



Australian Property Systems Ltd

A B N 93 096 925 610

Offer Information Statement

Renounceable Rights Offer to Shareholders

to raise up to \$1,094,079

*on the basis of 2.1 new shares
& an option to subscribe for 2.1 further new shares
for each share currently held*

7 June 2013

Important Notice

Nature of this Document

This document has been prepared and issued by APSL as an offer information statement in accordance with sections 705, 709 and 715 of the Corporations Act 2001.

It is not a prospectus and, as an OIS, has a lower level of disclosure requirements than a prospectus.

Australian Securities & Investments Commission

A copy of this document was lodged with the ASIC on 7 June 2013. The ASIC takes no responsibility for the contents of this document.

Date of this Document

This document is dated 7 June 2013 – the date (above) on which it was lodged with the ASIC.

Exposure Period

The Corporations Act prohibits the Company from processing applications for shares within a period of seven days after the above date. This period, known as the ‘exposure period’, may be extended by the ASIC by up to seven days. The purpose of the exposure period is to enable the document to be examined by market participants before funds are actually raised. Applications received during the exposure period will not be processed until after its expiry.

Expiry of this Document

This document expires on 31 July 2013. No securities will be issued on the basis of this document (whether in its original or in any amended form) after that date.

Nature of Investment Offered under this Document

- *Early-stage commercialisation project*
APSL is an early-stage company seeking to

commercialise its proprietary patented property development system and to raise investment for that purpose through the issue of ordinary shares.

- *Risk profile*

As with any early-stage investment opportunity, there are material risks involved, and these include the possible loss of capital invested. Such risks are inherent in any commercialisation venture such as that being undertaken by APSL. Any investment pursuant to this document should therefore be considered speculative in nature.

- *Investment profile*

You should read the whole of this document (including the risk factors identified in Section 8) before making any investment decision and should in particular consider your own personal situation (including financial and taxation issues) in assessing the suitability or otherwise of the investment opportunity offered.

Recommendation as to Professional Advice

Any person considering an investment in the Company pursuant to this document should obtain professional investment advice before investing.

Territorial and Jurisdictional Factors

The offer of shares pursuant to this document is available to Australian residents located within Australia. The distribution of this document in jurisdictions other than Australia may be restricted by law. Any person who obtains this document in a jurisdiction outside Australia should seek local advice and observe any applicable restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This document does not constitute an offer or an invitation in any place outside Australia where, or to any person whom, it would be unlawful for any offer or invitation to be made.

Electronic Copies of this Document

Copies of this document are available in electronic format from APSL's share registry by e-mailing chris@hmw.com.au or in a printed version by contacting APSL. APSL will send any person receiving this document electronically before the expiry date referred to above (and so long as the offer made under this document is kept open by the Company) a printed version of the document free of charge upon request.

No shares will be issued pursuant to any electronic copy of this document except following receipt by APSL of an application form issued together with the electronic copy. An application by means of an electronic application form may be refused if APSL has grounds for believing that the applicant who received the electronic application form was not given access at the same time, and by the same means, to an electronic copy of this document in its entirety.

Privacy Statement

Each applicant for shares under this document will be required to provide APSL with personal information – eg name, address and contact details. APSL may collect, hold and use that personal information to assess and process applications and to undertake appropriate administration. Any such information may be disclosed by APSL to its agents and service providers on the basis that they deal with it in accordance with the Privacy Act 1988 as amended. Any application which does not provide the information requested may not be processed. Under the Privacy Act 1988 as amended applicants may request APSL to provide access to their personal information held by it.

Defined Terms & Glossary

*Certain terms in this document
have specific meanings.*

*These terms (which, for the most
part, are identified with initial
capitals for ease of reference)
are explained in the
glossary overleaf.*

Glossary

AAHA	Australian Affordable Housing Association Inc
Appendix	appendix to this document
APSL	Australian Property Systems Ltd ABN 93 096 925 610
ASIC	Australian Securities & Investments Commission www.asic.gov.au
Board	board of directors of the Company
Business	the proposed commercialisation of the System on a sustainable economic basis
CHESS	clearing house electronic sub-register system for share trading and settlement
Company	Australian Property Systems Ltd ABN 93 096 925 610
Director	director of the Company
Follow-on Option	option to subscribe in cash for a share in the Company as referred to overleaf and explained under ' <i>Offer Terms</i> ' in Section 9
FY	financial year to 30 June
JV	joint venture
NPAT	net profit after tax
NSX	National Stock Exchange of Australia www.nsx.com.au
Offer	offer of shares in the Company under this OIS
OIS	offer information statement
PCT	Patent Cooperation Treaty
Presidential Capital	Presidential Capital Pty Ltd ACN 124 563 686, of level 22, 333 Ann Street, Brisbane, Queensland 4000, the private investment company of Director Geoffrey Thomas
System	APSL's proprietary patented property development system as summarised under ' <i>Profile of System</i> ' in Section 1
Section	section of this document
Table	table in this document
\$	Australian dollar

Offer at a Glance

- Q** Who is the issuer of this document?
A *APSL*
- Q** What is offered?
A *Ordinary shares in APSL issued fully paid – each with a Follow-on Option as referred to below*
- Q** What are funds being sought for?
A *To commercialise the System and establish the Business on a sustainable basis for the long term*
- Q** What dividend prospects are there?
A *APSL is an early-stage commercialisation company and cannot say when, if at all, any dividend (franked or otherwise) will be paid*
- Q** What is the application price?
A *One cent per ordinary share*
- Q** What is the size of the Offer?
A *Up to 109,407,900 ordinary shares at one cent each to raise up to \$1,094,079 with attaching Follow-on Options as referred to below*
- Q** How much of APSL will these ordinary shares represent?
A *Up to 67.74% of its enlarged issued capital – depending on the total amount raised*
Note: *This figure assumes the full \$1,094,079 is raised but does not take into account any Follow-on Options exercised in the fullness of time – ie it is on a non-dilute basis*
- Q** Is there any minimum aggregate amount to be raised?
A *There is a minimum aggregate amount to be raised (or minimum subscription) of \$580,000*
- Q** Is the Offer underwritten?
A *There is no underwriting*
- Q** What limits are there on the size of any investment under the Offer?
A *Shares are offered to shareholders pro rata to their holdings of shares in APSL (on the basis of 2.1 new shares for each share held on 7 June 2013) but may be renounced to other people*
Note: *There is no need for people taking up renounced shares to be shareholders already*
- Q** What are the terms of the Follow-on Options?
A *Options will be granted (at no additional cost to applicants) on the basis of one option for each new share taken up and will be exercisable (at any time on or before 30 September 2014) at a price of one cent each payable in full in cash on exercise*
Note: *This means that entitlement to options is on the same basis as new shares – ie an option to subscribe for 2.1 further new shares for each share held on 7 June 2013*
- Q** When does the Offer open?
A *On expiry of the exposure period referred to on page ii of this document*
- Q** When does the Offer close?
A *Applications must be received by APSL no later than close of business on 19 July 2013, when the Offer will close, and shares must be issued by it no later than 31 July 2013*
- Q** How do I apply?
A *Complete and return the application form at the end of this document in accordance with the directions on it*
- Q** How can I get further information?
A *Read this document (including the risk factors in Section 8) in full - also talk to your financial adviser, accountant, stockbroker, lawyer or other professional adviser*

Directory

Company

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Queensland 4000

Directors

Geoffrey Thomas
Steve Jones
James Whitelaw

Company Secretary

James Whitelaw

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Queensland 4000
www.hmw.com.au

Auditors

Pitcher Partners
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Queensland 4000
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Share Registrars

HMW Partners
level 22
333 Ann Street
Brisbane
Queensland 4000
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APSL is a public company registered in Australia and admitted to listing on the NSX. Listing of its shares is currently suspended – see under 'Suspension from Listing on NSX & Arrangements for Lifting of Suspension' in Section 7 for background information. The NSX has confirmed that suspension will be lifted subject to appointment of share registrars linked to CHESS. APSL intends, contingent upon raising the minimum subscription pursuant to the Offer, to appoint such registrars in order to restore listing of its shares. This is the only matter in respect of which the Company now does not meet regulatory requirements under NSX listing rules.

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1 Investment Overview

Introduction

APSL was established in 2001 to commercialise the System. Initial modest commercial success for the System when APSL started to gain traction in the market stalled with the economic downturn in 2008 that followed the collapse of the US property market. The perilous economic situation was compounded by management failings at the time. As a result APSL's target market entered a sharp and prolonged downturn, from which it has not yet fully recovered, when the Company's capital base had already been depleted by System development and operational start-up costs.

Since then, without effective management, the Company has stagnated and has been operationally dormant for some time. That it has survived at all is due to continuing financial support by Presidential Capital. Funds advanced by Presidential Capital have kept APSL on life support pending corrective action. The Board is now seeking to recapitalise the Company in order to implement its chosen commercialisation strategy from the lowest possible cost base.

Profile of System

The System is a property development financing methodology. It represents an alternative approach to property development funding with the potential for lower overall costs than conventional approaches. APSL holds a granted patent in respect of this methodology - see under '*Intellectual Property*' in Section 2; it has also developed a suite of documentation encapsulating the methodology in tangible form. A process map illustrating the methodology was included as part of the original patent application and represents the workflow underlying the financing process.

The System's value proposition lies in the fact that it can be implemented, using off-the-shelf software, as a virtual (ie computerised) three-dimensional representation of a development and used as a basis for the grant of official titles even before development work is begun. The accelerated grant of official titles (which depends on local authority acceptance & is therefore a risk factor) in turn provides a basis for early marketing and sales and therefore, for the developer, reduced holding period and accelerated cashflow. There are corresponding benefits for other participants – see under '*System Value Proposition*' in Section 3. APSL proposes, however, to focus first and foremost on the benefit for the developer in view of its plan to form a JV with a suitable developer as partner – see under '*Business Strategy*' below.

Board Review

In recent months the Board has performed a strategic review during which it sought and received appropriate professional advice. In light of this review the Board has concluded that the System itself has commercial value only if presented to the marketplace with a recent record of demonstrated successful use. It therefore proposes the creation of a JV with a corporate partner to facilitate a low-key re-entry into the market.

Business Strategy

Against this background the Board proposes to establish a long-term JV with a corporate partner and to recruit an experienced general manager.

The proposed business model is based on licensing – ie APSL would contribute intellectual property to the JV (by way of licence) and contribute education and training in relation to the benefits and use of the System while the corporate partner would source and secure suitable properties and manage the development process. The parties (APSL & corporate partner) would share development profits in agreed proportions. The nature of the System (with the potential for accelerated cashflow) offers the prospect of enhanced development profits for the benefit of both parties.

A suitable potential JV partner has been approached, and positive exploratory discussions have been held, but it will not be possible to pursue these to a conclusion – with a view to securing a concluded JV – without the Company being recapitalised as proposed by the Board – see under ‘Introduction’ above.

In parallel with this it will be necessary to appoint an experienced general manager to implement the business plan recently developed by the Board. A suitable candidate has been identified and expressed interest in possibly joining APSL. Again, however, it will be necessary for the Company to be recapitalised (as proposed by the Board – see under ‘Introduction’ above) in order for positive early discussions to be taken to a conclusion with a view to agreeing terms.

There is in any event no guarantee that the proposed JV will necessarily be concluded or that the prospective management appointment will necessarily be made. APSL may seek other possible candidates (as a possible JV partner or for the general manager role) as alternatives to those identified to date.

The commercialisation strategy that has been developed is seen by the Board as the only viable approach in APSL’s current situation and seeks to address certain key considerations:

- Timeline for commercial revenue and cashflow;
- Capital investment required; and
- Potential return for shareholders.

Table 1 Key Elements of Business Plan		
Element	Response	Reference
Personnel	Implementation of Board changes & appointment of general manager	Section 4 - ‘Management’ Section 5 – ‘Possible Board Changes’ & ‘Outsource Service Provision’
JV partnership	Formalisation of JV with prospective corporate partner	Section 4 - ‘Business Plan Background’ & ‘Proposed JV’
Reference sites	Identification & development of specific suitable specific property development sites	Section 4 – ‘Targeting of Reference Sites’

The Board plans to focus principally on the social housing segment of the market where there is a widely recognised need for affordable development. The System achieved some initial commercial success - albeit modest - in this arena and is, in the view of the Board, particularly suited to this segment of the market.

Investment Requirement

Investment of not less than \$580,000 is required to implement the business plan outlined in the table above. This amount is the minimum subscription under the Offer; any sums raised in excess of this amount will be applied towards the outstanding loan from Presidential Capital (\$497,882) with any residual loan balance to be paid out in accordance with the existing loan agreement which stipulates a longstop date of 31 December 2015 – see under ‘*Material Contracts*’ in Section 7.

Investment at the level of the minimum subscription of \$580,000 is expected to fund activity in accordance with the business plan for approximately sixteen months – possibly long enough to reach cashflow break-even but in any case long enough to determine the likely success or otherwise of the business plan and - assuming successful implementation - secure follow-on funding to carry the business through to positive cashflow on a sustainable basis.

Alternative to Recapitalisation

The Offer is necessarily highly dilutive for any shareholder not taking up his or her rights. This is inevitable in present circumstances and recognises that:

- The Company cannot continue on life support any longer;
- It is not realistic to expect investment to be provided by anyone other than existing shareholders or others that they are close to; and
- Those who take up the Offer (whether or not existing shareholders) should own the majority of the shares and effectively control the Company.

The Board will take action for APSL to be placed into administration, or convene a meeting of shareholders for it to be wound up, unless (at least) the minimum investment of \$580,000 is raised pursuant to the Offer – ie before it closes on 19 July 2013. Either such course of action can be expected to lead to total loss of investment for all shareholders.

Applications pursuant to the Offer must be received by the Company no later than close of business on 19 July 2013.

Equity Dilution & Control Implications

The terms of the Offer are necessarily highly dilutive for any shareholder who decides not to take up his or her rights. Potential dilution impacts are detailed under ‘*Capital Structure*’ and ‘*Position of Presidential Capital & Geoffrey Thomas*’ in Section 9. It should be noted that the combined shareholding interests of Presidential Capital and Geoffrey Thomas could, on the basis explained under those headings, rise from the current level of 40.79% to a level as high as 71.42% as indicated in Table 14. This has obvious implications for control of the Company.

Each of Presidential Capital and Geoffrey Thomas has indicated that, without giving any commitment to invest under the Offer, it or he will not in any event take up the entitlement of any other shareholder. This means that investment by Presidential Capital and Geoffrey Thomas, if any, would be limited to a maximum of their combined entitlement. That entitlement represents investment of \$446,250 in total and therefore leaves a minimum amount of \$133,750 to be contributed by others in order for APSL to reach the minimum subscription of \$580,000.

Principal Risk Factors

Principal risk factors associated with the investment opportunity are presented in this OIS are shown (together with certain mitigation factors) in the table below.

Table 2 Principal Risk Factors	
Risk	Comment
Intellectual property <i>APSL's rights could possibly be infringed by third parties. There are significant practical difficulties in enforcement.</i>	Controlled low-key market entry working closely with a JV partner Substantial non-public knowhow (distinct from existing granted patent) as a natural competitive barrier Possible patent infringement insurance in due course
Commercial partner <i>There is no guarantee of securing a JV with the prospective partner identified or any other suitable company.</i>	Positive exploratory discussions with suitable JV partner candidate
Focus <i>APSL (with very limited resources) must not over-commit itself.</i>	Careful selection of development sites (in conjunction with JV partner) to ensure suitability Particular focus on affordable housing segment No more than two concurrent development projects for foreseeable future
Development approval <i>Any delay or refusal would prevent application of the System for any project affected, and therefore APSL's ability to generate cashflow from it, and could prevent commercialisation of the System.</i>	Existing precedents for System in Brisbane area Reference to potential of System for social housing projects
Bank acceptance <i>Without bank acceptance commercialisation of the System will almost certainly not be possible.</i>	Education for banks (with support from APSL's legal advisers) focusing on benefits inherent in System Close association with proven property developer as JV partner (as well as reputable builder) for reference purposes
Property investor sophistication <i>The System is by definition unfamiliar to most investors. Without investor</i>	No undue complexity in System Simplicity in presentation for appreciation of System value proposition

<p><i>take-up it will not be possible to commercialise the System.</i></p>	<p>Use of professional sales staff with appropriate training</p> <p>Initial focus on sophisticated investors</p>
<p>Keyman dependence</p> <p><i>There is no guarantee of recruiting or retaining individuals with appropriate board / management credentials.</i></p>	<p>Identification of an appropriate candidate for general management position</p> <p>Positive exploratory discussions with candidate identified</p> <p>Prospect of further discussions (potentially leading to appointment) subject to successful raising of minimum subscription of \$580,000 pursuant to Offer</p> <p>Possible Board candidates yet to be identified</p> <p>Possible keyman insurance in due course for risk mitigation</p> <p>Possible equity options (subject to performance conditions) in due course as incentive / retention</p>
<p>Solvency</p> <p><i>APSL may not be able to remain solvent as noted in the audit opinion on the financial statements in Appendix 1.</i></p>	<p>Minimum subscription of \$580,000 as minimum sum judged necessary to establish positive cashflow on sustainable basis</p> <p>Tight management of cashflow and of Business generally</p>
<p>NSX listing rules</p> <p><i>The Company's shares are currently suspended from trading on the NSX.</i></p>	<p>All statutory reporting requirements now complied with</p> <p>Appointment of registrars with access to CHESS as only outstanding regulatory compliance matter</p> <p>Appointment of registrars with access to CHESS subject to successful raising of minimum subscription of \$580,000</p> <p>Confirmation by NSX of lifting of current suspension upon appointment of registrars with access to CHESS</p>

A more detailed summary of risk factors is also included in Section 8. These should be considered fully along with the rest of this OIS.

2 General Background & Development Status

Timeline & Summary to Date

Key events relevant to the Company and the System are summarised in the table below; this also presents a snapshot of the pattern of past operating results rounded to the nearest \$'000. The relevant background is explained in the following parts of this Section.

Table 3	Event
2001	<ul style="list-style-type: none"> ▪ Incorporation of APSL
2003	<ul style="list-style-type: none"> ▪ Grant of patent in respect of System – <i>priority from April 2002</i> ▪ Receipt of Ultimo property development profit share of \$1,987,000 inclusive of GST
2004	<ul style="list-style-type: none"> ▪ Release of covenant by local authority on Arbour Road property development – <i>completion of full cycle of system implementation on development site</i> ▪ FY04 audited net loss of \$(600,000)
2005	<ul style="list-style-type: none"> ▪ Award of investment grade rating by Property Investment Research for Ferry Road development at West End ▪ Exchange of licence agreement with Napier Blakeley Consulting ▪ FY05 audited net loss of \$(409,000)
2006	<ul style="list-style-type: none"> ▪ Settlement by AAHA of Ferry Road development at West End - <i>total licence fee revenue of \$423,000 for APSL</i> ▪ Exchange of development management agreements by Napier Blakeley Consulting for three properties owned by AAHA ▪ FY06 audited net loss of \$(104,000)
2007	<ul style="list-style-type: none"> ▪ Exchange of licence agreement with Telco Asset Management for development & construction audit purposes ▪ Exchange of licence agreement with Apex Development Managers ▪ Exchange of licence agreement with Devine ▪ Exchange of in-principle agreement with KPMG for infrastructure & other support for market development ▪ FY07 audited net profit of \$465,000
2008	<ul style="list-style-type: none"> ▪ FY08 audited net loss of \$(588,000)
2009	<ul style="list-style-type: none"> ▪ FY09 audited net loss of \$(1,105,000)
2010	<ul style="list-style-type: none"> ▪ FY10 audited net loss of \$(499,000)
2011	<ul style="list-style-type: none"> ▪ FY11 audited net profit of \$5,000
2012	<ul style="list-style-type: none"> ▪ FY12 audited net loss of \$(249,000)

Origins

APSL was incorporated in May 2001 to develop and subsequently commercialise the System conceived by inventor Geoff Jamieson. The intellectual property rights (present & future) relating to the System were subsequently duly assigned to the Company.

Summary of Corporate History

APSL's corporate history can be summarised as one of optimism not matched by performance. In essence, despite what the Board sees as the commercial potential of the System, the Company has to date failed to commercialise it successfully. In the Board's view this can be attributed to a combination of factors - broadly as follows:

- Lack of a properly considered market entry and commercialisation strategy;
- Failure to appreciate fully the limitations of the System as a basis for forward planning, risk mitigation and plan implementation;
- Loss of product focus – development of 'enhancements' at a time when the core System had not been properly completed;
- Lack of strong commercial management; and
- Weak budgeting and financial control.

These factors were compounded by the Company's limited capital base and, from the second half of 2008, were further exacerbated by serious adverse conditions in financial markets. This is the background against which the Board was reconstituted, with the appointment of the Directors, in December 2010. From the latter part of 2008 financial market conditions had a very substantial adverse impact on the property sector and, in particular, on developers at a time when the System was beginning to achieve traction in the market. APSL's market therefore entered a sharp and prolonged downturn, from which it has not yet fully recovered, when the Company's capital base had already been depleted by System development and operational start-up costs.

Since then APSL has struggled to avoid formal insolvency and, more recently, has had to rely on financial support from Presidential Capital and effectively been on life support. Its financial difficulties have been manifest in almost non-existent operational activity over an extended period and in certain compliance failures when it failed to lodge financial reports within the applicable timeframes and had its NSX listing suspended. These compliance failures have since been rectified subject only to the appointment of new share registrars which the Board will deal with subject to raising the minimum subscription under the Offer – see under '*Suspension from Listing on NSX & Arrangements for Lifting of Suspension*' in Section 7.

Commercial Success to Date

Some early commercial success - albeit modest - was achieved for the System although in quite different market conditions from those prevailing since the financial crisis in 2008 – see under '*Timeline & Summary to Date*' above.

Specific examples with respect to the System are cited as follows:

- In December 2003 a project success fee of \$1,987,000 inclusive of GST was received consequent upon the sale by a licensee client of a development site at Ultimo where the System was used;
- In April 2004 local authority sign-off was achieved for the first time, in respect of the Arbour Grove development, so demonstrating a full cycle of System implementation within a project with settlement and profit distribution to stakeholders taking place before start of construction; and
- In March 2006 the AAHA and the Company's licensee Napier Blakeley Consulting settled the sale of 37 lots in the Ferry Road development to investors before start of construction – APSL's announcement to the NSX at the time included the following statement:

'This is another major milestone for the company, a first for Queensland, and we believe a first for Australia. The project is also the first high rise volumetric subdivision where settlements with end purchasers has occurred on the individual lots where two major banks have funded the individual lot purchase, the building contracts attached to those lots and with a Brisbane City Council 10 year affordable housing covenant registered on the titles. The project also initiated the first investment grade rated product in affordable residential housing which has enabled institutional investment in the AAHA affordable housing product – quality housing that is affordable to rent for low to middle income persons at no more than 30% of their income.'

Modest initial success for the System in the commercial arena (noted above) should be contrasted with the evident lack of financial performance by APSL as reflected in its financial results. Early commercial revenue derived from the System was never adequate to cover corporate overhead and put the Company on a sound financial footing. APSL therefore has a history of operating losses and negative cashflow despite modest early revenue from the System – see under *'Timeline & Summary to Date'* in Section 2 and *'Further Background Information'* in Section 7.

Intellectual Property

The Company owns all intellectual property rights relating to the System; these rights include in particular the granted patent referred in the table below.

Table 4 Patent Summary			
Subject Matter	Filing & Priority Date	Number & Status	Territory
Method of managing property development	3 April 2002	Granted patent 757205	Australia

Other patents, broadly corresponding to the core Australian patent referred to above, have been granted by local patent offices in Singapore and South Africa.

Other intellectual property comprises knowhow and confidential information as well as copyright in the suite of System documentation.

Status of System

The Company has recently sought legal advice on the present status of the System. The advice obtained confirms that certain further work needs to be performed on System documentation before it is deployed commercially in prevailing market conditions. The Board sees nothing in the advice to detract from its own positive view of the proveable commercial potential of the System but acknowledges the need for further work on System documentation.

The work required has been factored into the Company's operational budget and plan generally – these also factor in support for the Company from its legal advisers in educating bank property lenders to the operation and advantages of the System (see under '*System Value Proposition*' in Section 3) and formulating presentations to property investors.

Overview of System

Although significant intellectual effort and knowhow have gone into the design and development of the System - and notwithstanding the material financial investment required for a third party to develop similar documentation - the patent protection obtained by APSL is in the end only as good as its capacity, and its will, to defend and assert its rights against possible infringers. Not only are patent infringement actions typically costly to run, but they also involve significant uncertainty as to their outcome.

Nevertheless, the System has been shown to work on past projects, and it has therefore achieved proof of concept as well as some preliminary commercial acceptance.

Against this background the Board has concluded that:

- The patent referred to under '*Intellectual Property*' above defines a development financing methodology that is encapsulated in a suite of documents developed by the Company;
- The patent held by the Company is therefore in the nature of a process patent;
- The System itself is not a property titling system but, rather, presents an alternative approach to property development funding with the prospect of lower overall costs;
- There is no practically realisable commercial value in the System at this stage as a saleable capital asset in its own right and that any such value can only be demonstrated through actual use;
- only if presented to the marketplace with a recent record of demonstrated successful use
- To generate value in the System, and in due course returns for shareholders, it is therefore necessary to establish a track record for the System in actual use; and
- This will require the establishment of key reference projects for broader market credibility and acceptance.

These conclusions are directly relevant to the formulation of strategy and business plan and the work that the Company has recently undertaken in these areas.

Strategic Review & Options for Revitalising APSL

Besides seeking a legal perspective (see under ‘*Status of System*’ above) the Company has also in recent months (after seeking external advice) reviewed the System and options for its commercialisation.

The following possible courses of action were identified against the background of prevailing market conditions:

- Repackage the System for sale to a third party;
- Align the Company with a corporate JV partner on a project-by-project basis;
- Create a long-term JV with a corporate partner;
- Develop projects without any corporate partner; and
- Proceed to formal winding-up.

A qualitative risk assessment was then performed on each of these possible courses of action to determine relative feasibility. It should be noted that all of them (other than winding-up) would require external funding. A critical factor for the Board in arriving at a decision on the most commercially appropriate course of action was therefore the timeframe and level of capital required for implementation.

Corporate Strategy & Business Plan

The Board considers creation of a long-term JV with a corporate partner as the most appropriate course of action. This approach, in the Board’s view, represents the best commercial balance with a view to the following:

- Shortening the timeline for commercial revenue and cashflow;
- Minimising the capital investment required; and
- Maximising the potential return for shareholders.

The business plan that has been developed seeks to achieve these objectives with what the Board judges to be an acceptable level of commercial risk and no more.

In summary the business plan calls for key action as referred to in the table below.

Table 5 Key Elements of Business Plan		
Element	Response	Reference
Personnel	Implementation of Board changes & appointment of general manager	Section 4 - ‘ <i>Management</i> ’ Section 5 – ‘ <i>Possible Board Changes</i> ’ & ‘ <i>Outsource Service Provision</i> ’
JV partnership	Formalisation of JV with corporate partner	Section 4 - ‘ <i>Business Plan Background</i> ’ & ‘ <i>Proposed JV</i> ’
Reference sites	Identification & development of specific suitable specific property development sites	Section 4 – ‘ <i>Targeting of Reference Sites</i> ’

3 Market – Landscape & Opportunity

Property Development Market in Australia at a Glance

The property development market is a major part of the Australian domestic economy. Recent research reports by IBISWorld (in October 2012 & July 2012) put market revenue for operators and developers at \$29b for the residential market and \$23b for the industrial market.

IBISWorld's forecast for the residential market, where APSL's focus lies, was for long-term revenue growth despite the economic shocks and subdued conditions of recent years. During this period rental yields rose while sales volumes and property values both dropped. Lending capacity shrank at the same time due to financiers reducing available funding in absolute terms, increasing the cost of funding, and applying more stringent lending criteria generally – in particular as to valuation and equity requirements.

Modest improvements in market conditions more recently mean that activity levels have held up to a large extent, albeit from a reduced base, but the outlook in general remains subdued.

Against this background project opportunities continue to be subjected to careful scrutiny by all market participants and prudently financed if approved.

General market conditions (as outlined above) mean that affordable housing projects continue to be under particular pressure. This is directly relevant to APSL's current situation and commercialisation opportunities for the System – see under '*System Value Proposition*' below and '*Business Plan Background*' in Section 4.

The limited supply of affordable housing in Australia is widely recognised in both public and private sectors as a persistent social and economic problem with a range of causes. COAG findings published in October 2011 revealed deterioration in the affordability of both rental accommodation and homes for purchase.

Risks for Market Participants

The major risk in property development is one of timing. Projects are both capital-intensive and demanding in a management sense. In these circumstances material (and sometimes even relatively slight) changes in economic conditions can have significant (or even disastrous) consequences for individual market participants as well as on activity levels in the market generally.

For the developer timing is vital not just relative to the economic cycle but in terms of the project itself. Any delay (eg in planning approval) will defer project completion and therefore increase holding costs; increased holding costs will in turn erode, and at some point eliminate, the developer's profit margin.

The level of risk for the developer on any given project will reflect a range of factors. These factors include pricing, the developer's own balance sheet capacity, the mix of debt and equity funding, the anticipated duration of the project, performance and approval conditions, counterparty performance risk, planning approval processes, and environmental requirements; sales prospects generally, having regard to project timing within the economic cycle, provide the background against which specific relevant factors (including those above) have to be evaluated.

These considerations also have a direct impact on the level of risk borne by other market participants such as sub-contractors, end buyers (of both off-the-plan and completed property), and financiers.

System Value Proposition

The value proposition offered by the System (derived from the claims of the granted patent referred to under '*Intellectual Property*' in Section 2) is outlined below. The System seeks to address key limitations inherent in traditional approaches to property development through its patented process as reflected in the suite of proprietary documentation that APSL has created.

In summary the System provides a method of property development in which different stakeholders (owner, builder, end buyer & development manager) are able to take active participatory roles in the development process. The process involves a virtual (ie computer-generated) three-dimensional volumetric representation of a development, including a detailed terrain model and relevant title boundaries. This representation provides a basis for the grant of official titles (subject to local authority acceptance – see under '*Risk Factors*' in Section 8) leading to financial settlement even before development work is first undertaken on site. The accelerated grant of official titles (if approved by the local authority) in turn provides a basis for early marketing and sales and therefore:

- For an end buyer – the opportunity to participate directly in the development process and offer immediate registered title for financing purposes;
- For the developer – reduced holding period and accelerated cashflow; and
- For the builder – the ability to contract directly with individual end buyers and therefore reduce balance sheet reliance on the developer.

The System comprises a proprietary methodology and related documentation; it can be implemented using standard off-the-shelf third party software to model three-dimensional volumetric representation and record financial and accounting entries but does not, in and of itself, include or rely on any proprietary software – whether belonging to APSL or otherwise. It is therefore not necessary for software development costs to be taken into account in forward planning.

The System includes an audit process (by reference to the three-dimensional computerised site model) for verification of the accuracy and position of each component of development as work proceeds.

Extracts from the granted patent (see under '*Intellectual Property*' in Section 2) summarising key aspects of the System are presented below.

- '*Development return on costs is received at the point immediately following creation of titles when buyers settle the transfer of title to their development lot..... [and, accordingly,] is not dependent upon construction timetables or subject to the potential adverse impacts of builder default, construction delay, or buyer default during the construction period.*'
- '*The.....returns on development costs achievable.....introduce far greater scope for buyer input into the initial design concept and the ability to incorporate specific buyer requirements at an early pre-conceptual stage of the project.*

- *'Buyers receive considerable stamp duty benefits.....as they are paying stamp duty on the value of the flat land, strata or volumetric lot.....rather than the full value of the constructed apartment.'*
- *'All funding risk is carried by the financiers of individual buyers through the provision of retail financing from banks. There is no single construction or project development facility entered into between the land owner (or any other participant) and financiers. In turn this means that the financing costs are not costs of the development as such but rather are costs incurred by end buyers at a retail financing level. This avoids duplication of financing sources and allows a more efficient delivery of financing services to project development.'*
- *'The flexibility achieved by having an earlier return of development profit.....also introduces the ability to subsidise ownership costs that would otherwise fall to be met by end buyers.....This includes fees and levies payable to a representative body, local authority rates and other ownership expenses.'*

4 Commercialisation Plan

Business Plan Background

The chosen commercialisation strategy seeks the establishment of a long-term JV with a corporate partner pursuant to the recent commercial review – see under ‘*Strategic Review & Options for Revitalising APSL*’ in Section 2. Of the strategy options identified this is seen as the only one with any realistic prospect for successful commercialisation of the System. The Board judges that formal insolvency – with total loss of investment for all – is the only alternative. In developing this proposed JV strategy the Board has focused on balancing the following key considerations:

- Timeline for commercial revenue and cashflow;
- Capital investment required; and
- Potential return for shareholders;

While mitigating commercial risk as far as practicable – see under ‘*Corporate Strategy & Business Plan*’ in Section 2.

Part of the proposed approach to risk mitigation involves focusing on the social housing segment of the market where there is a widely recognised need for affordable development. The Board believes the System is particularly suited to this segment of the market, where (as referred to under ‘*Timeline & Summary to Date*’ in Section 2) some initial commercial success - albeit modest - was achieved by the Company, and plans to focus its main effort in this area.

Proposed JV

The business plan formulated by the Board calls for the establishment of a JV arrangement with a suitable corporate partner.

It is envisaged that APSL would contribute intellectual property to any JV (by way of licence) and provide education and training in relation to the benefits and use of the System (for the corporate partner but also for financiers and prospective end buyers of property) while the corporate partner would source and secure suitable properties and manage the development process. APSL would also manage document flow and general process administration in relation to the System - but not of the property development itself. The parties (APSL & corporate partner) would share development profits in agreed proportions. The nature of the System (with the potential for accelerated cashflow) offers the opportunity for enhanced development profits for the benefit of both parties.

Key attributes for a corporate JV partner are that it should:

- Be based, or at least have a substantial operational presence, in south-east Queensland close to APSL itself;
- Have an established pipeline of suitable development projects including affordable housing projects; and
- Be willing to work collaboratively with the Company, as a true commercial ‘partner’, with a view to commercialising the System for long-term mutual advantage.

A potential JV partner that meets these criteria has been identified and approached by the Company. Positive exploratory discussions were held following this approach, and the Board believes that the company concerned represents a genuine JV prospect. The candidate is, however, not willing to commit further management time to negotiating and

formalising arrangements without knowing that APSL has secured at least initial funding for the business plan – that is the purpose of the Offer. No further discussions will be held therefore unless and until the Company has raised the minimum subscription of \$580,000 pursuant to the Offer.

The Company may explore possible JV prospects with other potential commercial partners as an alternative to the one referred to above.

In the meantime it should be clearly understood that no JV has yet been concluded or formalised and that there is no guarantee that this outcome will be achieved.

Even if the minimum subscription of \$580,000 is achieved, the formalisation of the proposed JV arrangement is not guaranteed, and this remains a material risk – see under ‘*Risk Factors*’ in Section 8.

Targeting of Reference Sites

It is important that the Company should have access to a viable pipeline of suitable development sites in order for the Business to be established – see under ‘*Proposed JV*’ above.

Possible use of the System for social housing projects (which are known to be of interest to the planning department in Brisbane) may represent convincing policy grounds for timely local authority sign-off, so as to allow the creation of early property titles for individual units, although local authority acceptance remains necessary – see under ‘*Risk Factors*’ in Section 8. This consideration underlines the desirability of securing a JV partner offering both a clear ‘fit’ (in terms of geographical area of operation - ie south-east Queensland) and potential access to the affordable housing segment of the market to which the Board sees the System as being particularly suited – see under ‘*Business Plan Background*’ above.

Potential buyers for social housing projects might be, for example, retirement village operators and non-profit community bodies generally but would also typically include retail property investors. Units forming part of any development would then be available for let to tenants or for occupation by owners.

Management

Operational management of APSL and the Business will be the responsibility of a general manager (to be appointed) reporting to the Board.

Key attributes for any appointee as general manager are that the individual concerned should:

- Have demonstrable experience in, and understanding of, the property development market and the financing of development projects;
- Be able to demonstrate successful project management and commercial contract negotiation credentials;
- Show a sound appreciation of relevant business skills and disciplines – specifically projects, finance and marketing; and
- Be a ‘team player’ able to subordinate personal ambition to the requirements of a corporate business plan.

A potential candidate who appears to meet these criteria, and is available, has been identified by the Company. Positive exploratory discussions have been held and confirmed his interest in being appointed. He is, however, not willing to proceed further, or therefore to enter into detailed negotiation, without knowing that APSL has secured at least initial funding for the business plan under the Offer. No further discussions will be held therefore unless and until the Company has raised the minimum subscription of \$580,000 pursuant to the Offer.

Even if the minimum subscription of \$580,000 is achieved, however, the proposed appointment is not guaranteed, and this remains a material risk – see under '*Risk Factors*' in Section 8.

5 Company Structure & Personnel

Capital Structure

APSL's current capital structure is shown in the table below.

Table 6 Capital Structure	
Class	Number of Shares in Issue
Ordinary shares	52,099,000

Notes:

- 1 All shares are fully paid ordinary shares and have been issued either for cash or as consideration for the assignment of intellectual property rights relating to the System.
- 2 Shares shown above (as well as shares issued pursuant to the Offer) are subject to dilution arising in consequence of Follow-on Options attaching to ordinary shares issued under this OIS.

There are currently no options outstanding entitling any person to subscribe for shares or other securities. Further shares may be issued, however, pursuant to exercise of Follow-on Options attaching (on a one-for-one basis & at no additional cost to applicants) to shares subscribed for under the Offer.

Ownership Profile

The table below presents a summary of current equity interests in APSL showing all holdings over 1%.

Table 7 Principal Shareholdings		
Name	Number of Shares Held	Proportion of Issued Equity
Geoffrey Thomas	10,625,000	20.39%
Presidential Capital	10,625,000	20.39%
Tamlin Holdings P/L – <i>super fund a/c</i>	2,950,000	5.66%
Tamlin Holdings P/L	2,866,600	5.50%
Nicholas & Mandy Noye – <i>Alderley Investments a/c</i>	2,548,500	4.89%
Ravenslea Nominees P/L – <i>no 1 a/c</i>	2,364,000	4.56%
Lateral Solutions (Qld) P/L – <i>SPA staff super fund</i>	2,200,000	4.22%
HJ Martin & GA Caird – <i>Martin Caird super fund</i>	1,360,000	2.61%
Terry Smith – <i>NLN a/c</i>	1,154,300	2.22%

Ravenslea Nominees P/L – <i>no 2 a/c</i>	1,100,000	2.11%
APSLSP P/L	1,074,000	2.06%
Gow Consulting P/L – <i>super fund a/c</i>	1,066,600	2.05%
Nebo (Qld) P/L	935,950	1.80%
ABICH P/L – <i>GA Caird family a/c</i>	909,000	1.74%
Arthur Gerbanas	900,000	1.73%
Boda Investments P/L	710,410	1.36%
Sub-total	43,389,360	83.28%
Others	8,709,640	16.72%%
Total	52,099,000	100.00%

Notes:

1. Shareholders with the 20 largest holdings together account for 86.80% of the shares in issue and are shown in the FY12 annual report. There has been no change since the date of that report.
2. There are currently 143 shareholders in total.
3. Shareholdings are shown on a non-dilute basis and are therefore subject to the effect of exercise of Follow-on Options.
4. Presidential Capital is the private investment company of non-executive Director Geoffrey Thomas who therefore effectively controls in aggregate 40.79% of the issued share capital.
5. APSLSP P/L is the Company's share scheme subsidiary established as a vehicle for share incentives to be provided to employees. It is now de-registered, although no transfer of the shares held has yet been registered.

Board

At present the Board comprises:

▪ *Geoffrey Thomas*

Non-executive Director - appointed 23 December 2010

Geoff is a successful entrepreneur and investor. His company Capitalcorp Finance & Leasing, which he established in 1979 and later sold, provides financial broking and advisory services to personal and business customers. Since the sale he has managed his own investment portfolio – in particular through his company Presidential Capital. He is resident in the Bahamas but is a regular visitor to Australia.

Through his personal holding and that of his company Presidential Capital Geoff has an interest in 21,250,000 shares in APSL amounting to 40.79% of the issued share capital.

▪ *Stephen Jones*

Non-executive Director - appointed 23 December 2010

Steve is a specialist property lawyer with over 20 years' experience in private practice. Besides legal practice he is an author and commentator on legal issues as well as a law

lecturer and academic. Since 2009 he has acted as a sole practitioner through his own firm. From 1992 until 2009 he was a partner in the property & projects group at Queensland law firm McCullough Robertson.

Neither Steve nor any associate or related party of his has any shareholding or interest in any shares in APSL.

- *James Whitelaw*
Non-executive Director - appointed 23 December 2010

James is a practising accountant (with membership of the Institute of Chartered Accountants) and a principal of HNW Partners in Brisbane. HNW Partners provides general accountancy and share registry services to APSL.

Neither James nor any associate or related party of his has any shareholding or interest in any shares in APSL.

None of the Directors holds any directorship of any listed company other than APSL.

Company Secretary

The company secretary is James Whitelaw who is also a Director and profiled above.

Possible Board Changes

The Board intends to appoint at least one other person as a Director as soon as practicable in order to strengthen the Board. The preference is for a candidate with strong financial skills as well as, ideally, direct commercialisation experience. No such appointment will be made, however, unless the minimum subscription of \$580,000 is raised pursuant to the Offer.

Even if the minimum subscription of \$580,000 is achieved, no such appointment is guaranteed, and this remains a material risk – see under ‘*Risk Factors*’ in Section 8.

Governance

The Directors acknowledge and understand the need for proper corporate governance. At present governance matters are addressed directly by the Board as appropriate with a company of APSL’s size and development.

The Board has adopted a formal corporate governance charter and established a documented ethics and values policy for directors. There is also a documented policy requiring all staff (including directors and consultants) to enter into a formal undertaking in relation to specified governance matters (share dealings and confidentiality) and their conduct as regards those matters.

Outsource Service Provision

APSL has no employees and proposes to continue operating for the foreseeable future through independent contractors on an outsource basis. This approach maintains

flexibility of cost structure while also helping to contain the overall task of management internally and limit compliance obligations.

Outsource service providers are used principally in the following key areas of operation:

- Commercialisation strategy and business planning; and
- Intellectual property development and protection.

Independent advisers have also been engaged for audit and legal advice.

Management

Consistent with this policy (see under '*Outsource Service Provision*' above) the Company has sourced management services from third parties acting as independent contractors rather than as employees. It is possible that appropriate personnel may be appointed in due course on a full-time employed basis, but this is not envisaged in the foreseeable future, and no change is planned during the business establishment phase pending the generation of reliable sustainable cashflow.

Operational management of APSL and the Business will be the responsibility of a general manager (to be appointed) reporting to the Board – see under '*Management*' in Section 4 for further information.

6 Financial Profile

Financial & Reporting Background

As a public company, APSL is obliged by law to prepare financial statements, have them audited and then lodge them with the ASIC; it is also obliged, as a listed company, to lodge them with the NSX for release to the market.

In recent times the Company has not complied in a timely way with certain of these lodgment obligations – due largely to its ongoing lack of financial and personnel resources. As a result the Company was sanctioned by the ASIC (with a fine of \$3,000) and had its listing suspended by the NSX.

The Company has recently brought its reporting up to date and is therefore now in compliance with statutory requirements; it is also now in compliance with its regulatory obligations other than the need (under NSX listing rules) to appoint new share registrars with access to CHES. The Company's listing therefore remains suspended pending a suitable appointment. The Board intends, contingent upon raising the minimum subscription, to appoint new share registrars with access to CHES. The NSX has confirmed that, upon such appointment, the current suspension will be lifted so as to permit dealings in its shares on-market.

Financial support to address these and other matters (including formulation of the Offer and preparation of this OIS) has been provided by Presidential Capital. The immediate financial situation of the Company has therefore now been stabilised – though only for the immediate short-term – so as to secure the opportunity for the Company to be recapitalised pursuant to this OIS.

Financial Support by Presidential Capital

Financial support by Presidential Capital has been provided in the form of loans – in the first instance an initial sum of \$50,000, followed by a further amount of \$420,000, which included refinancing of the earlier \$50,000.

These loans were announced to the market via releases to the NSX on 9 December 2011 and 1 June 2012 respectively. The second loan was made to repay the earlier one, clear accrued creditors generally, and provide essential working capital for APSL to continue essential low-level activity. Without this funding APSL would inevitably have become insolvent.

Since then Presidential Capital has advanced further sums totalling \$77,882 so that the total loan balance now stands at \$497,882. These further sums have provided essential working capital to cover necessary costs (on a 'subsistence' basis) and have enabled the Company to remain solvent.

The outstanding loan balance is secured by a debenture creating a fixed charge over the Company's intellectual property assets and a floating charge over its undertaking and assets generally.

Details of the loan arrangements appear in Section 7 – see under '*Loan Agreement with Presidential Capital*'.

Funding Requirement & Time Horizon

The Offer seeks to raise up to \$1,094,079 with a minimum subscription of \$580,000. It is considered that the Company cannot be viable unless (at least) the minimum subscription of \$580,000 is raised.

This figure has been set because it represents the minimum amount that the Board judges to be required for initial establishment of the Business. The Board judges initial establishment of the Business as being the generation of reliable cashflow adequate to cover necessary overhead and other costs on a sustainable basis at the minimum level of operational activity required – in other words for operations to become cashflow-positive.

At the minimum rate of cash burn necessary to sustain this level of operational activity – judged to be approximately \$35,000 per month – the time horizon for APSL to achieve this is approximately sixteen months. This time horizon is not affected by whether or not the Offer raises the full amount of \$1,094,079 because, once the minimum subscription of \$580,000 has been achieved, any shortfall below the figure of \$1,094,079 will result in a corresponding reduction of the loan balance owed to Presidential Capital – ie funds of \$580,000 (no more, subject only to the qualification in the next paragraph, & no less) will be available to the Company once the minimum subscription has been achieved.

The minimum subscription (\$580,000) and the outstanding balance of the loan from Presidential Capital (\$497,882) together amount to \$1,077,882. This figure is slightly less than the full amount (\$1,094,079) sought under the Offer. The difference of \$16,197 is necessary for rounding purposes to arrive at a 'tidy' offer price of 2.1c per share. Any excess over \$1,077,882 in funds raised under the Offer would therefore be available to the Company rather than to Presidential Capital.

At the full amount of \$1,094,079 sought under the Offer (or if the Offer were to raise \$1,077,882 or more) the principal amount of the loan from Presidential Capital would be repaid in full, leaving only accrued interest, which would be carried forward in accordance with the existing agreement (see under '*Loan Agreement with Presidential Capital*' in Section 7) for payment at later date subject to a longstop date of 31 December 2015.

It is possible that the minimum subscription of \$580,000 will not be adequate for initial establishment of the Business – note (above) that this is '*the minimum amount that the Board judges to be required for initial establishment of the Business*'. It is anticipated, however, that, even if further capital raising is required for the Company to become cashflow-positive on a sustainable basis, the path to that point will have become sufficiently clear within the time horizon of sixteen months referred to above for APSL to undertake a further interim capital raising.

Anticipated Application of Funds

Any proceeds of the Offer in excess of the minimum subscription of \$580,000 will be applied towards repayment of the balance of the loan from Presidential Capital (currently \$497,882) as outlined under '*Funding Requirement & Time Horizon*' above.

The table overleaf gives an approximate breakdown of anticipated application of funds on a monthly basis.

Table 8 Anticipated Application of Funds

(Average amount per month exclusive of GST)

Nature	Amount	Nature	Note
Board functions	\$6,000	Non-executive directors' fees & company secretarial costs	1.
Management	\$10,000	General manager	2.
Travel	\$600		3.
General office costs	\$1,400		4.
Legal costs	\$10,000	System documentation refresh; support with stakeholder engagement & deal creation	5.
Other professional costs	\$3,000	Book-keeping, accounting, tax & audit costs	6.
Establishment costs	\$2,000	ASIC annual payment, NSX listing costs & share registry	7.
General contingency	\$2,000	General provision of approximately 6% of specifically budgeted costs	
Total	\$35,000		

Notes:

1. Fees are budgeted at \$2,000 per month for each of two non-executive directors with provision of up to \$2,000 per month for company secretarial costs.
2. This is in the nature of a provision for a role that is expected to be less than full-time for much of the period – perhaps of the order of twelve to fifteen days per month. Preliminary discussions with a possible candidate for the general manager role indicate that the amount budgeted is commercially realistic even though it may not be enough to appeal to all candidates with appropriate credentials.
3. Travel costs relate to site visits including possible (low-cost) overnight accommodation where appropriate.
4. General office costs include provision for serviced office plus usual basic office costs including communications, insurance, copying, printing, etc.
5. Legal costs are seen as a substantial provision to cover the activity noted and may in some months even exceed the average monthly amount budgeted. It is critical that high-quality legal support is available – albeit on the basis that professional time is managed to best advantage so as to allow acceptable margin to the law firm concerned and value for money to APSL.
6. Actual expenditure will fluctuate around quarterly BAS reporting and half-yearly and yearly reporting to the market in addition to year-end tax compliance.
7. Establishment costs will again fluctuate around annual payments to the ASIC and NSX with a modest monthly allowance (reflecting anticipated low activity levels) for new share registrars with access to CHESS.

Audited Financial Statements

The financial statements presented in Appendix 1 (including statement of financial position as at 31 December 2012 & income statement for the year ended on that date) were prepared from the Company's financial records on a consistent basis and in accordance with applicable accounting and financial reporting standards.

The Company's auditors are Pitcher Partners. Neither Pitcher Partners nor any of its principals or staff has any shareholding or other interest in the Company.

Further Financial Information

This OIS contains a five-year financial summary (covering the period up to and including FY12) in addition to the financial statements presented in Appendix 1 – see under '*Further Background Information*' in Section 7.

7 General Information

Material Contracts

The Board considers that certain agreements entered into by the Company are material to its operations or the offer made under this OIS or may otherwise be relevant for intending investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements, is set out below.

▪ *Assignment & confirmation of intellectual property*

This document is a deed vesting intellectual property (comprising specified patents & patent applications) in respect of the System in APSL. The assignment was made by an associated company of APSL's, which had previously licensed the intellectual property to APSL, and was also joined in by Perry Wilkie, Geoff Jamieson and Brian Wilkie as inventors. Under the document:

- The subsidiary assigned to APSL the patent (see under '*Intellectual Property*' in Section 2) and other intellectual property relating to the System;
- The inventors assigned residual retained rights (not previously assigned) correspondingly; and
- The licence previously held by APSL merged with the assignment and was extinguished.

Each party warranted that he or it had power to enter into the document and did not, in so doing, breach any prior obligation binding on him or it. Each assignor also warranted that he or it retained no intellectual property in the System other than (in the case of the inventors) the moral right to be cited as inventor.

▪ *Deed of loan agreement with Presidential Capital*

The terms of this document, which was entered into in May 2012, were negotiated in circumstances where the Company faced imminent insolvency and had no other finance option available to it. Not only was there no other available option, but it was obvious that APSL was otherwise completely unfinanceable viewed from the perspective of any financier dealing at arm's length.

The document sets out the terms of an advance of \$420,000 to be used to repay an earlier loan of \$50,000 and for general business purposes; this sum has recently been increased by a further \$77,882 (to allow APSL to meet various pressing reporting obligations, discharge creditors, and cover necessary professional costs in anticipation of the Offer) making a total of \$497,882.

The agreement states that the Company is not in default under the original loan arrangement (relating to the \$50,000 referred to) and that unpaid interest of \$7,500 is to be treated as interest, rather than being capitalised, and is to be paid as such under the new loan arrangements. Interest accrues (without being compounded) pending repayment and is payable with principal in any event on 31 December 2015.

Interest accrues on principal at the rate of 24% per year with provision for reduction to 20% per year in the absence of any payment default by the Company. Principal is to be repaid from the proceeds of any rights issue or other capital raising, or out of any net profits from any business venture or the proceeds of any asset sale by the

Company, and in any event on or before 31 December 2015. There is no longer any right for Presidential Capital to convert principal into shares in APSL – the right of conversion originally contained in the agreement has been surrendered by Presidential Capital.

Presidential Capital undertakes, with a view to ensuring the continuing solvency of APSL, not to take any enforcement action against it by seeking winding-up or appointing a receiver or issuing a statutory demand; it also has a right of last refusal in relation to any assets proposed to be sold by the Company.

There are also usual provisions (such as might be expected in any facility agreement) relating to such matters as the borrower's right of prepayment, default, remedies of the lender in the event of default, and further assurance.

Because the Offer is made by way of rights, and the agreement provides for the proceeds of any rights issue to be applied towards the outstanding loan, it is necessary for the Company to retain adequate proceeds from the Offer to fund operations (in accordance with this OIS) without them being diverted to Presidential Capital. Presidential Capital has therefore agreed not to seek any payment out of the proceeds of the Offer except to the extent that those proceeds exceed the minimum subscription of \$580,000. This arrangement is conditional on the Offer raising (at least) the minimum subscription and does not affect any balance of the loan remaining after any such excess has been paid to Presidential Capital. The agreement as originally entered into will therefore continue to apply to any such balance (and also to accrued interest) so that Presidential Capital would still be entitled to seek payment by the Company out of the proceeds of any similar capital raising in the future.

- *Debenture charge in favour of Presidential Capital*

The terms of this document, which was entered into in May 2012, were negotiated in circumstances where the Company faced imminent insolvency and had no other finance option available to it. Not only was there no other available option, but it was obvious that APSL was otherwise completely unfinanceable viewed from the perspective of any financier dealing at arm's length.

This document, entered into at the same time as the deed of loan agreement, creates security in favour of Presidential Capital for all sums at any time owing by the Company. It therefore secures the full principal amount of the existing loan – ie \$497,882.

Security is granted (on a first ranking basis) over the whole of its undertaking and assets for all moneys, present and future, at any time owing by APSL.

The document contains certain representations and warranties on the part of the Company as well as restrictions on dealings by it with charged property. APSL also undertakes to maintain the charged assets and to provide information relevant to the charged property at any time that Geoffrey Thomas is not a Director.

There are usual provisions including undertakings by APSL for further assurance and indemnity, a statement of matters amounting to default on the part of APSL, the rights of Presidential Capital (including the appointment of a receiver) in the event of any default, prohibition on any set-off by APSL, and release and discharge of security following repayment in full.

Suspension from Listing on NSX & Arrangements for Lifting of Suspension

APSL's listing on the NSX is currently suspended. This follows various compliance failures when the Company failed to lodge financial statements within the applicable timeframes for release to the market. The Company has recently brought its reporting up to date and is therefore now in compliance with statutory requirements and (except for the share registry as explained below) with regulatory requirements but remains, for now, with its listing suspended.

In order for suspension to be lifted APSL must appoint new share registrars with access to CHESS in order to facilitate dealings in its shares. The present share registrars do not meet this requirement under the NSX listing rules. This is why the suspension remains in force despite rectification of earlier compliance failures. This is the only matter now remaining in respect of which the Company does not meet the NSX's regulatory requirements under the listing rules.

The Board intends, contingent upon raising the minimum subscription, to appoint new share registrars with access to CHESS. The NSX has confirmed that, upon such appointment, the current suspension will be lifted so as to permit dealings in its shares on-market. Future dealings are therefore contingent upon the minimum subscription (at least) being raised pursuant to the Offer as well as the planned appointment of new share registrars with access to CHESS.

Further Background Information

Under this heading is included information of a general nature (not appearing elsewhere in this OIS) that might be disclosed under NSX listing rules were the Company seeking an initial compliance listing rather than (as is in fact the case) taking action for the lifting of the current suspension.

Information under this heading includes details extracted from audited financial statements covering FY08 to FY12 (inclusive) and also details relating to the current financial year (FY13) by reference to both a full-year audit (for which see the financial statements in Appendix 1) and the usual half-year review relating in each case to the period ended 31 December 2012. For each of these periods other than FY08 the audit or review report (which was otherwise unqualified) drew attention to the note relating to ongoing operations and qualified the audit/review opinion given by reference to the matters noted. In summary, therefore, the auditors drew attention to the risk of APSL not being able to continue as a going concern and qualified their audit or review opinion accordingly.

In the Company's financial statements to date the loan from Presidential Capital appears as a current (rather than non-current) liability. The terms, and the consequent accounting treatment, of the loan are obviously relevant to the going concern qualification placed by the auditors on the financial statements as referred to above. However, if the Offer is successful in raising the minimum subscription of \$580,000, it may be permissible to treat the liability to Presidential Capital as no longer current (so far as FY14 is concerned) in view of the fact that it, in the absence of any further rights issue or any default by APSL, there would be no obligation for it to be repaid until 31 December 2015 - see generally under '*Deed of loan agreement with Presidential Capital*' above.

Prior year results, covering the half-year ended 31 December 2012 as well as full five-year period to and including FY12, are summarised in the table below as extracted from the relevant financial statements. Results for FY08 to FY12 are audited; the FY13 half-year result has been reviewed but is not audited.

Table 9 Summary of Past Results		
Period	Revenue <i>(including other income)</i>	Earnings (NPAT)
FY08	\$216,143	\$(587,578)
FY09	\$587,775	\$(1,105,429)
FY10	\$15,667	\$(498,678)
FY11	\$81,660	\$4,839
FY12	-	\$(249,072)
<i>FY13 – half-year to 31 December</i>	\$13	\$(138,852)

The following table shows individual revenue components reflected in the table above as separate line items. All figures have been extracted from the relevant financial statements. Results for FY08 to FY12 are audited; the FY13 half-year result has been reviewed but is not audited.

Table 10 Breakdown of Past Revenue						
	FY08	FY09	FY10	FY11	FY12	FY13 <i>(half-year)</i>
Consulting	-	\$150,955	-	-	-	-
Licence & training	\$62,091	\$16,000	-	-	-	-
Sale	-	\$270,000	-	-	-	-
Interest	\$37,640	\$19,422	\$2,001	-	-	\$13
Other	\$234	\$1,464	\$353	\$57	-	-
R&D tax concession	\$116,178	\$129,934	\$13,313	\$81,603	-	-
Total	\$216,143	\$587,775	\$15,667	\$81,660	-	\$13

A summary of balance sheet position covering the same period – again extracted from the relevant financial statements – is shown in the table overleaf. All financial statements concerned are audited; the balance sheet position as at 31 December 2012 is extracted from the audited financial statements in Appendix 1.

Table 11 Summary of Past Balance Sheet Position

Balance Date	31 December		30 June			
Item	FY13 (half-year)	FY12	FY11	FY10	FY09	FY08
Current assets						
Cash & cash equivalents	\$15,293	\$133,508	\$14,296	\$18,513	\$365,004	\$931,945
Trade & other receivables	\$10,717	\$10,473	\$2,126	-	\$62,032	\$57,961
Inventories		-	-	-	-	\$220,157
Other assets		-	-	-	-	\$116,178
Total current assets	\$26,010	\$143,981	\$16,422	\$18,513	\$427,036	\$1,326,241
Non-current assets						
Trade & other receivables	-	-	-	-	\$26,592	\$25,519
Property, plant & equipment	-	-	-	-	\$17,201	\$15,079
Total non-current assets	-	-	-	-	\$43,793	\$40,598
Total assets	\$26,010	\$143,981	\$16,422	\$18,513	\$470,829	\$1,651,520
Current liabilities						
Trade & other payables	\$85,626	\$64,744	\$108,113	\$115,043	\$68,681	\$155,014
Borrowings	\$420,000	\$420,000	-	-	-	-
Total current liabilities	\$505,626	\$484,744	\$108,113	\$115,043	\$68,681	\$155,014
Total liabilities	\$505,625	\$484,744	\$108,113	\$115,043	\$68,681	\$155,014
Net assets / (liabilities)	\$(479,616)	\$(340,763)	\$(91,691)	\$(96,530)	\$402,148	\$1,496,506
Equity						
Contributed equity	\$3,381,000	\$3,381,000	\$3,381,000	\$3,381,000	\$3,381,000	\$3,381,000
Reserves	\$403,723	\$403,723	\$403,723	\$403,723	\$403,723	\$403,723
Accumulated losses	\$(4,264,339)	\$(4,125,486)	\$(3,876,414)	\$(3,881,253)	\$(3,882,575)	\$(2,277,146)
Parent entity interest	\$(479,616)	\$(340,763)	\$(91,691)	\$(96,530)	\$402,148	\$1,507,577
Non-controlling interest	-	-	-	-	-	\$(11,071)
Total deficiency	\$(479,616)	\$(340,763)	\$(91,691)	\$(96,530)	\$402,148	\$1,496,506

The three tables above clearly show the sharp decline in operational activity over the period resulting from the financial crisis in 2008 and the consequent pressure on the Company's limited (and diminishing) financial resources – see under 'Introduction' in Section 1 and 'Summary of Corporate History' in Section 2.

At all times during the period covered in the three tables above, and also subsequently, all activity conducted by APSL has been for the purpose of development and

commercialisation of the System. Throughout this time it has operated without employees and solely through contractors. Details of remuneration paid to or for the benefit of all officers and senior management personnel have been published, in accordance with applicable requirements, in the Company's financial statements released to the market.

Since the beginning of FY08 APSL has had no subsidiary and no minority interest in any company other than:

- APSLSP Pty Ltd - its wholly-owned share scheme subsidiary, now de-registered, referred to under '*Ownership Profile*' in Section 5 as well as in notes 1(r), 15(a) & 21 to the financial statements included in Appendix 1; and
- Product Exchange Services Pty Ltd – subsidiary (in which it holds an 80% equity interest) established in 2002 to develop software associated with the System and wholly dormant since before the appointment of the present Directors in December 2010.

APSL has never declared or paid any dividend or made any other distribution to shareholders or any class of shareholders.

It has also never held any interest in land other than a short-term tenancy of office premises in Brisbane city centre.

Related Party Disclosures

Except as disclosed in this OIS the Company has not undertaken or agreed to undertake any transaction with any of the Directors or a related party of any of the Directors.

Commissions

APSL does not intend to pay any commission to third parties in connection with the Offer.

Litigation

The Company is not involved in any legal or arbitration proceedings and has not been involved in any such proceedings within the past five years. Neither the Company nor any of the Directors is aware of any such proceedings pending or threatened against it.

Third Party Consents

None of the parties referred to below has made any statement that is included in this OIS, or any statement on which a statement made in this OIS is based, except as specified below.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this OIS other than the reference to its name and a statement included in this OIS with the consent of that party as specified below.

Consents have been received by the Company as follows:

- Pitcher Partners has given, and not withdrawn, its written consent to be named as auditor, and to the references to it and to the inclusion of its audit report, in this OIS in the form and context in which they appear; and
- HMW has given, and not withdrawn, its written consent to be named as accountants and registrars, and to the references to it, in this OIS in the form and context in which they appear.

Interests of Experts & Advisers

Except as set out in this OIS:

- No person named in this OIS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this OIS has any interest or has had any interest during the last two years, in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of shares, or in the offer of shares; and
- No amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of the Company or the offer of shares.

The Company in the ordinary course of business pays the advisers named in this OIS (Pitcher Partners & HMW Partners) professional fees on a commercial basis for services delivered and has continued to do so in the current financial year. Some of the services received by APSL during that period, though necessary for the purposes of this OIS, are nevertheless in the ordinary course of business in the sense of being required quite independently of this OIS. This applies in particular to general reporting obligations. The only additional work performed specifically for the purpose of this OIS is audit for the year ended 31 December 2012 - see the audited financial statements in Appendix 1. This audit was performed at the same time as the usual half-year review. Pitcher Partners have been paid the sum of \$5,000 plus GST for this audit work which effectively included the review.

Documents Available for Inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for thirteen months after the date of this OIS:

- APSL's constitution;
- The agreements considered by the Board to be material – summarised under '*Material Contracts*' above; and
- The consents to the issue of this OIS referred to under '*Third Party Consents*' above.

8 Risk Factors

Introduction

This Section identifies the areas that the Board believes to represent significant risks associated with an investment in APSL. APSL represents an early-stage commercialisation venture and, as such, should be regarded as speculative in nature. There is no certainty that the System will be successfully commercialised or therefore as to any future return (income or capital) from any investment in APSL.

Each of the risks set out below, and others not specifically referred to below, could, if it eventuates, have a material adverse impact on APSL.

Any prospective investor should bear in mind that any investment in the Company is speculative and read this OIS in full before investing – see in particular under *‘Nature of Investment Offered under this Document’* and *‘Recommendation as to Professional Advice’* in the notice on page ii of this OIS.

General Investment Risks

There are certain risks inherent in any investment in shares. For convenience these are summarised as follows.

▪ *Shares*

Although the Company is listed on the NSX, there is currently no liquidity to support dealings in its shares, which can be expected to remain illiquid until (at least) such time as the Company has established an initial track record of business and financial performance. Investment in the Company should therefore be regarded for the foreseeable future as, by nature, illiquid. Arrangements have been agreed with the NSX for lifting of the current suspension from listing to facilitate future dealings in the Company’s shares – see under *‘Suspension from Listing on NSX & Arrangements for Lifting of Suspension’* in Section 7.

▪ *General economic conditions*

Even if the System is successfully commercialised, the Company’s operating and financial performance will be influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including any increase in interest rates, may be expected to have a corresponding adverse impact on the Company’s operating and financial performance.

Specific Business Risks

A summary of some of the specific business risks facing the Company is presented overleaf. Each risk should be considered in light of the factors referred to in the comment section that follows it. Both risks and comments are referred to briefly under *‘Principal Risk Factors’* in Section 1. Each of these risks could, either alone or in combination with other matters, result in failure by the Company to commercialise the System and should therefore be viewed as material in and of itself.

- *Intellectual property*

Outline: APSL's monopoly rights conferred by the grant of a patent are only as good as its capacity, and its will, to assert its rights against possible infringers. APSL may therefore not be able to enforce those rights due to the very limited resources it would have.

Comment: It is planned to address this risk through judicious and controlled market entry in a low-key manner (working closely with a known JV partner) in order to establish commercial revenue and initial profitability and, in the process, to maintain confidentiality in relation to key aspects of the System. At a later stage, once the Business has been adequately established, the Company may seek to take out patent insurance (if available on economic terms) to fund possible future enforcement action against any infringer. The suite of System documentation encapsulates substantial knowhow and would be hard for any third party to replicate without significant effort and cost. To some extent, therefore, the nature of this knowhow creates a competitive barrier independent of the patent protection – at least while an initial market position is established.

- *Commercial partner*

Outline: There is no guarantee that the Company will be able to secure a JV partner – or that any JV partner will perform effectively. Failure to secure an initial JV partner, or the 'right' initial JV partner, would most likely make it impossible to achieve commercialisation of the System; failure to perform on the part of any chosen JV partner (for financial, operational or other reasons) or by APSL to establish a sound working relationship would jeopardise APSL's prospects for successful commercialisation of the System.

Comment: A suitable JV partner has been identified, and positive exploratory discussions have been held with it to establish its willingness in principle to negotiate and conclude a JV with the Company. It is not willing to proceed further or therefore to enter into any negotiation, however, without knowing that the Company is adequately capitalised for the immediate future.

- *Focus*

Outline: There are obvious risks for APSL (even assuming the success of the Offer) in seeking to expand too fast, and therefore over-committing itself, so causing it to fail and preventing commercialisation of the System.

Comment: This risk will be managed through a principal focus on social housing (see under '*Business Plan Background*' & '*Targeting of Reference Sites*' in Section 4) coupled with careful selection of development sites to ensure suitability - as judged on grounds of scale, timeframe, reference potential, & other relevant factors. The initial focus on a single site and, for the first twelve months of operation at least, no more than two sites under development at one and the same time. It will of course be necessary to secure a suitable JV partner as a pre-condition – there is (as mentioned under '*Commercial partner*' above) no guarantee that this will be achieved.

- *Development approval*

Outline: A key step in the process established by the System is timely sign-off by the local authority to create early property titles for individual units. Any delay (or even refusal) would delay (or prevent) the System being applied to the site in question and therefore delay (or prevent) the generation of cashflow and commercialisation of the System. Accelerated grant of official titles is not possible without timely local authority sign-off. Without timely local authority sign-off the System's value proposition is destroyed.

Comment: In the Brisbane area (where APSL intends to focus) approval has historically been forthcoming on a timely basis in relation to other sites. There is also an existing precedent for successful use of the System with the Ferry Road development approved by Brisbane City Council – see under '*Commercial Success to Date*' in Section 2. Possible use of the System for social housing projects (which are known to be of interest to the planning department in Brisbane) may offer additional policy grounds for approval not to be withheld or delayed.

- *Bank acceptance*

Outline: It will almost certainly be impossible to commercialise the System unless at least one bank is initially willing to lend in relation to development projects where the System is deployed. In the absence of bank acceptance developers and prospective buyers will not have access to debt finance in relation to any property development where the System is deployed.

Comment: With support from its legal advisers APSL will seek to educate banks active in the property development sector in the benefits inherent in the System. The approach used in the System allows a bank's risk to be spread across a portfolio of different borrowers rather than concentrated on a single borrower for the full loan exposure and therefore improves its overall risk profile for any given development. Close association with a suitable JV partner (see under '*Commercial partner*' above in relation to the risk of not securing a suitable JV partner) that has a proven property developer track record and, with a reputable builder, can also be expected to support the case for sympathetic bank consideration. The fact that, in the current subdued market environment, banks apply rigorous scrutiny to development project proposals and apply detailed analysis to perceived risk areas (eg completion risks, contract default risks, valuation risks & owner debt service capacity) may possibly work to APSL's advantage through accelerated grant of official titles and therefore, for the developer, reduced holding period and accelerated cashflow – see under '*Profile of System*' in Section 1 and '*System Value Proposition*' in Section 3.

- *Retail investor acceptance*

Outline: It will not be possible to commercialise the System unless the value proposition it offers is accepted by retail investors to whom, currently, it is unfamiliar. Without retail investor acceptance there will be no market for titles forming part of any property development where the System is deployed.

Comment: The System is not unduly complex, and the value proposition it offers is both straightforward and powerful - see under '*System Value Proposition*' in Section 3. Appreciation of the value proposition offered is a marketing issue – in the end a matter

of effective communication and market education. Sales strategies will ensure straightforward modelling and presentation and will be developed and communicated by professional sales staff with appropriate training. Marketing may also focus on sophisticated investors who are most likely to see value in the System. Marketing materials and sales presentations – especially in early development projects while the System gains market acceptance – will avoid complex language and make use of visual aids (eg diagrams, flowcharts & timeline comparisons) for effective communication.

- *Keyman dependence*

Outline: There is no guarantee that the Company will be able to recruit (and then hold) individuals with appropriate skills, experience and personal connections to manage and oversee the Business. It will not be possible to commercialise the System if it does not succeed in this.

Comment: It is planned to recruit a suitable general manager and also to strengthen the Board. A suitable candidate for the general manager role has been identified, and positive exploratory discussions have been held but will not continue unless and until the Offer raises (at least) the minimum subscription of \$580,000 because the individual concerned understandably first wants to know that the Company is adequately capitalised for the immediate future. For the foreseeable future the Company will be significantly dependent on the proposed general manager as the person responsible for day-to-day operational activity; it will also, to a significant degree, depend on close engagement on the part the Board which, the Directors acknowledge, needs to be strengthened and reinvigorated. Keyman risk therefore applies to both recruitment and retention – it will be necessary for key personnel to remain with the Company for the foreseeable future. Keyman insurance may be considered in due course but (on grounds of cost) will not be taken out in the first instance. Equity options (subject to appropriate performance conditions) may also be considered in due course as an incentive and retention mechanism.

- *Solvency*

Outline: The audit report with the financial statements in Appendix 1 notes that APSL's solvency depends on successful capital raising pursuant to the Offer. Its solvency will remain in doubt (even assuming the success of the Offer) unless and until the Business has been established and APSL is able to generate positive cashflow on a sustainable basis.

Comment: The Board stands by the going concern presentation of the financial statements in Appendix 1 on the basis mentioned – ie subject to the success of the Offer. The Offer has been formulated so as to raise no less than the minimum sum considered by the Board to be necessary for establishment of the Business and generation of positive cashflow on a sustainable basis – see under '*Funding Requirement & Time Horizon*' in Section 6. The business plan proposed by the Board also calls for continuing tight operational cash management. It remains possible, nevertheless, that funds raised under the Offer will not be adequate to meet the business and cashflow objectives set by the Board and that the Company will not be able to raise further funds to meet those objectives. In those circumstances, whether or not (in a practical or commercial sense) APSL becomes insolvent, shareholders would face total loss of investment.

- *NSX Listing Rules*

Outline: At present, though still listed, APSL's shares remains suspended from trading. Without listing being both restored and maintained there can be no prospect (even in the very long term) of liquidity for shareholders.

Comment: Agreement has been reached with the NSX for the current suspension to be lifted consequent upon satisfaction of the one outstanding requirement under NSX listing rules – appointment of share registrars with access to CHES. The Board intends to make such an appointment subject to the Company raising the minimum subscription under the Offer – see generally under '*Suspension from Listing on NSX & Arrangements for Lifting of Suspension*' in Section 7.

The Board judges the balance of these (and other lesser risks) to be acceptable in the context of the chosen commercialisation strategy and against the perceived alternative - ie immediate insolvency with total loss of all investment to date. The Directors naturally accept that this is a matter for shareholders, and not the Board, to finally determine.

9 Offer Terms & Application Procedure

Offer Terms

The Offer (which is not underwritten) seeks to raise up to \$1,094,079 by the issue of shares for cash at a price of one cent each on the basis of 2.1 new shares for each share held with a minimum subscription of \$580,000. Shareholders may take up their rights in whole or in part and/or renounce part or all of their entitlement to a third party. Each share taken up and issued carries a Follow-on Option (at no additional cost to the applicant) as described below.

The Offer terms are further explained as follows:

- *Offer price*

This price of one cent per share effectively puts a value of \$520,990 on the Company before any shares are issued pursuant to the Offer.

- *Minimum subscription*

This has been set at \$580,000 because, in the Board's judgment, that is the minimum investment required for the Company to have a realistic prospect of becoming viable. Unless this sum is raised, therefore, no shares will be issued under the Offer. Any sum previously paid to the Company with an application for shares will be returned (without interest) if valid applications for shares to reach (at least) the minimum subscription have not been received by APSL before close of business on 19 July 2013.

- *Listing of shares*

APSL will apply for listing of shares taken up under the Offer as soon as reasonably practicable following issue.

- *Follow-on Options*

Each share taken up and issued pursuant to the Offer will carry the right for the holder to subscribe for one further share at an exercise price (payable in full in cash on exercise) of one cent at any time on or before 30 September 2014. Any notice of exercise must be received by the Company at its registered office no later than this date. From this date any option not previously exercised will automatically lapse and no longer be exercisable. Follow-on Options will not be listed but may be transferred in accordance with the constitution. APSL will, so long as it remains listed, apply for listing of shares arising on option exercise as soon as reasonably practicable following exercise.

- *Renunciation*

Any shareholder not wishing to take up his or her entitlement or any part of it may, instead of doing so, renounce it in whole or in part to a third party (family member, associate, or other) to apply for shares under the Offer instead. The person applying for shares should in any such case indicate on the application form the name of the shareholder renouncing the shares applied for.

- *Lapse / Termination*

The Offer will immediately lapse at close of business on 19 July 2013 without the need for any further action or notice on the part of APSL. No shares may be issued pursuant

to this OIS (otherwise than pursuant to the exercise of options – see under ‘*Follow-on Options*’ above) after 31 July 2013.

▪ *Underwriting*

APSL’s history and present financial status preclude any possibility of the Offer being underwritten. No effort to secure underwriting has been made.

The terms of the Offer have been set by the Board for optimum flexibility with a view to maximising the prospects of the Company being successfully recapitalised pursuant to the Offer within a reasonable timeframe.

Capital Structure

The total number of ordinary shares to be issued (assuming take-up for the full amount of \$1,094,079) is 109,407,900 representing 67.74% of the issued share capital of the Company as enlarged by the issue.

The capital structure of the Company (on a non-dilute basis) would be as shown in the table below which, for comparison, includes the corresponding figures on the basis that only the minimum subscription of \$580,000 is raised.

Table 12 Pro Forma Capital Structure - Non-Dilute				
	Minimum Subscription (\$580,000)		Full Subscription (\$1,094,079)	
	Shares	Proportion	Shares	Proportion
Shares currently in issue	52,099,000	47.32%	52,099,000	32.26%
Shares issued under this OIS	58,000,000	52.68%	109,407,900	67.74%
Total	110,099,000	100.00%	161,506,900	100.00%

The pro forma capital structure illustrated in the table above is subject to dilution that may arise in consequence of the possible exercise of Follow-on Options.

The corresponding fully dilute capital structure is shown (for comparison with the table above) in the table below.

Table 13 Pro Forma Capital Structure - Fully Dilute				
	Minimum Subscription (\$580,000)		Full Subscription (\$1,094,079)	
	Shares	Proportion	Shares	Proportion
Shares currently in issue	50,299,000	30.99%	50,299,000	19.24%
Rights shares under Offer	58,000,000	34.50%	109,407,900	40.38%
Option shares under Offer	58,000,000	34.50%	109,407,900	40.38%
Total	168,099,000	100.00%	270,914,800	100.00%

Position of Presidential Capital & Geoffrey Thomas

Presidential Capital and Geoffrey Thomas (who is a Director) are the two largest shareholders with a combined interest of 40.79% - see under 'Ownership Profile' in Section 5. Without giving any commitment to take up rights under the Offer, whether in whole or in part, neither of them will in any event take up any rights not taken up by other shareholders. Investment by them, if any, under the Offer will therefore not in any event exceed their combined entitlement of 40.79% of the full amount sought – ie \$446,250. This means that, even if they were both to take up their rights in full, a balance of \$133,750 is required to reach the minimum subscription of \$580,000.

On this basis (ie if they were both to take up their rights in full but only the minimum subscription of \$580,000 were to be raised) the capital structure would be as shown in the table below. This presents both the non-dilute basis and the corresponding dilute basis assuming exercise of Follow-on Options by Presidential Capital and Geoffrey Thomas (but not by any other applicant under the Offer) for a full comparison. The resulting dilute position shown represents the point of maximum potential shareholding concentration in favour of Presidential Capital and Geoffrey Thomas.

Table 14 Pro Forma Capital Structure – Presidential Capital & Geoffrey Thomas				
Name	Non-Dilute (Minimum Subscription)		Dilute (Minimum Subscription)	
	Shares	Proportion	Shares	Proportion
Current actual position				
PC & GAT	21,250,000	40.79%	n/a	n/a
Other shareholders	30,849,000	59.21%	n/a	n/a
Total	52,099,000	100.00%	n/a	n/a
Illustrative potential position				
PC & GAT	65,875,000	59.83%	110,500,000	71.42%
Other shareholders	44,224,000	40.17%	44,224,000	28.58%
Total	110,099,000	100.00%	154,724,000	100.00%

Application of Funds

Funds raised under this OIS will be used as working capital and applied towards commercialisation of the System (consistent with APSL's policy of using outsource service providers to minimise fixed costs) and in payment of costs necessary to maintain the corporate structure and listed status of the Company – see under 'Anticipated Application of Funds' in Section 6.

Application Procedure

Applications for shares should be made using the form in Appendix 2. This is suitable for both shareholders and third parties (to whom entitlements may have been renounced) alike. Notes for completion are included as part of the form itself and should be followed as indicated. Any failure to complete a form as indicated may result in delay in processing or in rejection.

With this OIS each shareholder will receive a separate statement of shareholding as at 7 June 2013 (the record date for the offer) confirming entitlement to the Offer.

Entitlements may (at the option of each shareholder) be taken up in whole or in part and may also be renounced in whole or in part.

Allocation of Shares

No share will be issued under this OIS unless and until valid applications have been received by the Company before close of business on 19 July 2013 for at least 58,000,000 shares – ie the number required to raise the minimum subscription of \$580,000.

Applications previously received will then be processed with shares issued accordingly.

Any further applications received subsequently will be processed as received with shares issued accordingly.

Further relevant information appears under ‘Offer Terms’ above – see in particular under ‘Minimum Subscription’ and ‘Lapse / Termination’.

Holding Statements & Application for Listing

APSL will arrange for holding statements for shares issued pursuant to the Offer to be issued and sent to applicants (at their own risk) promptly following issue of the relevant shares and will also make application to the NSX for them to be listed.

The Board may wait till after the end of the Offer period (close of business on 19 July 2013) and after the final date for issue of shares under the Offer (31 July 2013) before applying for listing in order to deal with all new shares in a single application.

Arrangements have been agreed with the NSX for the current suspension from listing to be lifted so as to facilitate future dealings in the Company’s shares – see under ‘Suspension from Listing on NSX & Arrangements for Lifting of Suspension’ in Section 7.

Directors’ Statement

The Directors state that:

- They have made all reasonable enquiries and, on that basis, have reasonable grounds to believe that any statements made by them in this OIS are not misleading or deceptive;
- In respect to any other statements made in this OIS by persons other than Directors, the Directors have made reasonable enquiries and, on that basis, have reasonable grounds to believe that the persons making the statements were competent to make them;

- Those persons have given their consent to the statements being included in this OIS in the form and context in which they are included and have not withdrawn that consent before lodgement of this OIS with the ASIC or, to the Directors' knowledge, before the issue of any shares; and
- This OIS prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Board Approval

This OIS is issued by the Company. Each Director has consented to its lodgement with the ASIC and has not withdrawn that consent.

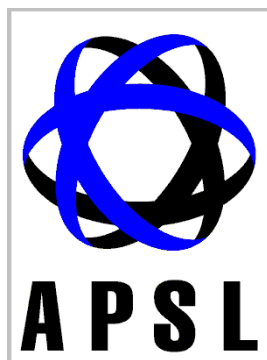
Signed on behalf of Australian Property Systems Ltd

Dated 7 June 2013



Stephen Jones
Director

**Appendix 1 Audited Financial Statements
– Year Ended 31 December 2012**



Australian Property Systems Limited

ABN 93 096 925 610

Financial Report

31 December 2012

AUSTRALIAN PROPERTY SYSTEMS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Consolidated Dec 2012* \$	June 2011* \$
Revenue			
Interest		13	57
Other Income			
Research and development tax concession	4	-	81,603
Expenses			
Employee benefits expense		17,500	-
Consulting and other professional fees		76,573	56,518
Licensing fees		6,372	-
Audit fees		10,000	5,000
Finance costs		57,319	6
Other expenses		24,072	15,297
		<u>191,836</u>	<u>76,821</u>
Profit/(loss) before income tax		(191,823)	4,839
Income tax expense	5	-	-
Profit/(loss) for the year		<u>(191,823)</u>	<u>4,839</u>
Other comprehensive (loss) for the year		-	-
Total comprehensive income/(loss) for the year		<u>(191,823)</u>	<u>4,839</u>
Total comprehensive income/(loss) for the year is attributable to:			
Owners of the parent		(191,823)	4,839
Non-controlling interest		-	-
		<u>(191,823)</u>	<u>4,839</u>
		Cents	Cents
Basic and diluted earnings/(loss) per share	20	(0.37)	0.01

**This financial report has been prepared to meet the requirements of s715(2) of the Corporations Act 2001. The current year information is for the year ended 31 December 2012. The comparative information is for the year ended 30 June 2011.*

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

AUSTRALIAN PROPERTY SYSTEMS LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	Consolidated Dec 2012* \$	June 2011* \$
Current Assets			
Cash and cash equivalents	6	15,293	14,296
Trade and other receivables	7	10,717	2,126
Total current assets		26,010	16,422
Total assets		26,010	16,422
Current Liabilities			
Trade and other payables	10	85,626	108,113
Borrowings	11	420,000	-
Total current liabilities		505,626	108,113
Total liabilities		505,626	108,113
Net liabilities		(479,616)	(91,691)
Equity			
Contributed equity	12	3,381,000	3,381,000
Reserves	13	403,723	403,723
Accumulated losses	14	(4,264,339)	(3,876,414)
Parent entity interest		(479,616)	(91,691)
Non-controlling interest		-	-
Total deficiency		(479,616)	(91,691)

**This financial report has been prepared to meet the requirements of s715(2) of the Corporations Act 2001. The current year information is for the year ended 31 December 2012. The comparative information is for the year ended 30 June 2011.*

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

Consolidated	Contributed equity \$	Share-based payments reserve \$	Accumulated losses \$	Non- controlling interest \$	Total \$
Balance at 30 June 2010	3,381,000	403,723	(3,881,253)	-	(96,530)
Profit for the year*	-	-	4,839	-	4,839
Balance at 30 June 2011	3,381,000	403,723	(3,876,414)	-	(91,691)
Balance at 31 December 2011	3,381,000	403,723	(4,072,516)	-	(287,793)
Loss for the year*	-	-	(191,823)	-	(191,823)
Balance at 31 December 2012	3,381,000	403,723	(4,264,339)	-	(479,616)

**This financial report has been prepared to meet the requirements of s715(2) of the Corporations Act 2001. The current year information is for the year ended 31 December 2012. The comparative information is for the year ended 30 June 2011.*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Dec 2012* \$	June 2011* \$
Cash Flows From Operating Activities			
R&D tax concession		-	81,603
Payments to suppliers and employees		(363,450)	(85,871)
Interest received		13	57
Finance costs		-	(6)
Net cash outflows from operating activities	19	(363,437)	(4,217)
Cash Flows From Investing Activities		-	-
Cash Flows From Financing Activities			
Proceeds from borrowings		408,887	-
Repayment of borrowings		(40,786)	-
Net cash flows from financing activities		368,101	-
Net decrease in cash and cash equivalents held		4,664	(4,217)
Cash and cash equivalents at the beginning of the financial year		10,629	18,513
Cash and cash equivalents at the end of the financial year	6	15,293	14,296

**This financial report has been prepared to meet the requirements of s715(2) of the Corporations Act 2001. The current year information is for the year ended 31 December 2012. The comparative information is for the year ended 30 June 2011.*

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements relate to the consolidated entity consisting of Australian Property Systems Limited and its subsidiaries. Separate financial statements of Australian Property Systems Limited as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*. Limited financial information for the parent entity, however, is disclosed in note 23. It has been prepared on the same basis as the consolidated financial statements, as set out below.

(a) Basis of preparation

This general purpose financial report for the year ended 31 December 2012 has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. Australian Property Systems Limited is a for-profit entity for the purpose of preparing financial statements.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Australian Property Systems Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Property Systems Limited ("company" or "parent entity") as at 31 December 2012 and the results of all subsidiaries for the year then ended. Australian Property Systems Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statements of comprehensive income, statement of changes in equity and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Property Systems Limited.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Australian Property Systems Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. As the group has only one segment, there are no reportable segments.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid.

Consulting fees are recognised as revenue as the services are provided.

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

Government Grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(f) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the lease term.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, excluding business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(h) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the profit or loss.

(k) Investments and other financial assets

The Group is required to classify its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

The Group has no financial assets at fair value through profit or loss, held to maturity or available-for-sale financial assets.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans to subsidiaries are classified as non-current assets when it is expected that the loans will not be repaid within 12 months from the balance sheet date.

Loans and receivables are carried at amortised cost using the effective interest rate method.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of assets is calculated on a diminishing value or straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

<i>Class</i>	
Plant and equipment	7.5%-37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(n) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include direct costs of materials and service, direct payroll and payroll related costs of employees time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(p) Borrowings (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(iv) Share-based payments

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity. In the company's financial statements, the transactions of the Employee Share Scheme (APSLSP Pty Ltd) are treated as being executed directly by the company. Accordingly, shares held by APSLSP Pty Ltd are recognised as treasury shares and deducted from equity.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at balance date.

(u) 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 taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities recoverable from, or payable, to the taxation authority are presented as operating cash flows.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies (continued)

(v) Comparatives

This financial report has been prepared to meet the requirements of s715(2) of the Corporations Act 2001. The current year information is for the year ended 31 December 2012. The comparative information is for the year ended 30 June 2011.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

(w) New accounting standards and interpretations

A number of accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Group's financial report in subsequent reporting periods.

(x) General

This financial report covers both Australian Property Systems Limited as an individual entity (parent entity) and the consolidated entity consisting of Australian Property Systems Limited and its controlled entities.

Australian Property Systems Limited is a public company limited by shares, incorporated and domiciled in Australia. Its principal places of business is:

Level 22
333 Ann Street
Brisbane QLD 4000

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function. The Group's principal financial instruments consist of cash and cash equivalents, receivables and payables. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and aging analysis for credit risk.

The Group's management of treasury activities is centralised and governed by policies approved by the Board of directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group has treasury policies in place for deposit transactions for such transactions to be conducted with financial institutions with a strong credit rating.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the instruments. At balance date, cash and cash equivalents were held with the Westpac Banking Corporation and National Australia Bank. For trade and other receivables, collateral is not normally obtained.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring that sufficient funds are maintained in cash and cash equivalents.

2012	Within 1 year \$	Between 1 – 2 years \$	Between 2 – 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
Trade and other payables	85,266	-	-	85,266	85,266
Borrowings	84,000	84,000	504,000	672,000	420,000
	169,266	84,000	504,000	757,266	505,266

In 2011 contractual cash flows were due within 3 months of year-end and equated to their carrying values.

Market risk

The Group is not exposed to equity nor commodity price risks. The Group does not have borrowings and therefore the Group's exposure to interest rate risk primarily concerns interest received on cash deposits held at call. The Group is not exposed to foreign exchange risk.

Based on the financial instruments held at 31 December 2012 and 30 June 2011, had interest rates weakened/ strengthened by 1% with all other variables held constant, the Group's post-tax result for the year would have shown negligible movements for each of the reporting periods.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2. Financial risk management (continued)

Net fair values

The net fair values of financial assets (net of any provision for impairment) and financial liabilities approximate their carrying amounts due to either their short term nature or their terms and conditions including interest receivable/payable at variable rates.

Capital risk management

The Group's and parent entity's objectives when managing capital are primarily to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders. Capital is total equity as disclosed in the balance sheet.

3. Segment information

The Group has one reportable segment being the seeking of opportunities to provide services in respect of property development in Australia.

4. Other Income

	Consolidated	
	Dec	June
	2012	2011
	\$	\$
Loss before income tax includes the following specific items:		
<i>Other income</i>		
Research and development tax concession	-	81,603

This amount represents the claim in respect of expenditure incurred in the 2009 financial year for projects which have been registered with Innovation Australia for the development of Affordable Housing Model and PSX transaction based software. The Group has elected to receive this benefit as an immediate cash payment rather than increasing tax losses for a future benefit. The Group recognises the income on lodgement of the tax return with the Australian Taxation Office.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

5. Income tax

Reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	Dec	June
	2012	2011
	\$	\$
Profit/(loss) before income tax expense	(191,823)	4,839
Tax at the Australian tax rate of 30%	(57,547)	1,451
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development tax concession	-	(24,481)
	(57,547)	(23,030)
Deferred tax assets not recognised/(utilised)	57,547	23,030
Income tax expense	-	-

Tax losses

Tax losses and temporary differences for which no deferred tax asset has been recognised	2,441,737	2,067,143
Potential tax benefit @ 30%	732,521	620,143

The temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the deferred tax assets.

A deferred tax asset will be available only if the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the tax losses to be realised, the Group has complied and continues to comply with conditions for deductibility imposed by current tax legislation and there are no adverse changes to such legislation. The conditions for deductibility include a continuity of ownership test and a continuity of business test.

6. Cash and cash equivalents

	Consolidated	
	Dec	June
	2012	2011
	\$	\$
Cash at bank	15,293	14,296

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

7. Trade and other receivables

Current

Other receivables - GST	10,717	2,126
-------------------------	--------	-------

Non-current

Loan receivable – other	26,592	26,592
Provision for impairment	(26,592)	(26,592)
	-	-

Current trade and other receivables are generally non-interest bearing and due 30 days from date of recognition.

8. Property, plant and equipment

	Consolidated	
	Dec	June
	2012	2011
	\$	\$
Plant and equipment – at cost	69,191	69,191
Accumulated depreciation	(69,191)	(69,191)
	-	-

There was no movement in plant and equipment in the 2011 and 2012 years.

9. Intangible assets

Software development – at cost	284,681	284,681
Provision for impairment	(284,681)	(284,681)
	-	-

Software development costs comprise rewriting the PSX transaction management software to Dot Net language. The completion of this process has been placed on hold since 2009. The work was contracted to external IT developers. At 30 June 2009, the directors decided to fully impair the carrying value of the asset.

10. Trade and other payables

	Consolidated	
	Dec	June
	2012	2011
	\$	\$
Trade payables and accruals	10,482	108,113
Directors fees payable	13,332	-
Accrued interest – Presidential Capital Pty Ltd	61,812	-
	85,626	108,113

Trade and other payables are non-interest bearing. Their fair value approximates their carrying amount.

Refer Note 11 for details of Accrued interest – Presidential Capital Pty Ltd.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

11. Borrowings

	Consolidated	
	2012	2011
	\$	\$
Loan from Presidential Capital Pty Ltd (secured)	420,000	-

In July 2011 the Group received \$50,000 as a loan from Presidential Capital Pty Ltd, an entity associated with Geoff Thomas, a director of the Company. The loan is secured by a fixed charge over the assets of the company. Interest on the \$50,000 loan was payable monthly in advance at a rate of 20% per annum. In May 2012 the Company received a new loan of \$420,000 from Presidential Capital Pty Ltd. It is, similarly, secured by a fixed charge over the assets of the company, with interest payable monthly in advance at a rate of 20% per annum – 24% per annum in the event of any default by the Company. The new loan was used to repay the existing loan from Presidential Capital Pty Ltd and the other trade and other payables and borrowings of the Company. The loan is convertible to ordinary shares at the option of the lender at a price to be determined. This loan will be repayable from monies received from:

- A rights issue or other capital raising;
- Net profits after tax in connection with a business venture;
- Sale of the company's assets;

and then, to the extent not already paid, by 31 December 2015.

Interest of \$61,812 (2011: \$nil) was accrued in relation to these loans of which \$57,319 was expensed during the December 2012 year (2011: \$nil).

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

12. Contributed equity

	Consolidated	
	Dec 2012	June 2011
	\$	\$
52,099,000 ordinary shares fully paid (2011: 52,099,000)	3,391,740	3,391,740
Treasury shares	(10,740)	(10,740)
	3,381,000	3,381,000

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

There were no movements in ordinary share capital during the past two financial years.

Options

Unissued ordinary shares of Australian Property Systems Limited under option are as follows:

Date options granted	Expiry date	Exercise price	2012 No. under option	2011 No. under option
3/01/2007	2/01/2012	\$1.00	-	1,000,000
10/05/2007	9/05/2012	\$2.00	-	1,000,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity. There was no exercise of options over ordinary shares of Australian Property Systems Limited during the year ended 31 December 2012 (2011: nil). Refer to details set out in note 21.

13. Reserves

	Consolidated	
	Dec 2012	June 2011
	\$	\$
Share-based payments reserve	403,723	403,723

The share-based payments reserve is used to recognise the fair value of options issued for goods and services including employee services— see note 21.
There were no movements in the reserve during the 2012 and 2011 years.

14. Accumulated losses

	Consolidated	
	Dec 2012	June 2011
	\$	\$
Opening balance	(4,072,516)	(3,881,253)
Net profit/(loss) for the year	(191,823)	4,839
Closing balance	(4,264,339)	(3,876,414)

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

15. Key management personnel disclosures

(a) Key management personnel compensation

(i) Principles used to determine the nature and amount of remuneration

The policy for determining the nature and amount of emoluments of board members and senior executives is as follows:

Executives

The board remuneration policy is to ensure that remuneration packages properly reflect the person's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Non-executive directors

Fees and payments to non-executive directors reflect the financial status of the consolidated entity, and the demands that are made on, and the responsibilities of the directors. Non-executive directors' fees are reviewed annually by the board and are set within the limits approved by shareholders. No retirement benefits are payable to non-executive directors.

Long-term incentives

As a long-term incentive, eligible employees and directors of the company can, from time to time, be invited to apply for redeemable preference shares in APSLSP Pty Ltd** in accordance with the terms and conditions of the APSLSP Pty Ltd Share Scheme Deed. This invitation is discretionary and not based on any service or performance criteria. The redeemable preference shares are non-voting and entitle the holders to participate in dividends as declared by the board of APSLSP Pty Ltd. APSLSP Pty Ltd operates for the purpose of providing eligible employees and directors of the company with a means to participate in profits of the company through dividend distributions. The principal activity of APSLSP Pty Ltd is to own issued share capital of the company and derive income through the receipt of dividends from the company.

For the 2012 year there was no link between remuneration and the company's performance.

(ii) Details of remuneration

The following persons were directors of Australian Property Systems Limited during the past two years:

Geoff Thomas	Executive Chairman (appointed 23 Dec 2010)
Stephen Jones	Non-Executive Director (appointed 23 Dec 2010)
James Whitelaw	Non-Executive Director/Company Secretary (appointed 23 Dec 2010)
John Rivett	Non-Executive Director (appointed 10 Aug 2010/resigned 23 Dec 2010)
Brian Wilkie	Non-Executive Director (resigned 23 Dec 2010)
Neil Gibson	Non-Executive Director (appointed 27 Nov 2009/ resigned 23 Dec 2010)
David McAdam	Chief Executive Officer (appointed Feb 2012/resigned 1 July 2012)

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

15. Key management personnel disclosures (continued)

(a) Key management personnel compensation (continued)

Details of the nature and amount of remuneration of the directors and the key management personnel of the consolidated entity are:

	Short term benefits Cash salary and fees \$	Long Term Benefits \$	Share based payment Options \$	Total \$
Dec 2012				
Directors				
Geoff Thomas*	-	-	-	-
Stephen Jones	30,000	-	-	30,000
James Whitelaw	-	-	-	-
Other Key Management Personnel				
David McAdam	57,500	-	-	57,500
	<u>87,500</u>	<u>-</u>	<u>-</u>	<u>87,500</u>
June 2011				
Directors				
Geoff Thomas	-	-	-	-
Stephen Jones	-	-	-	-
James Whitelaw	-	-	-	-
John Rivett	-	-	-	-
Brian Wilkie	-	-	-	-
Neil Gibson	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*As at 31 December 2011, fees of \$70,000 were accrued for Geoff Thomas. These fees were subsequently forgone and reversed in the December 2012 year. The reversal has been recognised in employee benefits expense.

All directors and other key management personnel are engaged by Australian Property Systems Limited.

Share-based payment compensation benefits were not granted in the current or prior year.

No remuneration in 2012 was dependent on the satisfaction of a performance condition.

(b) Equity instrument disclosures relating to key management personnel

Share holdings

The numbers of ordinary shares in the company held during the year by each director of Australian Property Systems Limited and other key management personnel of the Group, including their personally related parties, are set out below.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

15. Key management personnel disclosures (continued)

(b) Key management personnel compensation (continued)

	Balance at the start of year	Other Changes	Balance at appointment/ (resignation) date (if applicable)	Balance at the end of year
Dec 2012 Directors				
G Thomas	10,625,000	-	-	10,625,000
S Jones	-	-	-	-
J Whitelaw	-	-	-	-
Other Key Management Personnel				
D McAdam	-	-	-	-
Total	10,625,000	-	-	10,625,000
June 2011 Directors				
G Thomas	-	-	10,625,000	10,625,000
S Jones	-	-	-	-
J Whitelaw	-	-	-	-
J Rivett	-	-	-	-
B Wilkie	2,008,550	-	(2,008,550)	-
N Gibson	-	-	-	-
Common Entities*	1,388,862	-	(1,388,862)	-
Total	3,397,412	-	7,227,588	10,625,000

* Shares held by entities which are under joint or several control or significant influence of G Jamieson and B Wilkie.

There were no shares granted during the last two financial years as compensation.

(c) Loans to key management personnel

There were no loans to directors of Australian Property Systems Limited or other key management personnel of the Group during the current or previous reporting period.

(d) Other transactions with key management personnel

During 2012, HMW Partners, of which J Whitelaw is a partner, provided accounting services to the company. Fees paid to HMW Partners during the 2012 year were \$23,749 (2011: \$48,079). An amount of \$5,181 (2011: \$48,079) was payable at 31 December 2012, included in trade and other payables.

As disclosed in Note 11, Presidential Capital Pty Ltd, a company associated with Geoffrey Thomas, advanced loans totalling \$420,000 to the company. During the year interest of \$57,319 (2011: \$nil) was accrued in relation to these loans. As at 31 December 2012 amounts outstanding to Presidential Capital Pty Ltd were \$61,812 (2011: \$nil) included in Trade and Other Payables and \$420,000 (2011: \$nil) included in Borrowings.

Additionally during the 2012 year, Presidential Capital Pty Ltd advanced unsecured, non-interest bearing, short-term loan monies of \$38,887 (2011: \$nil). These monies were repaid in full during the year.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

16. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity.

	Consolidated	
	Dec 2012	June 2011
	\$	\$
Audit and review of financial reports of the consolidated entity	10,000	5,000

No amounts were paid or payable for other services or to a related practice of the auditor. There were no other auditors of subsidiaries in the Group.

17. Commitments & Contingent Liabilities

At 31 December 2012 the Group had no significant commitments nor contingent liabilities.

18. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Ownership Interest	
		Dec 2012	June 2011
		%	%
Product Services Exchange Pty Ltd	Australia	80	80

19. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash outflows from operating activities

	Consolidated	
	Dec 2012	June 2011
	\$	\$
Profit/(loss) for the year	(191,823)	4,839
Changes in operating assets and liabilities		
(Increase)/decrease in:		
Receivables	8,608	(2,126)
Increase/(decrease) in:		
Payables	(180,222)	(6,930)
Net cash outflows from operating activities	(363,437)	(4,217)

Finance facilities

As at 31 December 2012, the consolidated entity had no unused finance facilities (2011: \$nil).

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

20. Earnings per share

	Dec 2012 Cents	June 2011 Cents
Basic and diluted earnings/(loss) per share	(0.37)	0.01

Reconciliations of earnings used in calculating earnings per share

	\$	\$
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	(191,823)	4,839

Weighted average number of shares used as the denominator

	No.	No.
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	52,099,000	52,099,000

21. Share-based payments

Employee share plan

A special purpose entity APSLSP Pty Ltd** was incorporated in August 2002 to operate an Employee Share Scheme ("the Scheme"). In February 2003 the Scheme acquired 1,074,000 ordinary shares in Australian Property Systems Limited at \$0.01 per share.

Eligible employees and directors of the company are invited to apply for redeemable preference shares in APSLSP Pty Ltd in accordance with the terms and conditions of the Scheme. The redeemable preference shares are non-voting and entitle the holders to participate in dividends as declared by the board of APSLSP Pty Ltd.

APSLSP Pty Ltd operates for the purpose of providing eligible employees and directors of the company with a means to participate in profits of the company through dividend distributions. The principal activity of APSLSP Pty Ltd is to own issued share capital of the company and derive income through the receipt of dividends from the company. No dividends have been paid during the last two years.

The shares are to be issued for no consideration and entitle the holder to participate in dividends paid/ payable by APSLSP Pty Ltd (which are based on dividends paid by the parent entity). No dividends have been paid or are payable by APSLSP Pty Ltd during the current or prior year.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21. Share-based payments (continued)

Options granted

Grant date	Expiry date	Exercise price	Balance at start of year Number	Expiry during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2012						
3 Jan 2007	2 Jan 2012	\$1.00	1,000,000	(1,000,000)	-	-
10 May 2007	9 May 2012	\$2.00	1,000,000	(1,000,000)	-	-
2011						
3 Jan 2007	2 Jan 2012	\$1.00	1,000,000	-	1,000,000	1,000,000
10 May 2007	9 May 2012	\$2.00	1,000,000	-	1,000,000	1,000,000
9 Aug 2005	8 Aug 2010	\$0.50	25,000,000	(25,000,000)	-	-

Notes to options granted:

- (i) On 3 January 2007 the company granted 1,000,000 options over ordinary shares to GWR Financial Services Pty Ltd for services rendered in securing the placement of 1,000,000 shares at \$0.25 each. Each option granted was exercisable into one ordinary share in Australian Property Systems Limited for cash. Options granted carry no dividend or voting rights. The options vested upon grant and there were no further vesting conditions. They were exercisable at any time within 5 years of grant. The options expired on 2 January 2012.
- (ii) In May 2007 1,000,000 options were granted as result of the sale of a 20% interest in a subsidiary, Product Services Exchange Pty Ltd (PSX). Each option granted was exercisable into one ordinary share in Australian Property Systems Limited for cash. Options granted carry no dividend or voting rights. The options vested upon grant and there were no further vesting conditions. They were exercisable at any time within 5 years of grant. The options expired on 9 May 2012.
- (iii) On 9 August 2005, 25,000,000 options were granted to a number of former directors. The options were granted to provide an incentive to turn the company around from its then current losses and achieve a target being a sustainable price above the grant option exercise price of 50 cents. The options vested upon grant date and were exercisable at any time between grant and expiry date. They carried no dividend or voting rights and were issued free of charge. The options expired on 8 August 2010.

The weighted average remaining contractual life of share options outstanding at the end of the year was nil years (2011: 0.68 years).

Fair value of options granted

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No options were granted in the 2011 and 2012 years.

Share based payments expense

There was no share based payment expense in the 2011 and 2012 years.

****** - During the year, APSLSP Pty Ltd was de-registered. Shares in the company held by it have consequently vested in the Commonwealth of Australia / Australia Investment Securities Commission.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

22. Ongoing Operations

During the year the consolidated entity resulted in a net loss of \$191,823 (2011: profit of \$4,839).

Since balance date there has been no revenue and expenses have been kept to a minimum.

The directors intend to undertake a capital raising by way of a renounceable rights issue. The proceeds are to be used to pay creditors, repay loans and to fund the ongoing operations of the Group in the short term (and for a period of at least twelve months from the date of the offer) towards establishment of the business of the Group and commercialisation of its proprietary, patented, property development system and associated intellectual property.

Notwithstanding the losses to date, the directors believe the consolidated entity is a going concern and able to pay its debts as and when they become due and on the following basis:

- excess cash of approximately \$15,293 (plus a receivable from the ATO of \$10,717) as at 31 December 2012 remaining following receipt of the \$420,000 loan is (together with a sum of approximately \$62,000 advanced by Presidential Capital Pty Ltd subsequent to year-end on the same terms as the earlier loan) sufficient to fund ongoing expenses until the rights issue;
- the consolidated entity's current liabilities are not large – being \$85,626, at 31 December 2012;
- the consolidated entity's level of expenditure has been reduced;
- management is currently preparing the proposed rights issue which, if successful in raising the minimum subscription, will be sufficient to fund the ongoing operations in the short term and for a period of at least twelve months from the date of the offer; and
- the loan provided by Presidential Capital Pty Ltd of \$420,000 (together with further sums advanced as referred to above) is not expected to fall due for repayment except under the repayment terms (as set out above) on the basis that Presidential Capital Pty Ltd has proposed that payment out of the proceeds of the rights issue would not be sought or enforced except to the extent of sums raised in excess of the minimum subscription.

Given the above, the financial statements have been prepared on a going concern basis, which assumes that the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business. Ongoing operations are dependent upon the matters described previously. Should the consolidated entity not obtain the expected receipts nor be able to generate additional revenues and/or reduce net expenditure as required, there is significant uncertainty that it will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary, should the consolidated entity not continue as a going concern.

AUSTRALIAN PROPERTY SYSTEMS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

23. Parent Company Information

Information relating to Australian Property Systems Limited is as follows:

	Parent Entity	
	Dec 2012 \$	June 2011 \$
a. Summary financial information		
Statement of financial position		
Current assets	22,724	8,456
Total assets	22,724	8,456
Current liabilities	505,625	94,953
Total liabilities	505,625	94,953
Issued capital	3,381,000	3,381,000
Retained earnings	(4,267,625)	(3,871,220)
Share based payments reserve	403,723	403,723
Total shareholders' equity	<u>(482,902)</u>	<u>(86,497)</u>
Profit/(loss) of the parent entity	(200,460)	(23,686)
Total comprehensive income/(loss) of the parent entity	(200,460)	(23,686)
b. Contingent liabilities of the parent entity		Refer Note 17
c. Contractual commitments		Refer Note 17

AUSTRALIAN PROPERTY SYSTEMS LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2012

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2012 and of their performance for the year ended on that date;
- (b) based on the matters set out in note 22, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the board of directors.



Stephen Jones
Director

Dated this 28th day of February 2013



PITCHER PARTNERS

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KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS

The Directors
Australian Property Systems Limited
Level 2
333 Ann Street
BRISBANE QLD 4000

Auditor's Independence Declaration

As lead auditor for the audit of Australian Property Systems Limited for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Property Systems Limited and the entities it controlled during the period.

PITCHER PARTNERS

N. BATTERS
Partner

Brisbane, Queensland
28 February 2013



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NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS

INDEPENDENT AUDIT REPORT

To the Members of Australian Property Systems Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Property Systems Limited, which comprises the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for Disclaimer of Opinion

As described in note 22 to the financial statements, the ongoing operations of the consolidated entity are dependent upon a successful capital raising. Should the matters set out in note 22 not occur, in the absence of any other arrangements being made, it is highly likely the consolidated entity will not continue as a going concern. We have not been able to obtain sufficient appropriate audit evidence to ensure that a capital raising would be successful and, hence remove the significant doubt of the consolidated entity's ability to continue as a going concern within 12 months of the date of this auditor's report.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the financial report.

PITCHER PARTNERS



NIGEL BATTERS
Partner

Brisbane, Queensland
28 February 2013

Appendix 2 Application Forms

Note: Please attach any cheque or bank draft here.

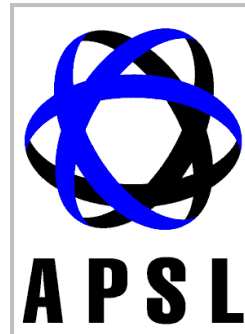
Australian Property Systems Ltd

ABN 93 096 925 610

SHARE APPLICATION FORM

RENOUNCEABLE OFFER ORDINARY SHARES AT ONE CENT EACH BY WAY OF RIGHTS (ON 2.1:1 BASIS) TO SHAREHOLDERS ON REGISTER ON 7 JUNE 2013

To meet the requirements of the Corporations Act this application form must not be handed on (whether in paper or electronic form) unless attached to the OIS (offer information statement) dated 7 June 2013 for the issue of fully paid ordinary shares in Australian Property Systems Ltd.



CLOSE OF OFFER – 19 JULY 2013

IMPORTANT NOTE
Please follow the guide to completing this form overleaf.

A Shares applied for

Number of Shares	x	Price per Share	=	Total application amount
<input type="text"/>		<input type="text" value="\$0.01"/>		<input type="text" value="\$"/>

Note: Please refer to the separate holding statement accompanying the OIS for details of your individual entitlement.

C Name – please print

Name of Applicant 1
<input type="text"/>

Name of Applicant 2 or Account Name
<input type="text"/>

D Contact details – please print

PO box number / Street number / Street name
<input type="text"/>
<input type="text"/>

Suburb / town	State	Post code
<input type="text"/>	<input type="text"/>	<input type="text"/>

E-mail address	Telephone number
<input type="text"/>	<input type="text"/>

E Tax file number (TFN) or Australian business number (ABN)

TFN of applicant 1	TFN of applicant 2	Exemption category
<input type="text"/>	<input type="text"/>	<input type="text"/>

ABN of applicant 1	ABN of applicant 2
<input type="text"/>	<input type="text"/>

Each applicant named above confirms that this application form is completed according to the 'Statement by Applicant' in the box overleaf.

F CHESS Holder Identification Number (HIN) if applicable

<input type="text"/>

G Payment details – please print

Note: Please fill in the details below (as appropriate) following the guide overleaf.

Cheque / Bank Draft	
Name of drawer:	<input type="text"/>
Name of bank:	<input type="text"/>
BSB:	<input type="text"/>
Number of cheque / draft:	<input type="text"/>
Amount of cheque / draft:	<input type="text"/>

Direct Credit Transfer	
Name of paying bank:	<input type="text"/>
Name of account holder:	<input type="text"/>
Amount of transfer:	<input type="text" value="\$"/>
Date of transfer:	<input type="text"/>
Transfer confirmation reference:	<input type="text"/>

H Status of Applicant

Note: Please indicate your status as either an existing shareholder or the renounce of an existing shareholder (tick one box only) and, if a renouncee, specify the name of the existing shareholder who renounced in your favour the shares applied for.

Shareholder	Renouncee	Name of Renouncing Shareholder
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>

Important Notice

You should read the OIS dated 7 June 2013 carefully before completing this application form. Applications must be received by the company no later than close of business on 19 July 2013. While the offer is open, any person may obtain a paper copy of the OIS on request by contacting the company.

Guide to Completing the Application Form

Enter the number of shares you wish to apply for.

Enter the total application amount – ie the number of shares applied for multiplied by the offer price of \$0.01 per share.

Enter the full name you wish to appear on the register. This must be either your own name or the name of a company. Up to two joint applicants may register. You should refer to the table below for the correct forms of registrable name.

Applications using an incorrect form of registrable name (ie one that is not in accordance with the table below) may be rejected. CHESS (Clearing House Electronic Sub-Register System) participants should complete their name and address in the same format as presently registered in the CHESS system.

Enter your postal and email address for all correspondence. All communications to you from the share registry will be sent to the address above. For joint applicants, only one address can be entered.

Also include a daytime telephone number - this will enable us to contact you if there is any problem with your application.

Enter your TFN (tax file number) or exemption category or ABN (Australian business number). Collection of TFNs and ABNs is authorised by taxation laws. Where the application is in joint names and individual TFNs are being quoted, two TFNs should be given. Quotation of your TFN is not compulsory and will not affect your application. However, if no TFN or ABN is quoted, any dividends may be taxed at the highest marginal tax rate plus the Medicare levy.

The company will apply to the NSX for listing of shares issued (as indicated in the OIS) but will not be issuing certificates to applicants in respect of those shares.

If you are a CHESS participant (or are sponsored by a CHESS participant) and wish to hold securities allotted to you under this application in uncertificated form on the CHESS sub-register, enter your CHESS HIN. Otherwise, leave the section blank, and on allotment you will be sponsored by the Company and allocated an SRN (security-holder reference number).

Correct forms of registrable name

Note that ONLY legal entities are allowed to hold shares. Applications must be by natural persons, companies or other legal entities acceptable to the company.

At least one full given name and the surname is required for each natural person. The name of the beneficial owner, or any other registrable name, may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

Closing Date for Applications

Application forms must be received by the company no later than 19 July 2013. The offer will then close.

Payment Instructions

Make payment by direct credit transfer or, if you prefer, by cheque or bank draft.

Direct credit transfer should be made to the company's account noted below. You should return the completed application form together with evidence of payment. Any cheque or bank draft should be payable in Australian currency to '**Australian Property Systems Ltd – share application account**' and crossed '**not negotiable**'. Send it, together with your completed application form to the address noted under 'Lodgment of Application Form' below.

Our account details are:

Bank: National Australia Bank
Branch: 22/100 Creek Street, Brisbane, Qld 4000
BSB: 084-004
Account name: Australian Property Systems Ltd – share application account
Account number: 15 453 1250

Any cheque or bank draft must be drawn on an Australian bank.

Complete the cheque details in the boxes provided. The amount must agree with the amount shown in box 'B'.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected.

Pin - do not staple - your cheque or bank draft to the application form where indicated unless paying by direct credit transfer.

STATEMENT BY APPLICANT

By lodging the application form, each applicant:

- o Confirms having personally received the complete and unaltered OIS before completing the application form;
- o Acknowledges the advice to read the OIS in full;
- o Agrees that this application is for shares upon and subject to the terms of that OIS;
- o Agrees to take any number of shares equal to or less than the number shown in box A that may be allotted to the applicant pursuant to that OIS;
- o Agrees to be bound by the constitution of the company; and

Lodgment of Application Form

Return the application form and (unless you make payment directly into the company's account as above) your cheque or bank draft to:

APSL rights offer
Australian Property Systems Ltd
Level 22
333 Ann Street
Brisbane
Queensland 4000

Type of Investor	Correct Form	Samples of Incorrect Form
Individual - Use given names, not initials	John Alfred Smith	J. A. Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trust - Use trustee(s) personal name - Do not use the name of the trust	Janet Smith <Janet Smith Family A/C>	Janet Smith Family Trust
Deceased estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Michael Smith <Est John Smith>	Estate of Late John Smith
Partnerships - Use partners' personal names - Do not use the name of the partnership	John Smith and Michael Smith <John Smith and Son A/C>	John Smith and Son
Clubs/Unincorporated bodies/Business names - Use office bearer(s) personal name(s) - Do not use the name of clubs etc	Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation funds - Use the name of trustee of fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Note: Put the name(s) of any joint applicant(s) and/or account description using <> as indicated above in the designated space(s) on the application form.

Note: Please attach any cheque or bank draft here.

Australian Property Systems Ltd

ABN 93 096 925 610

SHARE APPLICATION FORM

RENOUNCEABLE OFFER ORDINARY SHARES AT ONE CENT EACH BY WAY OF RIGHTS (ON 2.1:1 BASIS) TO SHAREHOLDERS ON REGISTER ON 7 JUNE 2013

To meet the requirements of the Corporations Act this application form must not be handed on (whether in paper or electronic form) unless attached to the OIS (offer information statement) dated 7 June 2013 for the issue of fully paid ordinary shares in Australian Property Systems Ltd.



CLOSE OF OFFER – 19 JULY 2013

IMPORTANT NOTE
Please follow the guide to completing this form overleaf.

A Shares applied for

Number of Shares	x	Price per Share	=	Total application amount
<input type="text"/>		<input type="text" value="\$0.01"/>		<input type="text" value="\$"/>

Note: Please refer to the separate holding statement accompanying the OIS for details of your individual entitlement.

C Name – please print

Name of Applicant 1
<input type="text"/>

Name of Applicant 2 or Account Name
<input type="text"/>

D Contact details – please print

PO box number / Street number / Street name
<input type="text"/>
<input type="text"/>

Suburb / town	State	Post code
<input type="text"/>	<input type="text"/>	<input type="text"/>

E-mail address	Telephone number
<input type="text"/>	<input type="text"/>

E Tax file number (TFN) or Australian business number (ABN)

TFN of applicant 1	TFN of applicant 2	Exemption category
<input type="text"/>	<input type="text"/>	<input type="text"/>

ABN of applicant 1	ABN of applicant 2
<input type="text"/>	<input type="text"/>

F CHESS Holder Identification Number (HIN) if applicable

<input type="text"/>

Each applicant named above confirms that this application form is completed according to the 'Statement by Applicant' in the box overleaf.

G Payment details – please print

Note: Please fill in the details below (as appropriate) following the guide overleaf.

Cheque / Bank Draft	
Name of drawer:	<input type="text"/>
Name of bank:	<input type="text"/>
BSB:	<input type="text"/>
Number of cheque / draft:	<input type="text"/>
Amount of cheque / draft:	<input type="text"/>

Direct Credit Transfer	
Name of paying bank:	<input type="text"/>
Name of account holder:	<input type="text"/>
Amount of transfer:	<input type="text" value="\$"/>
Date of transfer:	<input type="text"/>
Transfer confirmation reference:	<input type="text"/>

H Status of Applicant

Note: Please indicate your status as either an existing shareholder or the renounce of an existing shareholder (tick one box only) and, if a renouncee, specify the name of the existing shareholder who renounced in your favour the shares applied for.

Shareholder	Renouncee	Name of Renouncing Shareholder
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>

Important Notice

You should read the OIS dated 7 June 2013 carefully before completing this application form. Applications must be received by the company no later than close of business on 19 July 2013. While the offer is open, any person may obtain a paper copy of the OIS on request by contacting the company.

Guide to Completing the Application Form

Enter the number of shares you wish to apply for.

Enter the total application amount – ie the number of shares applied for multiplied by the offer price of \$0.01 per share.

Enter the full name you wish to appear on the register. This must be either your own name or the name of a company. Up to two joint applicants may register. You should refer to the table below for the correct forms of registrable name.

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Enter your postal and email address for all correspondence. All communications to you from the share registry will be sent to the address above. For joint applicants, only one address can be entered.

Also include a daytime telephone number - this will enable us to contact you if there is any problem with your application.

Enter your TFN (tax file number) or exemption category or ABN (Australian business number). Collection of TFNs and ABNs is authorised by taxation laws. Where the application is in joint names and individual TFNs are being quoted, two TFNs should be given. Quotation of your TFN is not compulsory and will not affect your application. However, if no TFN or ABN is quoted, any dividends may be taxed at the highest marginal tax rate plus the Medicare levy.

The company will apply to the NSX for listing of shares issued (as indicated in the OIS) but will not be issuing certificates to applicants in respect of those shares.

If you are a CHESS participant (or are sponsored by a CHESS participant) and wish to hold securities allotted to you under this application in uncertificated form on the CHESS sub-register, enter your CHESS HIN. Otherwise, leave the section blank, and on allotment you will be sponsored by the Company and allocated an SRN (security-holder reference number).

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At least one full given name and the surname is required for each natural person. The name of the beneficial owner, or any other registrable name, may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

Closing Date for Applications

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Our account details are:

Bank: National Australia Bank
Branch: 22/100 Creek Street, Brisbane, Qld 4000
BSB: 084-004
Account name: Australian Property Systems Ltd – share application account
Account number: 15 453 1250

Any cheque or bank draft must be drawn on an Australian bank.

Complete the cheque details in the boxes provided. The amount must agree with the amount shown in box 'B'.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected.

Pin - do not staple - your cheque or bank draft to the application form where indicated unless paying by direct credit transfer.

STATEMENT BY APPLICANT

By lodging the application form, each applicant:

- Confirms having personally received the complete and unaltered OIS before completing the application form;
- Acknowledges the advice to read the OIS in full;
- Agrees that this application is for shares upon and subject to the terms of that OIS;
- Agrees to take any number of shares equal to or less than the number shown in box A that may be allotted to the applicant pursuant to that OIS;
- Agrees to be bound by the constitution of the company; and

Lodgment of Application Form

Return the application form and (unless you make payment directly into the company's account as above) your cheque or bank draft to:

APSL rights offer
Australian Property Systems Ltd
Level 22
333 Ann Street
Brisbane
Queensland 4000

Type of Investor	Correct Form	Samples of Incorrect Form
Individual - Use given names, not initials	John Alfred Smith	J. A. Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trust - Use trustee(s) personal name - Do not use the name of the trust	Janet Smith <Janet Smith Family A/C>	Janet Smith Family Trust
Deceased estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Michael Smith <Est John Smith>	Estate of Late John Smith
Partnerships - Use partners' personal names - Do not use the name of the partnership	John Smith and Michael Smith <John Smith and Son A/C>	John Smith and Son
Clubs/Unincorporated bodies/Business names - Use office bearer(s) personal name(s) - Do not use the name of clubs etc	Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation funds - Use the name of trustee of fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Note: Put the name(s) of any joint applicant(s) and/or account description using <> as indicated above in the designated space(s) on the application form.