

# Williams Partners

## AUSTRALIAN PROPERTY SYSTEMS LIMITED ABN 93 096 925 610 AND CONTROLLED ENTITIES

### INDEPENDENT REVIEW REPORT TO THE MEMBERS OF AUSTRALIAN PROPERTY SYSTEMS LIMITED

#### Scope

We have reviewed the financial report of Australian Property Systems Limited and controlled entities for the half-year ended 31 December 2004 comprising the Consolidated Statement of Financial Performance, Consolidated Statement of Financial Position, Consolidated Statement of Cashflows, Notes to the Financial Statements and Directors' Declaration. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting 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 financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission / Newcastle Stock Exchange.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### Independence

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

#### INDEPENDENT AUDIT SPECIALISTS

A.B.N. 71 147 550 246

#### PARTNERS

**Reg L Williams**  
BCom CPA  
Reg. Company Auditor  
No 165400

**Ian Barfoot**  
BBus MProf Acc  
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No 219262

**Karen Small**  
BBus FCPA

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**Qualifications**

- 1 We were not the appointed auditor for the economic entity for the year ended 30 June 2004. Accordingly and furthermore, we have not been in a position to satisfy ourselves in relation to the comparative financial information nor the opening retained equity amount carried forward.
- 2 We have not been able to verify the segment information disclosed in Note 2 to the financial statements required pursuant to Accounting Standard AASB 1029 'Interim Financial Reporting'.
- 3 The 2004 annual financial report was not lodged with ASIC by the due date of 30 September 2004. Furthermore, the 2004 annual financial report was not reported to members by the due date of 31 October 2004 and the 2004 AGM was not held by 30 November 2004, pursuant to the Corporations Act 2001.
- 4 Intangible assets of \$2,204,175 are booked in the Statement of Financial Position. We understand the Master Licence Agreement with Nu West, the main source of operating revenue, is now in breach. Accordingly, the recoverable value of this asset is now uncertain and we are unable to provide a statement in relation to compliance with Accounting Standard AASB 1010 'Recoverable Amount of Non-Current Assets'.
- 5 The company has had only two (2) directors since 14 December 2004 which is in breach of s201A of the Corporations Act 2001 and Rule 3.1 of the Constitution.
- 6 KPMG are the current appointed auditors of the company pursuant to the ASIC database. Accordingly, whether our appointment as auditor is valid is uncertain.
- 7 We have not sighted a resolution determining remuneration paid to directors pursuant to Rule 33 of the Constitution.
- 8 The audited financial report for Libertas Securities Limited, a controlled entity, for the year ended 30 June 2004 was qualified. Accordingly, the comparative financial information in the Statement of Financial Position should be read in conjunction with same.
- 9 We have not sighted the financial report for Product Services Exchange Pty Ltd, a controlled entity, for the year ended 30 June 2004. Furthermore, we understand, pursuant to the ASIC database, the one (1) and only ordinary share held by the company is not held beneficially.
- 10 The contributed equity of Product Services Exchange Pty Ltd of \$55,000 does not equal the ASIC database amount of \$1.

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- 11 The contributed equity of Libertas Securities Limited of \$1,113,924 does not equal the ASIC database amount of \$37,004. Furthermore, the company is not a shareholder of Libertas Securities Limited pursuant to the ASIC database.
- 12 The contributed equity of the company of \$2,166,060 does not equal the ASIC database amount of \$24,474,000. Given the aforementioned anomalies, we have been unable to verify the accuracy of the earnings per share calculation.
- 13 The recoverability of all receivables is uncertain.
- 14 The operating result of Product Services Exchange Pty Ltd included an amount of \$135,545 representing, as we understand, a loan forgiven. No tax effect has been booked.
- 15 We have not obtained supporting evidence / calculations for all financial report disclosures.

**Qualified Statement**

Based on our review, which is not an audit, given the matters described in the previous paragraph, we are unable to provide a moderate level of assurance as to whether we have become aware of any matter that makes us believe that the half-year financial report of Australian Property Systems Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.

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**Inherent Uncertainty Regarding Government Audits**

Without qualification to the statement expressed above, attention is drawn to the following matter:

We understand the company is the subject of audit activity by a number of government Agencies including the ATO (Superannuation, GST, Income Tax, CGT), APRA (staff super fund) and Workcover. The outcome of these audits cannot presently be determined with an acceptable degree of reliability and, accordingly, no provision for any liability that may result has been made in the financial statements.

**Inherent Uncertainty Regarding Going Concern**

Without qualification to the statement expressed above, attention is drawn to the following matter:

The company announced that their Master Licence Agreement with Nu West was in default. The fees generated by this agreement were the main source of revenue for the company. Furthermore, the company resolved to accept the right to settle on a contract to purchase a real property with the intention of subsequent disposal in order to realise additional revenue. Given, inter alia, the aforementioned matters, the ongoing viability of the company as a going concern is contingent upon, inter alia, the generation of adequate net operating income and capital.

*Williams Partners*

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**WILLIAMS PARTNERS**  
**INDEPENDENT AUDIT SPECIALISTS**

*Reg L Williams*

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**REG L WILLIAMS**  
**PARTNER**

Dated this 16th day of March 2005  
233 Turpin Road  
Labrador  
Queensland 4215