Australian Property Systems Limited

ACN **096 925 610**

INFORMATION MEMORANDUM

Wednesday, October 02, 2002

Sponsoring Broker
Cameron Stockbrokers Limited ACN

Arranger
Grange Securities Limited ACN 066 797 760

TABLE OF CONTENTS

IMPORTANT NOTICE

This Information Memorandum (IM) is dated Wednesday, October 02, 2002. The ASIC and Newcastle Stock Exchange (NSX) and their respective officers take no responsibility for the contents of this IM. The fact that the NSX may admit Australian Property Systems Limited ACN 096 925 610 (APSL) to the official list is not to be taken in any way as an indication of the merits of APSL. This IM has been prepared for the purposes of APSL's application for a compliance listing on the NSX in accordance with the NSX Listing Rules.

This IM does not constitute an offer. The distribution of this IM in jurisdictions outside the Commonwealth of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This IM is not a disclosure document for the purposes of the *Corporations Act* 2001. Specifically, it is not an offer of securities for issue or sale that requires disclosure to investors under Part 6D.2 of the *Corporations Act* 2001. This IM includes statements that every investor must make its own independent assessment of before deciding to invest in APSL. Each investor needs to take into account their own investment objectives, financial situation, taxation position and other requirements and risks before deciding to invest in APSL. **This IM and its provisions are and must not be regarded as advice or a recommendation in relation to APSL or securities in APSL, or that any investment in APSL is suitable. In particular, the risk factors that could affect the financial performance of APSL should be examined. If, after reading this IM, you have any questions about the desirability of, or procedure for, investing in APSL, please contact your stockbroker, accountant or independent financial adviser.**

Defined terms and abbreviations used in this IM are explained in the Definitions section. All financial amounts shown in this IM are expressed in Australian dollars unless otherwise stated.

CORPORATE DIRECTORY

Company Australian Property Systems Limited ACN 96925610 Registered Office and Postal Address 1st Floor Naval Offices 3 Edward Street Brisbane QLD 4000 Tel. 07 3221 7890 Fax. 07 3211 7419	**Investigating Accountant** KPMG Transaction Services Central Plaza One 345 Queen Street Brisbane QLD 4000 Tel. 07 3233 3111 Fax. 07 3220 0074
Directors Leon Craig Offenhauser Geoffrey Stuart Jamieson Greg Alexander Caird Brian Bernard Wilkie David Stirling Tucker Arthur Gerbanas	**Auditor** KPMG Central Plaza One 345 Queen Street Brisbane QLD 4000 Tel. 07 3233 3111 Fax. 07 3220 0074
Company Secretary Aleksandar Sasha Andjelkovic 1st Floor Naval Offices 3 Edward Street Brisbane QLD 4000 Tel. 07 3221 7890 Fax. 07 3211 7419	**Lawyers for APSL** Deacons Level 17 175 Eagle Street Brisbane QLD 4000 Tel. 07 3309 0888 Fax. 07 3309 0999
Share Registry Douglas, Heck & Burrell GPO Box 35 Brisbane QLD 4001 Tel. 07 3228 4230	**Arranger** Grange Securities Limited GPO Box 1893 Brisbane QLD 4001 Tel. 07 3229 5177 Fax. 07 3229 4738 Freecall. 1800 730 001
Sponsoring Broker & Nominated Advisor Cameron Stockbrokers Limited Level 5 10 Spring Street Sydney NSW 2000 GPO Box 4248 Sydney NSW 2001 Tel. 02 9232 7700 Fax. 02 9232 7272	

LETTER FROM THE CHAIRMAN

Dear Investor,

I'm delighted to present to you through this Information Memorandum the opportunity to participate in the future of Australian Property Systems Limited (APSL).

APSL controls under license, the global rights to a patented property management system that substantially reduces the risks associated with strata title property development. The patented system allows APSL to act as a Development Manager (DM) without the conflicts of interest that exist in the property development industry. As a development manager APSL takes limited financial risk in any project, and earns revenue for the implementation of a patented system on a consulting fee and profit share basis. In this way, APSL delivers a range of benefits to the many stakeholders associated with the property development process.

APSL currently has Development Management Agreements (DMAs) in place with major multinational corporations who own significant property portfolios throughout the world. In implementing our current business plan our main aim is to become the partner of choice for multinational corporations.

By applying a unique patented system, our proprietary management software products and our quality assurance programs, we can consistently achieve industry best practice. This delivers quality product and superior returns to our clients which in turn delivers positive returns to APSL shareholders.

In growing the business of APSL it is our philosophy to continually use best management practices and provide the highest quality of service to our clients and continue to set new standards of innovation, vision and leadership within our core businesses.

Companies are made up of people and therefore, it is a tribute to my fellow Directors and the highly qualified and motivated staff, that APSL has been able to achieve all performance milestones and put in place a sound infrastructure. This infrastructure supports multi disciplined management required for the delivery of large projects.

My ultimate commitment is to the shareholders of APSL and therefore it is my intention and that of my fellow Directors, to deliver, to the best of our ability, robust returns to our shareholders.

Craig Offenhauser
Chairman

1. INVESTMENT OVERVIEW

1.1. SHAREHOLDING STRUCTURE

The shareholding structure of APSL is as follows:

Shareholders	Number of Shares	Percentage Ownership
Compulsory Escrow	6,574,000	30.90%
Voluntary Escrow	10,942,500	51.44%
Tradeable	3,757,500	17.66%
TOTAL	**21,274,000**	**100.00%**

1.2. RESTRICTED SECURITIES

Pursuant to the NSX Listing Rules a number of the Existing Shareholders may be required to enter into restriction agreements pursuant to which they will be restricted from dealing in a specified number of Shares held by them for an agreed period from the date of quotation of Shares on NSX or such other period as NSX may specify.

1.3. RISK FACTORS

In addition to the general risks associated with any investment in the equity market, there are certain risks inherent in investing in the property sector. Investors should be aware that any investment in APSL is likely to involve exposure to risks specific to the operations of APSL. A more detailed description of material risks are contained in section 7 of this IM. Investors should consider all risks and seek independent financial advice before investing in APSL.

2. APSL –THE BUSINESS

2.1. BUSINESS SUMMARY

APSL was incorporated on 25th May 2001 and is a national company, with offices in Perth, Melbourne, Sydney and head office based in Brisbane.

APSL provides property development management services utilising a proprietary patented system (System), under licence from an entity associated with the Chief Executive Officer. The System has been designed to reduce various commercial risks associated with property development.

The System essentially comprises a suite of software and other APSL proprietary systems which defines the property development process and manages the various roles of stakeholders in a property development transaction, enabling APSL to act as a development manager. As a development manager, APSL can earn a monthly development fee and a fee on the settlement of the sale of all strata titles created under the relevant transaction.

Traditionally, strata title properties have been offered to investors through real estate agents. APSL, through its development management role, has developed an additional sales channel, by way of licensed investment advisors.

APSL's durable competitive edge over traditional property developers is that a traditional developer is focused on bringing strata title properties to market with the objective of maximising profitability within external funding constraints. In contrast, APSL delivers a defined return to the land owner, a defined return to the end purchaser and also delivers a better quality building to the end purchaser. This is achieved by eliminating the development profit that would ordinarily accrue to the developer of the project and the elimination of the incentive to achieve extra profit from cutting corners during construction.

APSL earns income in the form of service fees in return for the application of the System that effectively eliminates the risks associated with traditional strata title property development.

2.2. Role of a 'Development Manager'

The System enables APSL to act as a DM whereby:

- upon receipt of an enquiry from a land owner with development potential, APSL prepares a pre-feasibility study;
- if the pre-feasibility study indicates that the potential development is viable, APSL prepares a full feasibility study for a commercial fee received in advance. Part of this fee which is received in advance is paid for the preliminary feasibility;
- if the land owner decides to proceed with a property development using the System, APSL is contracted as a development manager under a DMA.

APSL generally earns fees in its role as a DM in the following way:

- A feasibility report fee paid by the landowner;
- A development management fee paid by the landowner;
- A document management fee paid at settlement;
- A profit share fee paid at settlement; and

- A project management fee for acting for strata title purchasers during construction

3. DIRECTORS AND MANAGEMENT

3.1. APSL AND ITS BOARD

The Board is responsible for the corporate governance of APSL and its strategic development. The Board reviews corporate strategy and budgets in terms of shareholder expectations, establishes goals for management and monitors achievement of these performance targets.

3.2. DIRECTORS' PROFILE

Leon Craig Offenhauser (Age: 50)
Non Executive Chairman

Mr. Offenhauser has had many years of experience working in large auditing and accounting firms specialising in Superannuation packaging. He has advised many 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.

Geoffrey Stuart Jamieson (Age: 51)
Chief Executive Officer

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.

Gregory Alexander Caird (Age: 49)
Executive Director – Product Management

Mr Caird is a Licensed Real Estate Agent and brings to APSL 25 years of experience in real estate, including residential and commercial development projects. Caird Property Group (a company associated with Mr Caird) has been responsible for the marketing of in excess of 1,000 strata title properties using APSL's proprietary property development system.

David Sterling Tucker (Age: 43)
Executive Director – Concept & Planning

Mr Tucker has 20 years experience in the property industry providing innovative approaches to develop 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.

Brian Bernard Wilkie (Age: 59)
Executive Director – Training & Business Development

Mr Wilkie has been involved in real estate and property development for 15 years and has previous business experience in privately owned enterprises, including hospitality and transport industries.

Since 1992, Mr Wilkie has been associated with the development of APSL's proprietary property development system. Over the past 3 years he has assisted with the implementation and establishment of the System within statutory authorities.

Arthur Gerbanas (Age: 45)
Chief Operating Officer – Asset Management Division

Bachelor of Science, previously held many senior positions within BP, also external consulting roles to BP and other multinational organisations, involving asset management, investment management, development management, retail management, project management, facilities management, network planning & Service Station Operations.

3.3. CORPORATE GOVERNANCE

The Board has put in place the framework and operational policies for the management of APSL ensuring the effective management of internal controls and of risk.

3.4. 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 APSL and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of APSL and monitoring the results on a quarterly basis;

- ensuring that APSL has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- the implementation of an appropriate committee structure to ensure that key areas such as audit, corporate governance, risk management and remuneration are effectively managed.

Independent Professional Advice

With the prior approval of the Chief Executive Officer, each Director has the right to seek independent legal and other professional advice at APSL's expense concerning any aspect of APSL's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Audit Committee

The Board has established an audit committee consisting of 2 Directors. The current members of the audit committee are:

Leon Craig Offenhauser (Non Executive Chairman)
Geoffrey Stuart Jamieson (Chief Executive Officer)

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

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

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

Risk Management

The Board is responsible for APSL's system of internal controls. The Board constantly monitors the operational and financial aspects of APSL's activities and, through the audit committee, the Board considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face APSL.

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 APSL has an effective internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, as well as the employment and training of suitably qualified and experienced personnel.

Code of Conduct

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

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

4. FINANCIAL INFORMATION

4.1. SUMMARY

This section provides a summary of financial information comprising:

- Historical consolidated statement of financial performance for the period 25 May 2001 – 31 May 2002;
- Historical consolidated statement of financial position as at 31 May 2002;
- Historical consolidated statement of cash flows 25 May 2001 – 31 May 2002; and
- Pro-forma consolidated statement of financial position. This has been derived from the historical consolidated statement of financial position as at 31 May 2002, as audited by KPMG, adjusted for certain transactions disclosed in this IM.

The APSL consolidated group comprises APSL and Property Services Exchange Pty Ltd, a wholly owned subsidiary of APSL

This section provides financial information for the APSL consolidated group ("the group") for the period ended 31 May 2002. It should be read in conjunction with the assumptions underlying their preparation as set out in this section, the Investigating Accountants' Report contained in Section 5, the risk factors set out in Section 6 and other information contained in this IM.

The Directors have prepared the financial information. The historical financial information has been extracted from APSL's 31 May 2002 financial statements that were audited by KPMG and on which an unqualified audit opinion has been issued.

Australian Property Systems Limited
ACN: 096 925 610

Statement of financial performance for the period 25 May 2001 to 31 May 2002

	Note	Actual Consolidated 25 May 2001 to 31 May 2002[1] $
Revenue from rendering of services	2	1,380,000
Other revenues from ordinary activities	2	42,834
Total revenue		1,422,834
Expenses from ordinary activities:		
Research and estimating expenses		(57,427)
Project management expenses		(62,246)
Systems and titles expenses		(56,798)
Sales and marketing expenses		(249,734)
Concept and planning expenses		(53,924)
Administrative expenses		(573,237)
Other expenses from ordinary activities		(25,080)
Profit from ordinary activities before related income tax expense		344,388
Income tax expense relating to ordinary activities	5(a)	(108,721)
Net profit	15	235,667

Expenses associated with the IM, including listing and associated fees, legal and accountancy fees, amounting to approximately $45,000 have not been recognised in the above statement of financial performance.

[1] *The statements of financial performance are to be read in conjunction with the notes to the historical and pro forma financial information set out in section 4.2 below.*

Australian Property Systems Limited
ACN: 096 925 610

Statement of financial position
as at 31 May 2002

	Note	Actual Consolidated 2002[1] $	Pro Forma Consolidated 2002[2] $
Current assets			
Cash assets	7	336,900	291,900
Receivables	8	148,448	159,188
Other	9	20,291	20,291
Total current assets		505,639	471,379
Non-current assets			
Plant and equipment	10	155,071	155,071
Intangible assets	11	73,826	10,498,086
Deferred tax assets		12,035	12,035
Total non-current assets		240,932	10,665,192
Total assets		746,571	11,136,571
Current liabilities			
Payables	12	282,389	282,389
Current tax liabilities	5 (b)	119,680	119,680
Provisions	13	15,381	15,381
Interest bearing liabilities	18	13,840	13,840
Total current liabilities		431,290	431,290
Non-current liabilities			
Interest bearing liabilities	18	55,345	55,345
Deferred tax liabilities		1,076	1,076
Total non-current liabilities		56,421	56,421
Total liabilities		487,711	487,711
Net assets		258,860	10,648,860
Equity			
Contributed equity	14	202,000	212,740
Reserves	17	-	10,424,260
Retained profits	15	56,860	11,860
Total equity		258,860	10,648,860

[1]*Actual consolidated financial information has been extracted from the financial statements audited by KPMG.*
[2]*The pro-forma consolidated financial information has been reviewed by KPMG, as detailed in the Investigating Accountants Report (refer Section 5 below).*
[3]*The statements of financial position are to be read in conjunction with the notes to the historical and pro forma financial information set out in section 4.2 below.*

Australian Property Systems Limited
ACN: 096 925 610

Statement of cash flows
for the period 25 May 2001 to 31 May 2002

	Note	Actual Consolidated 25 May 2001 to 31 May 2002[1] $
Cash flows from operating activities		
Cash receipts in the course of operations		1,270,602
Cash payments in the course of operations		(794,140)
Income tax paid	5(b)	-
Interest received		3,783
Net cash provided by operating activities	20(ii)	480,245
Cash flows from investing activities		
Payments for plant and equipment		(92,712)
Payment for intangible assets		(18,826)
Net cash used in investing activities		(111,538)
Cash flows from financing activities		
Proceeds from original issue of shares		147,000
Dividends paid		(178,807)
Net cash provided by/(used in) financing activities		(31,807)
Net increase in cash held		336,900
Cash at the beginning of the financial period		-
Cash at the end of the financial period	20(i)	336,900

[1] *Actual consolidated information has been extracted from the financial statements audited by KPMG.*

[2] *The historical statements of cash flows are to be read in conjunction with the notes to the historical and pro forma financial information set out in section 4.2 below.*

4.2. NOTES TO THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Pro forma statement of financial position

The amounts disclosed as the pro forma balances in this IM are based on the audited historical statement of financial position as at 31 May 2002 adjusted for the following material transactions occurring between 31 May 2002 and the date of this report. The material transactions are as follows:

- Equity transactions that have occurred between 31 May 2002 and the date of this Information Memorandum. They are:
    - Issue of 53,700 shares at 20 cents/share under the staff share and option plan. A receivable has been recognised for $10,740 representing the outstanding balance in respect of this equity transaction.
    - Issue of 20,210,300 bonus ordinary shares to existing shareholders.
- Directors' revaluation of APSL's licence to exclusively use a patented system and proprietary software by $10,424,260; and
- Payment of expenses associated with this IM, including listing and associated fees, legal and accountancy fees, amounting to approximately $45,000.

The following notes have been extracted from the audited financial statements of APSL at 31 May 2002.

1 Statement of significant accounting policies

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

(a) Basis of preparation

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

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

The Company was registered on 25 May 2001 and this financial report is for the period from incorporation to 31 May 2002. Consequently, no comparative information is provided in this financial report.

1 Statement of significant accounting policies (cont'd)

(b) Principles of consolidation

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

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

(c) Revenue recognition

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

Rendering of services

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

Interest revenue

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

Other revenue

Other revenue is recognised when received.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

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

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

1 Statement of significant accounting policies (cont'd)

(e) Taxation

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

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

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

(f) Acquisitions of assets

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

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

(g) Receivables

Trade debtors

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

(h) Investments

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

1 Statement of significant accounting policies (cont'd)

(i) 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.

(j) 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.

(k) Revaluations of non-current assets

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

(l) Depreciation and amortisation

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

1 Statement of significant accounting policies (cont'd)

(l) Depreciation and amortisation (cont'd)

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

Plant and equipment

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

Intangibles

■ Patents	5% (20 years life of patent)

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

(m) 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.

(n) Employee entitlements

Wages, salaries and annual leave

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

Superannuation fund

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

	Actual Consolidated 25 May 2001 to 31 May 2002 $
2. Revenue from ordinary activities	
Revenue from rendering of services	1,380,000
Other revenues from operating activities	
Interest: Other parties	3,783
Rental income	3,453
Sundry income	35,598
Total other revenues	42,834
Total revenue from ordinary activities	1,422,834

3. Profit from ordinary activities before income tax expense

Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:

Depreciation of:	
- office furniture	5,742
- computer software	1,084
Net expense from movements in provision for:	
- employee entitlements	15,381
Operating lease rental expense	
- minimum lease payments	9,967

4. Auditors' remuneration

Audit services	
Auditors of the Company	16,500
Other services	
Auditors of the Company	19,500

	Actual Consolidated 2002 $
5. Taxation	
(a) Income tax expense	
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	103,316
Increase/(decrease) in income tax expense due to:	
Non-deductible entertainment	1,857
Non-deductible legal fees	4,421
Sundry items	(873)
Income tax expense attributable to operating profit	108,721
(b) Current tax liabilities	
Provision for current income tax	
Movements during the period:	
Balance at beginning of period	-
Income tax paid	-
Current period's income tax expense on operating profit	119,680
Balance at end of period	119,680

6. Segment information

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

	Actual Consolidated 2002 $	Pro Forma Consolidated 2002 $
7. Cash assets		
Cash at bank, paying interest at a weighted average interest rate of 2.7%	284,400	239,400
Term deposits	52,500	52,500
	336,900	291,900

	Actual Consolidated 2002 $	Pro Forma Consolidated 2002 $
8. Receivables		
Trade debtors	145,721	145,721
Other debtors	2,727	13,467
	148,448	159,188
9. Other current assets		
Prepayments	20,291	20,291
10. Plant and equipment		
Office furniture and equipment:		
At cost	67,552	67,552
Accumulated depreciation	(5,742)	(5,742)
	61,810	61,810
Computer software:		
At cost	25,160	25,160
Accumulated depreciation	(1,084)	(1,084)
	24,076	24,076
Leased plant and equipment:		
At cost	69,185	69,185
Accumulated amortisation	-	-
	69,185	69,185
Total plant and equipment - net book value	155,071	155,071
Reconciliations		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
Office furniture and equipment		
Carrying amount at beginning of period	-	-
Additions	67,552	67,552
Depreciation	(5,742)	(5,742)
Carrying amount at end of period	61,810	61,810
Computer software		
Carrying amount at beginning of period	-	-
Additions	25,160	25,160
Depreciation	(1,084)	(1,084)
Carrying amount at end of period	24,076	24,076

	Actual Consolidated 2002 $	Pro forma Consolidated 2002 $
10. Plant and equipment (cont'd)		
Leased plant and equipment		
Carrying amount at beginning of period	-	-
Additions	69,185	69,185
Amortisation	-	-
Carrying amount at end of period	69,185	69,185

11. Intangible assets

Patents, trademarks and licences		
At cost	73,826	-
Accumulated amortisation	-	-
At Director's valuation	-	10,498,086
Accumulated amortisation	-	-
Carrying amount at end of period	73,826	10,498,086

The Directors have revalued the system licensed from APSL No 1 Pty Ltd (the "System"). In deriving their valuation of this license, the Directors have:

- Had regard to the Company's secure access to the System through the technology agreement for a period of 20 years, which commenced on 1 June 2001.
- Determined that APSL's earnings are largely based on the successful use and exploitation of the System.
- Considered an indicative valuation of APSL the Company (which includes the licence) prepared by an external party to assist the Directors in determining the value at which shares in the Company may be offered to the public. This valuation was conducted in April 2002 ("the April 2002 indicative valuation") and was not undertaken for the purpose of this information memorandum.
- Considered the appropriateness of the underlying assumptions and estimates made in the April 2002 indicative valuation of the Company and the effect of events impacting APSL's business since then using a maintainable earnings basis based on contracted revenue as at the date of this information memorandum.
- Assigned approximately 85% of the amount of the April 2002 indicative valuation of APSL to the Directors' valuation of the System.
- Conducted appropriate due diligence on the underlying information used to derive their valuation.

The revalued amount associated with the patents, trademarks and licences has not been determined in accordance with an independent valuation but was revalued by the directors having regard to various information including an indicative valuation of the Company prepared by an external party.

	Actual Consolidated 2002 $	Pro forma Consolidated 2002 $
12. Payables		
Trade creditors	202,019	202,019
Other creditors and accruals	80,370	80,370
	282,389	282,389
13. Provisions		
Employee entitlements	15,381	15,381
Number of employees	**No.**	**No.**
Number of employees at period end	11	11
14. Contributed equity		
Issued and paid-up capital		
1,010,000 ordinary shares, fully paid	202,000	202,000
53,700 shares under staff share and option plan at 20 cents/share	-	10,740
20,210,300 bonus ordinary shares	-	-
	202,000	212,740

Movements in ordinary share capital

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

On 25 February 2002, the Company issued 55,000 ordinary shares as consideration for the acquisition of Property Services Exchange Pty Ltd (refer Note 19).

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.

Equity transactions that have occurred between 31 May 2002 and the date of this Information Memorandum are:

- Issue of 53,700 shares at 20 cents/share under the staff share and option plan on 27 June 2002; and
- Issue of 20,210,300 bonus ordinary shares to existing shareholders on 28 June 2002.

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.

	Note	Actual Consolidated 2002 $	Pro forma Consolidated 2002 $
15. Retained profits			
Retained profits at the beginning of the period		-	-
Net profit		235,667	190,667
Dividends	16	(178,807)	(178,807)
Retained profits at the end of the period		56,860	11,860

16. Dividends

Dividends paid by the Company were:

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

All dividends were unfranked.

	Actual The Company 2002 $
Dividend franking account	
Class C (30%) franking credits available to shareholders of the Company for subsequent financial years.	279,253

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 provision for income tax;

(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.

	Note	Actual Consolidated 2002 $	Pro forma Consolidated 2002 $
17. Reserves			
Asset Revaluation Reserve		-	10,424,260
Movements during the year			
(a) Asset revaluation reserve			
Balance at beginning of year		-	-
Revaluation increment on patents, trademarks and licences	11	-	10,424,260
Balance at end of year		-	10,424,260

	Actual Consolidated 2002 $
18. Commitments	
Finance lease payment commitments	
Finance lease commitments are payable:	
Within one year	18,797
One year or later and no later than five years	75,189
	93,986
Less: Future lease finance charges	(24,801)
	69,185
Lease liabilities provided for in the financial statements:	
Current	13,840
Non-current	55,345
	69,185

The Company leases equipment under a finance lease agreement expiring in five years from 10th May 2002. 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.

	Actual Consolidated 2002 $
Non-cancellable operating lease commitments	
Future operating lease commitments not provided for in the financial statements and payable:	
Within one year	14,950
One year or later and no later than five years	4,983
	19,933

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

19. Controlled entities

(a) Particulars in relation to controlled entities

	2002 Ordinary shares held (%)
Name	
Australian Property Systems Limited	
Controlled entity	
Property Services Exchange Pty Limited	100

(b) Acquisition of controlled entity

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

	Note	Actual Consolidated 2002 $

20. Notes to the statement of cash flows

(i) Reconciliation of cash

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

	Note	Actual Consolidated 2002 $
Cash at bank	7	284,400
Term deposits	7	52,500
		336,900

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

Profit from ordinary activities after income tax		235,667
Add/(less) non-cash items:		
Depreciation of plant and equipment		6,826
Amounts set aside to provisions		15,381
Increase/(decrease) in income tax payable		119,680
(Increase)/decrease in deferred tax balances		(10,959)
		130,928
Net cash provided by operating activities before change in assets and liabilities		366,595
Change in assets and liabilities during the financial period:		
Increase in receivables		(148,448)
Increase in prepayments		(20,291)
Increase in trade creditors		202,019
Increase in other creditors and accruals		80,370
Net cash provided by operating activities		480,245

(iii) Non cash financing activities

During the period the Company acquired plant and equipment with an aggregate fair value of $69,185 by means of a finance lease. This acquisition is not reflected in the statement of cash flows.

	Actual The Company 2002 $

21. Directors' remuneration

The number of Directors whose income from the Company or any related party falls within the following bands:			
$0	-	$9,999	4
$50,000	-	$59,999	2
$70,000	-	$79,999	1
$90,000	-	$99,999	1
Total income paid or payable, or otherwise made available to all Directors of the Company from the Company or any related party			283,450

22. Related parties

Directors

The names of each person holding the position of Director of Australian Property Systems Limited during the financial year ending 31 May 2002 are Messrs G S Jamieson, G A Caird, D S Tucker, B B Wilkie, P Wilkie, G J Vickery, P M Paxton-Hall and P A Hourigan. Messrs P Wilkie, G J Vickery, P M Paxton-Hall and P A Hourigan retired before 31 May 2002.

Details of Directors' remuneration are set out in Note 21.

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

Directors' holdings of shares	***2002 Number held***
The interests of Directors of the Company and their Director related entities in the shares of the Company at year end are set out below:	
Australian Property Systems Limited	
Ordinary shares	737,500

22. Related parties (cont'd)

Directors' transactions with the Company

Technology Licence Agreement

On 1 June 2001, Australian Property Services (No. 1) Pty Ltd, an entity associated with Messrs G S Jamieson and B B Wilkie, entered into a Technology Licence Agreement with the Company. Under the terms of this Agreement, Australian Property Services (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 and commenced on 1 June 2001.

The total amount payable by the Company under the Technology Licence Agreement for the period ended 31 May 2002 was $65,000. Of this amount $28,000 was payable at year end.

Other transactions

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

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

During the 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 $9,967 and received rental income from an entity associated with Mr G A Caird in the amount of $1,841 for a sub lease. Of this amount, $506 was owing to the Company at period end.

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

22. Related parties (cont'd)

Directors' transactions with the Company (cont'd)

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.

23. Events subsequent to balance date

On 27 June 2002 it was resolved that APSL enter into an exclusive patent licence agreement (subject to maintaining the patents) for development management and funds management patents with Ravenslea Nominees Pty Ltd (a Company associated with Mr Geoffrey Jamieson, a Director of the Company). The licence has nil cost providing the Company uses the patent for its own use in acting as development and/or fund managers. If the Company sub-licences the patents to outside parties, a 10% royalty fee will be payable to Ravenslea Nominees Pty Ltd calculated on gross receipts received by the Company from licensing the development management and/or funds management patents to third parties.

On 16 July 2002 the Directors resolved entitling a company associated with Mr Arthur Gerbanas and Mr Geoffrey Jamieson to 3,500,000 options exercisable at any time within 5 years of their issue date at $0.50 per share subject to the company meeting certain milestones associated with an Asset Management process and the lodging of a provisional patent to protect the process.

On 16 July 2002 the Directors resolved to elect Mr Arthur Gerbanas to the office of Director of the Company.

The financial effects of the above transactions have not been brought to account in the actual or pro forma consolidated financial information for the period ended 31 May 2002.

5. INVESTIGATING ACCOUNTANT'S REPORT

The Directors
Australian Property Systems Limited
1st Floor, Naval Offices
3 Edward Street
Brisbane Qld 4000

Wednesday, 2 October 2002

Dear Sirs

Investigating Accountant's Report

5.1. INTRODUCTION

This report has been prepared by KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") for inclusion in the Information Memorandum dated Wednesday, 2 October 2002 to be issued by Australian Property Systems Ltd ("APSL"), in respect of the proposed listing of its shares on the Newcastle Stock Exchange.

KPMG Transaction Services has been requested to report whether anything has come to our attention which causes us to believe that the historical and pro forma financial information, as set out in section 4 of the Information Memorandum, is not presented fairly in accordance with the basis of preparation disclosed in section 4.2 of the Information Memorandum and the stated accounting policies set out in section 4.2 of the Information Memorandum;

APSL has prepared, and is responsible for, the historical financial information and the pro forma financial information included in section 4 of the Information Memorandum.

Expressions defined in the Information Memorandum have the same meaning in this report.

5.2. Financial information

5.2.1 Historical financial information

The historical financial information has been extracted from the financial report of APSL for the period 27 May 2001 to 31 May 2002.

The financial report of APSL for that year was audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of ASPL by KPMG relating to that financial report was unqualified.

The historical financial information, as set out in section 4 of the Information Memorandum, comprises the:

- Statement of financial performance of APSL for the period ended 31 May 2002;
- Statement of cash flows of APSL for the period ended 31 May 2002;
- Statement of financial position of APSL as at 31 May 2002; and
- Notes to the financial information.

The historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

5.2.2 *Pro forma financial information*

The pro forma financial information, as set out in section 4 of the Information Memorandum, comprises the pro forma,:

- Statement of financial position of APSL as at 31 May 2002; and
- Notes to the pro forma financia l information.

The pro forma financial information has been derived from the historical financial information after adjusting for the pro forma adjustments described in section 4.2 of the Information Memorandum.

The pro forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

5.3. SCOPE

5.3.1 *Review of historical financial information*

We have reviewed the historical financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the historical financial information is not presented fairly in accordance with the basis of preparation and the stated accounting policies set out in section 4.2 of the Information Memorandum.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review was limited primarily to:

- Inquiries of Directors and personnel of APSL; and
- Consideration of the working papers, accounting records and other documentation supporting the historical financial information of APSL.

Our review of the historical financial information has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. 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.

5.3.2 Review of pro forma financial information

We have reviewed the pro forma financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the pro forma financial information is not presented fairly in accordance with the basis of preparation and the stated accounting policies set out in section 4.2 of the Information Memorandum.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review was limited primarily to:

- Inquiries of Directors and personnel of APSL; and
- Consideration of the working papers, accounting records and other documentation supporting the historical financial information of APSL, the pro forma adjustments and the assumptions on which they are based.

Our review of the pro forma financial information has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. 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.

5.4. OPINION AND REVIEW STATEMENTS

5.4.1 Review statement on the historical financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in section 4 of the Information Memorandum, is not presented fairly in accordance with the basis of preparation disclosed in section 4.2 of the Information Memorandum and the stated accounting policies set out in section 4.2 of the Information Memorandum.

5.4.2 Review statement on the pro forma financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma financial information, as set out in section 4.2 of the Information Memorandum, is not presented fairly in accordance with the basis of preparation disclosed in section 4.2 of the Information Memorandum and the stated accounting policies set out in section 4.2 of the Information Memorandum.

5.5. INDEPENDENCE

KPMG Transaction Services does not have any interest in the outcome of the listing of the shares, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of APSL and from time to time, KPMG also provides APSL with certain other professional services for which normal professional fees are received.

Yours faithfully

Robert S Jones
Director

6. RISK FACTORS

6.1. FACTORS INFLUENCING SUCCESS AND RISK

An investment in APSL involves a degree of risk and careful consideration should be given to the following risk factors before an investment decision is made.

The actual performance of APSL may be affected by a number of risk factors which could result in a variance from APSL's forecasts. The Directors are responsible for ensuring that appropriate policies and procedures are in place to identify, measure and manage the risks faced by APSL.

6.2. SPECIFIC BUSINESS RISKS

	Risk Factors	Risk Mitigation Factors
Legal Risk	The risk that changes in government legislation may adversely impact APSL's business strategy and its ability to fulfill mandates from landowners.	APSL has a comprehensive legal risk management program in place which includes: ➢ Appointing Directors to APSL with relevant experience. ➢ Engaging highly credible and reputable legal practitioners. ➢ Applying effective strategies and procedures to astutely manage APSL's prudential and legal risk exposures.
Project Procurement Risk	APSL's ongoing ability to source suitable development management mandates may impact future earnings if sufficient deal flow does not materialise.	APSL has an ongoing risk management program in place and a marketing program managed by a large international marketing firm to ensure continued penetration of their markets.
Project Concentration Risk	Significant exposure to a single project, industry, geographic region, market segment or counterparty may generate an excessive level of risk.	APSL has in place prudent portfolio management policies and procedures to ensure that the key attributes of development management projects are adequately diversified.
Market Risk	Changes in the value of property assets generally, a cyclical property market downturn, rising interest rates or the lack of available finance for end users may reduce or eliminate the profit component of projects or may cause substantial delays in income receipts.	APSL have in place prudent due diligence criteria to identify and assess market risk, by engaging reputable valuers, marketing agents and other experienced advisors as required.
Insurance Risk	The potential for loss arising from the failure of an insurer or the occurrence of an excluded event may result in material loss to APSL.	APSL has in place a comprehensive insurance risk management program, which includes: ➢ Engaging experienced and reputable insurance brokers. ➢ Insuring with underwriters which have been assigned an investment grade credit rating.

	Risk Factors	Risk Mitigation Factors
Operational Risk	The risk of financial loss resulting from operational disruption caused by inadequacies or failures in or by processes, people or technology.	APSL has in place a comprehensive operational management program, which includes appropriate procedures to monitor the adequacy of APSL's human and technological resources.
Intellectual Property Risks	Although APSL has secured the right to exclusively use the Intellectual Property under the Technology Licence Agreement (referred to in clause 8.5 above), the fact that the Intellectual Property is not owned by APSL does generate some risks for investors, particularly if the Technology Licence Agreement is lawfully terminated by the owner of the Intellectual Property. If the Technology Licence Agreement is lawfully terminated by the owner of the Intellectual Property, then APSL may not have any legal entitlement to use the Intellectual Property.	APSL has ensured that the Technology Licence Agreement can only be lawfully terminated by the owner of the Intellectual Property in specific instances, such as, where APSL is in breach of the Technology Licence Agreement.
	As with all intellectual property rights secured under patent protection, there is a risk for investors in respect of third party breaches (or challenges to the validly) of patents granted in respect of the Intellectual Property.	APSL will ensure, to the extent possible, that all patents granted in respect of the Intellectual Property are defended vigorously if breached or challenged by third parties.

6.3. GENERAL INVESTMENT RISKS

There is a risk that the operating results of APSL may be impacted by changes in:

- Local, domestic and global economic conditions
- Government legislation or intervention
- Inflation or inflationary expectations
- Interest Rates and the general lending environment
- Domestic and global capital and foreign exchange markets
- Levels of company tax, taxation law and accounting practices
- Natural disasters, terrorist attack or war in Australia or overseas

7. MATERIAL AGREEMENTS

7.1. SUMMARY OF MATERIAL AGREEMENTS AND INTELLECTUAL PROPERTY

In the opinion of the Directors, the contracts and Intellectual Property rights of APSL summarized below are material to the operations of the APSL business and, as such may be relevant to potential investors in APSL.

7.2. ASSIGNMENT OF INTELLECTUAL PROPERTY - PERRY WILKIE TO APS (NO.1)

By a Deed dated 1 June 2001, Australian Property Systems (No.1) Pty Ltd ACN 094 987 336 (“APS (No.1)”) entered into an Assignment of Intellectual Property (being the subject matter disclosed under the Innovation Patent) with Perry Wilkie (“Perry”). Under this Deed, Perry assigned to APS (No.1) all of his interests in the Intellectual Property in respect of the Innovation Patent from 1 June 2001. This Deed has been properly executed and dated by APS (No.1) and Perry.

7.3. ASSIGNMENT OF INTELLECTUAL PROPERTY – GEOFFREY STUART JAMIESON TO APS (NO.1)

By a Deed dated 1 June 2001, APS (No.1) entered into an Assignment of Intellectual Property (relating to the Australian Provisional Application no.PR6432) with Geoffrey Stuart Jamieson (“Geoffrey”). Under this Deed, Geoffrey assigned to APS (No.1) all of his interests in the Intellectual Property (being the subject matter disclosed in the Australian Provisional Application no.PR6432) from 16 July 2001. This Deed has been properly executed and dated 1 June 2001 by APS (No.1) and Geoffrey.

7.4. ASSIGNMENT OF INTELLECTUAL PROPERTY – BRIAN BERNARD WILKIE TO APS (NO.1)

By a Deed dated 1 June 2001, APS (No.1) entered into an Assignment of Intellectual Property (relating to the Australian Provisional Application no.PR6432) with Brian Bernard Wilkie (“Brian”). Under this Deed, Brian assigned to APS (No.1) all of his interests in the Intellectual Property (being the subject matter disclosed in the Australian Provisional Application no.PR6432) from 16 July 2001. This Deed has been properly executed and dated 1 June 2001 by APS (No.1) and Brian.

7.5. TECHNOLOGY LICENCE BETWEEN APS (NO.1) AND APSL

By an Agreement dated 1 June 2001, APS (No.1) entered into a licence agreement with APSL. Under this Agreement, APS (No.1) agreed to grant APSL an exclusive licence to use, commercialise and exploit the Intellectual Property in respect of Patents from 1 June 2001 for the longer of 10 years and the latest date of expiration of any of the Patents.

In exchange for the licence granted by APS (No.1) to APSL, APSL must pay the following amounts:

- A licence fee of $10,000 on 1 June 2001 and thereafter $5,000 per month to APS (No.1);
- A royalty fee (of 1%) on the gross receipts from outside of Australia to APS (No.1);

- upon APSL completing a successful capital raising of $5 million:
  - (i) $700,000 to Perry Wilkie;
  - (ii) $300,000 to Richard Lloyd;
  - (iii) $100,000 to Advance West Holdings Pty Ltd;
  - (iv) $225,000 to Greg Caird;
  - (v) $187,500 to Brian Wilkie; and
  - (vi) $187,500 to Ravenslea Nominees Pty Ltd;
- if APSL obtains patent protection for the System in any jurisdiction outside Australia and uses the Intellectual Property in respect of the Patents in projects outside of Australia:
  - (i) $1 million to APS (No.1) if the System is patented and utilised in 1 country outside of Australia; or
  - (ii) $2 million (inclusive of the $1 million referred to in item (i) immediately above) to APS (No.1) if the System is patented and utilised in 2 countries outside of Australia; or
  - (iii) $5 million (inclusive of the sums referred to in items (i) and (ii) immediately above) to APS (No.1) if the System is patented and utilised in more than 2 countries outside of Australia;

provided also that:

- (i) international patent protection has been obtained (to final grant) for the System by APSL;
- (ii) a development project has been completed and APSL has received all of its entitlements in connection with that development project in a relevant country outside of Australia; and
- (iii) APSL completes a successful capital raising of a minimum of $5 million.

This Agreement can be terminated on a number of grounds, namely, APS (No.1) can immediately terminate this Agreement if APSL breaches any term of this Agreement and fails to rectify the breach within 7 days after receipt of notice. On certain grounds, APSL may also terminate this Agreement by giving 1 month's written notice.

Under this Agreement, APSL must refrain from competing with APS (No.1) in various instances. For example, APSL must not sell competing services or provide services of the same description for the duration of this Agreement. This Agreement has been properly executed and dated by APS (No.1) and APSL.

7.6. SHELL BONDI DEVELOPMENT CONTRACT

By an Agreement dated 19 February 2002, APSL entered in to a development management agreement with Harliwich Investments Pty Ltd ABN 64 001 603 349 ("Harliwich"). Under this Agreement, both APSL and Harliwich agree, among other things, to establish a strata scheme and construct units on the lots (including associated improvements on the land) for sale or the sale of the land as an en globo lot ("Development").

Under this Agreement, APSL establishes and project manages the Development, which includes undertaking a feasibility study. If after the feasibility study and a number of conditions are satisfied, for example:

- obtaining approval of all relevant authorities to the subdivision of the land for the Development, and

- achieving pre-sale targets;

the Development will commence. APSL is entitled to a 22.5% of the project profits (inclusive of a project management fee of $360,000 and feasibility fee of $35,000) of the Development.

Harliwich is required to provide the land for the Development (170-178 Bondi Road, Bondi, New South Wales) and the funding for the initial project costs. The parties under this Agreement agree that Harliwich is entitled to a 77.5% of the project profits of the Development.

This Agreement (which has been properly executed by the parties and stamped in Western Australia) can be terminated on a number of grounds, namely, on agreement between the parties if subdivision approval for the proposed Development is not obtained by all relevant authorities.

7.7. SHELL RANDWICK DEVELOPMENT CONTRACT

By an Agreement dated 19 February 2002, APSL entered in to a development management agreement with Harliwich Investments Pty Ltd ABN 64 001 603 349 ("Harliwich"). Under this Agreement, both APSL and Harliwich agree, among other things, to establish a strata scheme and construct units on the lots (including associated improvements on the land) for sale or the sale of the land as an en globo lot ("Development").

Under this Agreement, APSL establishes and project manages the Development, which includes undertaking a feasibility study. If after the feasibility study and a number of conditions are satisfied, for example:

- obtaining approval of all relevant authorities to the subdivision of the land for the Development, and

- achieving pre-sale targets;

the Development will commence. APSL is entitled to a 22.5% of the project profits (inclusive of a project management fee of $390,000 and feasibility fee of $35,000) of the Development.

Harliwich is required to provide the land for the Development (155-159 Avoca Street, Randwick, New South Wales) and the funding for the initial project costs. The parties under this Agreement agree that Harliwich is entitled to a 77.5% of the project profits of the Development.

This Agreement (which has been properly executed by the parties and stamped in Western Australia) can be terminated on a number of grounds, namely, on agreement between the parties if subdivision approval for the proposed Development is not obtained by all relevant authorities.

7.8. SHELL WATTLE GROVE DEVELOPMENT CONTRACT

By an Agreement dated 19 February 2002, APSL entered in to a development management agreement with Harliwich Investments Pty Ltd ABN 64 001 603 349 ("Harliwich"). Under this Agreement, both APSL and Harliwich agree, among other things, to establish a strata scheme and construct units on the lots (including associated improvements on the land) for sale or the sale of the land as an en globo lot ("Development").

Under this Agreement, APSL establishes and project manages the Development, which includes undertaking a feasibility study. If after the feasibility study and a number of conditions are satisfied, for example:

- obtaining approval of all relevant authorities to the subdivision of the land for the Development, and

- achieving pre-sale targets;

the Development will commence. APSL is entitled to a 22.5% of the project profits (inclusive of a project management fee of $360,000 and feasibility fee of $35,000) of the Development.

Harliwich is required to provide the land for the Development (lot 4 Heathcote Road, Wattle Grove, New South Wales) and the funding for the initial project costs. The parties under this Agreement agree that Harliwich is entitled to a 77.5% of the project profits of the Development.

This Agreement (which has been properly executed by the parties and stamped in Western Australia) can be terminated on a number of grounds, namely, on agreement between the parties if subdivision approval for the proposed Development is not obtained by all relevant authorities.

7.9. SHELL ULTIMO DEVELOPMENT CONTRACT

By an Agreement dated 19 February 2002, APSL entered in to a development management agreement with Harliwich Investments Pty Ltd ABN 64 001 603 349 ("Harliwich"). Under this Agreement, both APSL and Harliwich agree, among other things, to establish a strata scheme and construct units on the lots (including associated improvements on the land) for sale or the sale of the land as an en globo lot ("Development").

Under this Agreement, APSL establishes and project manages the Development, which includes undertaking a feasibility study. If after the feasibility study and a number of conditions are satisfied, for example:

- obtaining approval of all relevant authorities to the subdivision of the land for the Development, and

- achieving pre-sale targets;

the Development will commence. APSL is entitled to a 22.5% of the project profits (inclusive of a project management fee of $780,000 and feasibility fee of $35,000) of the Development.

Harliwich is required to provide the land for the Development (485-511 Wattle Street, Ultimo, New South Wales) and the funding for the initial project costs. The parties under this Agreement agree that Harliwich is entitled to a 77.5% of the project profits of the Development.

This Agreement (which has been properly executed by the parties and stamped in Western Australia) can be terminated on a number of grounds, namely, on agreement between the parties if subdivision approval for the proposed Development is not obtained by all relevant authorities.

7.10. SHELL ROSEBERY DEVELOPMENT CONTRACT

By an unexecuted Agreement, APSL proposes to enter in to a development management agreement with Harliwich Investments Pty Ltd ABN 64 001 603 349 ("Harliwich"). Under this Agreement, both APSL and Harliwich agree, among other things, to establish a strata scheme and construct units on the lots (including associated improvements on the land) for sale or the sale of the land as an en globo lot ("Development").

Under this Agreement, APSL establishes and project manages the Development, which includes undertaking a feasibility study. If after the feasibility study and a number of conditions are satisfied, for example:

- obtaining approval of all relevant authorities to the subdivision of the land for the Development, and

- achieving pre-sale targets;

the Development will commence. APSL is entitled to a 22.5% of the project profits (inclusive of a project management fee of $346,846.00 and feasibility fee of $35,000) of the Development.

Harliwich is required to provide the land for the Development (Lot 4 Gardeners Road, Rosebery, New South Wales) and the funding for the initial project costs. The parties under this Agreement agree that Harliwich is entitled to a 77.5% of the project profits of the Development.

This Agreement has not been executed by the parties, but upon execution (and stamping where required) the Agreement can be terminated on a number of grounds, namely, on agreement between the parties if subdivision approval for the proposed Development is not obtained by all relevant authorities.

7.11. COOLANGATTA GRANDE DEVELOPMENT CONTRACT

By an agreement dated 16 May 2002, APSL entered in to a development management agreement with Mark Walsh, Gerard Kohne, James Lee and Marinda Lee Arton No 0011 Pty Ltd ABN 84 054 328 004, C & P (Accountants) Pty Ltd as Trustee for C & P Accountants Unit Trust ABN 43 654 292 552 and IT M & M Services Pty Ltd ABN 62 093 073 968 collectively referred to as the "Owners".

Under this Agreement, both APSL and the Owners agreed, among other things, to engage APSL to manage and coordinate the Realisation and Development Program, being a strata scheme and construction of units on the lots (including associated improvements on the land) for sale or the sale of the land as an en globo lot ("Development").

Under this Agreement, APSL establishes and project manages the Development, which includes undertaking a feasibility study. If after the feasibility study and a number of conditions are satisfied, for example:

obtaining approval of all relevant authorities to the subdivision of the land for the Development,

- achieving pre-sale targets; and
- establishment of the Scheme;

the Development will commence. APSL is entitled to a 16.5% of the total project profits (inclusive of a Systems Management and Implementation fee of $270,000 and construction supervision/project management fee of $270,000) of the Development.

The Owners are required to provide the land for the Development (137 Griffith Street Coolangatta, Queensland, 145 Griffith Street Coolangatta, Queensland and 149 and 153 Griffith Street Coolangatta, Queensland) and the funding for the initial project costs. The parties under this Agreement agree that the Owners are entitled to 49.5% of the project profits of the Development and purchasers receive 34% of project profits.

This Agreement (which has been properly executed by the parties) can be terminated on a number of grounds, namely, on agreement between the parties if subdivision approval for the proposed Development is not obtained by all relevant authorities.

7.12. INTELLECTUAL PROPERTY

The Intellectual Property, namely the System, is in the field of business system patents and relates to a novel method of developing real property based on a computerized model for developing real property wherein the land owner, builder, end buyers and a development manager are given participatory roles in the development process. A specialist patent attorney firm has been engaged to arrange appropriate patent protection for the Intellectual Property.

8. ADDITIONAL INFORMATION

8.1. CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

KPMG has given, and has not withdrawn, its written consent to be named as Auditor and Investigating Accountant in the form and context in which it is named and with its investigating accountants report in Section 5 being included in the form and context in which it is included. KPMG has not caused or authorised the issue of this IM and takes no responsibility for any part of the IM.

Deacons has given, and has not withdrawn, its written consent to be named as Lawyers in the form and context in which it is named Deacons has not caused or authorised the issue of this IM and takes no responsibility for any part of the IM.

Grange Securities Limited has given, and has not withdrawn, its written consent to be named as Arranger in the form and context in which it is named. Grange Securities Limited has not caused or authorised the issue of this IM and takes no responsibility for any part of the IM.

Cameron Stockbrokers Limited has given, and has not withdrawn, its written consent to be named as broker to the listing in the form and context in which it is named. Cameron Stockbrokers Limited has not caused or authorised the issue of this IM and takes no responsibility for any part of the IM.

Douglas Heck & Burrell Registries has given, and not withdrawn, its written consent to be named as Share Registry in the form and context in which it is named. Douglas Heck & Burrell Registries has not caused or authorised the issue of this IM and takes no responsibility for any part of the IM.

8.2. INTERESTS OF EXPERTS AND ADVISERS

KPMG has acted as auditor and investigating accountant for the Company and has prepared the investigating accountants report for which a maximum amount of $15,000 has been paid or has been agreed to be paid.

Deacons has acted as lawyer for the Company and has investigated the legal issues relating to the listing for which a maximum amount of $10,000 has been paid or has been agreed to be paid.

Camerons Stockbrokers Limited has acted as Sponsoring Broker and Nominated Advisor for the Company and has executed its responsibilities relating to the listing for which a maximum amount of $15,000 has been paid or has been agreed to be paid.

8.3. INTERESTS OF DIRECTORS

Director		Interest in Shares	% of Issued Shares at date of Listing
Geoffrey Jamieson	-	7,814,000	36.73%
Gregory Caird	-	2,776,000	13.05%
Brian Wilkie	-	2,144,000	10.08%
David Tucker	-	400,000	1.88%
Arthur Gerbanas	-	400,000	1.88%
Craig Offenhauser -	-	100,000	0.47%
			65.82%

In addition to the above shareholding, Geoffrey Jamieson and Brian Wilkie hold an equal portion equating to 66.67% of the shares in APS No. 1 Pty Ltd which holds 1,386,700 shares (6.52%) in APSL and also, Geoff Jamieson and Brian Wilkie control the voting rights of APSLSP Pty Ltd which is the staff share plan company holding 5.05% in APSL.

8.4. TRANSACTIONS WITH RELATED PARTIES

On 25th February 2002, APSL purchased the trade marks and intellectual property of Property Services Exchange Pty Ltd from a company associated with Geoffrey Jamieson for the sum of $55,000.

8.5. PAYMENTS TO DIRECTORS

The following table shows the total remuneration payable to the Directors of APSL for the 2003 financial year:

Geoffrey Jamieson	-	$190,000 plus a $50,000 bonus if the EBIT is above $5m
Gregory Caird	-	$100,000
Brian Wilkie	-	$100,000
David Tucker	-	$100,000
Arthur Gerbanas	-	$190,000
Craig Offenhauser	-	$ 25,000

8.6. TOP 10 SHAREHOLDERS

Tamlin Holdings Pty Ltd Superannuation Fund	2,950,000
Ravenslea Nominees Pty Ltd (No. 1)	2,764,000
Application Devices (Australia) Pty Ltd	2,100,000
Abich Pty Ltd	1,904,000
APS No 1 Pty Ltd	1,386,700
Nebo (Qld) Pty Ltd	1,144,000
Ravenslea Nominees Pty Ltd (No. 2)	1,100,000
APSLSP Pty Ltd	1,074,000
Andare Enterprises Pty Ltd	1,000,000
Tamlin Holdings Pty Ltd	1,000,000
Gow Consulting Pty Ltd Superannuation Fund	1,000,000
Helen Jane Martin & Gregory Alexander Caird	860,000

8.7. EXPENSES OF THE IM

Brokerage Fees	$ -
Listing & Associated Fees	$ 10,000
Legal Fees	$ 10,000
Accountancy Fees	$ 25,000
	$ 45,000

9. DEFINITIONS

APSL	Means Australian Property Systems Limited and its related bodies corporate as the context requires.
ASIC	Australian Securities and Investment Commission.
NSX	Newcastle Stock Exchange Limited ABN 98 008 624 691.
Board	The board of Directors of APSL.
CHESS	Clearing House Electronic Subregister System, operated by ASX Settlement and Transfer Corporation Pty Limited.
Company or APSL	Australian Property Systems Limited ACN 096925610.
Continuing Shareholders	Those shareholders who hold Shares at the date of this IM.
***Corporations Act* 2001**	The *Corporations Act* 2001.
Development Management Agreement	An agreement between APSL and a land owner that sets out the obligation of both parties up until settlement.
Grange Securities	Grange Securities Limited
Development Manager	Australian Property Systems Limited or a related entity
Directors	The Directors of APSL.
Existing Shareholders	Those shareholders who hold shares at the date of this IM
Information Memorandum	IM
Land Owner	A person or entity who owns land
Intellectual Property	Includes the Patents, designs, trade marks and copyright works created in the course of or in connection with the establishment and development of the System.
Listing Rules	The listing rules of NSX.
Options	The options over unissued Shares in APSL which will be issued by APSL.
Patents	The innovation patent and any other patents granted in respect of the System.
SCH Business Rules	The Securities Clearing House Business Rules approved under the *Corporations Act* 2001.
Shareholders	Holder of shares (of any class) in APSL.
Shares	Ordinary shares in the capital of APSL.
System	A Patented system which substantially reduces the risk of strata title property development