

**Australian Property Systems Limited
and its controlled entities**

ACN: 096 925 610

Half-Year Financial Report
31 December 2003



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Australian Property Systems Limited
ACN: 096 925 610

Company information

Directors:

Geoffrey S Jamieson
Brian B Wilkie
Arthur Gerbanas
Ross Noye

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.

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Statement of financial performance
for the half-year ended 31 December 2003

	Note	Consolidated	
		2003	2002
		\$	\$
Revenue from rendering of services		3,035,359	942,000
Other revenues from ordinary activities		<u>3,291</u>	<u>32,130</u>
Total revenue from ordinary activities		3,038,650	974,130
<i>Expenses from ordinary activities:</i>			
Research and estimating expenses		(411)	(21,245)
Project management expenses		(375)	(42,453)
Systems and titles expenses		(5,000)	(74,142)
Sales and marketing expenses		(74,130)	(33,518)
Concept and planning expenses		(20,000)	(30,000)
Administrative expenses		(1,473,941)	(1,150,817)
Borrowing costs		(6,621)	(7,254)
Licencing expenses		-	(5,158)
Other expenses from ordinary activities		<u>(12,514)</u>	<u>(38,492)</u>
Profit/(loss) from ordinary activities before related income tax expense		1,445,658	(428,949)
Income tax expense relating to ordinary activities		<u>(56,754)</u>	<u>(5,000)</u>
Net profit/(loss)	4	1,388,904	(433,949)
Net (profit)/loss attributable to outside equity interest		<u>7,806</u>	<u>-</u>
Net profit/(loss) attributable to members of the parent entity		<u>1,396,710</u>	<u>(433,949)</u>
Basic (losses)/earnings per share:			
Ordinary shares		<u>\$0.056</u>	<u>\$(0.020)</u>
Diluted (losses)/earnings per share:			
Ordinary shares		<u>\$0.056</u>	<u>\$(0.020)</u>

The statement of financial performance is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 8.

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Statement of financial position
as at 31 December 2003

	Note	Consolidated	
		31 December 2003	30 June 2003
		\$	\$
Current assets			
Cash assets		2,504,797	192,774
Receivables		144,704	653,950
Other		<u>69,637</u>	<u>17,695</u>
Total current assets		<u>2,719,138</u>	<u>864,419</u>
Non-current assets			
Receivables		12,469	10,740
Plant and equipment		348,806	156,923
Intangible assets		10,719,975	11,059,999
Deferred tax assets		<u>73,734</u>	<u>-</u>
Total non-current assets		<u>11,154,984</u>	<u>11,227,662</u>
Total assets		<u>13,874,122</u>	<u>12,092,081</u>
Current liabilities			
Payables		1,000,957	901,784
Current tax liabilities		130,488	-
Provisions		67,994	183,558
Interest bearing liabilities		7,972	7,972
Other		<u>185,211</u>	<u>182,315</u>
Total current liabilities		<u>1,392,622</u>	<u>1,275,629</u>
Non-current liabilities			
Interest bearing liabilities		45,948	55,204
Other		<u>26,000</u>	<u>26,000</u>
Total non-current liabilities		<u>71,948</u>	<u>81,204</u>
Total liabilities		<u>1,464,570</u>	<u>1,356,833</u>
Net assets		<u>12,409,552</u>	<u>10,735,248</u>
Equity			
Contributed equity	3	2,032,740	1,812,740
Reserves		10,424,260	10,424,260
(Accumulated losses)/retained profits	4	<u>(105,042)</u>	<u>(1,501,752)</u>
Total parent entity interest		12,351,958	10,735,248
Outside equity interest		<u>57,594</u>	<u>-</u>
Total equity		<u>12,409,552</u>	<u>10,735,248</u>

The statement of financial position is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 8.

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Statement of cash flows
for the half-year ended 31 December 2003

	Note	Consolidated	
		2003	2002
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		3,545,383	961,615
Cash payments in the course of operations		(1,230,312)	(963,872)
Interest received		2,513	1,760
Interest paid		<u>(6,621)</u>	<u>(11,557)</u>
Net cash provided by/(used in) operating activities		<u>2,310,963</u>	<u>(12,054)</u>
Cash flows from investing activities			
Payments for plant and equipment		<u>(207,955)</u>	<u>(89,029)</u>
Net cash used in investing activities		<u>(207,955)</u>	<u>(89,029)</u>
Cash flows from financing activities			
Proceeds from issue of shares		220,000	-
Finance lease payments		(9,256)	-
Loans to related parties		<u>(1,729)</u>	<u>(32,246)</u>
Net cash provided by/(used in) financing activities		<u>209,015</u>	<u>(32,246)</u>
Net increase/(decrease) in cash held		2,312,023	(133,329)
Cash at the beginning of the financial year		<u>192,774</u>	<u>248,910</u>
Cash at the end of the financial year		<u>2,504,797</u>	<u>115,581</u>

The statement of cash flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 8.

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Notes to the financial statements
for the half-year ended 31 December 2003

1 Statement of significant accounting policies

(a) Basis of preparation of half-year financial report

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Australian Property Systems Limited and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under 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 are consistent with those of the previous reporting period.

The half-year report does not include full note disclosure of the type normally included in an annual financial report.

2. 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.

Primary reporting Business segments	Property Development Management		Wealth Management		Consolidated	
	2003	2002	2003	2002	2003	2002
Segment revenue	3,015,974	974,130	22,676	-	3,038,650	974,130
Total revenue					3,038,650	974,130
Segment result	1,794,074	(428,949)	(348,416)	-	1,445,658	(428,949)
Profit/(loss) from ordinary activities before income tax					1,445,658	(428,949)

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Notes to the financial statements
for the half-year ended 31 December 2003

	Consolidated	
	31 December	30 June
	2003	2003
	\$	\$
3. Contributed equity		
<i>Issued and paid-up capital</i>		
24,914,000 (June 2003: 24,474,000)		
ordinary shares, fully paid	<u>2,032,740</u>	<u>1,812,740</u>

During the half-year ended 31 December 2003, the Company issued 440,000 ordinary shares at \$0.50 each to raise additional working capital.

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	
	2003	2002
	\$	\$
4. (Accumulated losses)/retained profits		
(Accumulated losses)/retained profits at beginning of year	(1,501,752)	35,386
Net profit /(loss) attributable to members of the parent entity	<u>1,396,710</u>	<u>(433,949)</u>
(Accumulated losses)/retained profits at end of year	<u>(105,042)</u>	<u>(398,563)</u>

5. Dividends

No dividends were paid by the Company during the half-year ended 31 December 2003 (2002: Nil).

6. Contingent liabilities and contingent assets

No contingent liabilities or contingent assets existed at 31 December 2003.

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Notes to the financial statements
for the half-year ended 31 December 2003

7. Subsequent events

Subsequent to 31 December 2003, the consolidated entity is in the process of entering into a deed of variation to the Master License Agreement with Nu West Property systems (WA) Pty Ltd which will involve a number of countries and Australian States being dropped from the Master License Agreement – this will result in a reduction in the annual license fee from \$4.5 million to \$2.0 million.

The balance of the license fee for this year has been agreed to be paid on the following basis:

- \$200,000 on 4 May 2004 (received on 4 May 2004);
- \$250,000 on 14 May 2004; and
- 6 monthly payments of \$166,667 commencing on 14 June 2004.

A revised annual license fee of \$2,000,000 has been agreed for the remaining life of the agreement.

The above subsequent event does not have a financial impact on the financial statements for the half-year ended 31 December 2003.

Independent review report to the members of Australian Property Systems Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and the directors' declaration set out on pages 3 to 9 for the Australian Property Systems Limited Consolidated Entity ("the Consolidated Entity") for the half-year ended 31 December 2003. The Consolidated Entity comprises Australian Property Systems Limited ("the Company") and the entities it controlled during the half-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.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe 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 Consolidated Entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

S Crane
Partner

Brisbane, May 2004