian B Wilkie
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 year ended 30 June 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 30, and the directors' declaration set out on pages 11 to 41. 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 the consolidated entity's financial position as at 30 June 2003 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