

AUSTRALIAN PROPERTY SYSTEMS LIMITED
ACN 096 925 610

NOTICE OF EXTRAORDINARY GENERAL MEETING

Incorporating

EXPLANATORY MEMORANDUM

and

PROXY FORM

DATE AND TIME OF MEETING

6 January 2003 at 10:00am

PLACE OF MEETING

Level 1, Naval Offices, 3 Edward Street, Brisbane, Queensland 4000

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Inserted Proxy Form

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS DOCUMENT. IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE IN REGARD TO THIS DOCUMENT OR THERE IS ANY MATTER YOU DO NOT UNDERSTAND YOU SHOULD CONTACT YOUR PROFESSIONAL ADVISERS FOR ADVICE.

SECTION 1

18 November 2002

Dear Shareholder

Attached is the Notice of Extraordinary General Meeting of members of Australian Property Systems Limited ACN 096 925 610 ("APSL" or "Company") to be held on 6 January 2003 at Level 1, Naval Offices, 3 Edward Street, Brisbane, Queensland 4000 commencing at 10:00am.

The purpose of the meeting is to approve the Company's acceptance of a transfer of the 100% interest in Charter Pacific Securities Limited ACN 089 809 487 ("CPS") in exchange for the issue by the Company of:

- (1) 1,100,000 shares of the Company (fully paid ordinary) to Mr Leon Craig Offenhauser: and
- (2) 1,100,000 shares of the Company (fully paid ordinary) to Mrs Lorelle May Offenhauser,

pursuant to the Share Sale Agreement between the Company and Mr Leon Craig and Mrs Lorelle May Offenhauser ("Offenhausers").

Shareholders will note that this Notice of Meeting has been drafted in accordance with the Corporation Act and in particular Part 2E.1, which deals with related party benefits.

Each of the Directors of the Company recommends that the Company accepts the transfer of the 100% interest in CPS in exchange for the issue of 2,200,000 (fully paid ordinary) shares of the Company to the Offenhausers.

Geoffrey Jamieson
Chief Executive Officer

SECTION 2

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS GIVEN that an Extraordinary General Meeting of the members of Australian Property Systems Limited ACN 096 925 610 ("APSL" or "Company") will be held at Level 1, Naval Offices, 3 Edward Street, Brisbane, Queensland 4000 on 6 January 2003 at 10:00am, to consider and if thought fit, to pass, with or without amendment, the following Resolutions:

As Special Resolutions:

1. Acquisition of Charter Pacific Securities Limited

"That subject to the passing of all Resolutions provided for in this Notice of Meeting, under Newcastle Listing Rules 6.4, 6.41 and 6.44 and section 208 of the Corporations Act 2001 and for all other purposes, the Shareholders approve that the directors of the Company (at their discretion) can issue the following shares of the Company:

- (1) 1,100,000 (fully paid ordinary shares) to Mr Leon Craig Offenhauser; and
- (2) 1,100,000 (fully paid ordinary shares) to Mrs Lorelle May Offenhauser,

in exchange for all shares in Charter Pacific Securities Limited ACN 089 809 487 ("CPS") which are all currently owned by Mr Leon Craig Offenhauser and Mrs Lorelle May Offenhauser ("Offenhausers") equally in 50% proportions, on the terms of the Share Sale Agreement as described in the Explanatory Memorandum which accompanies this Notice ("Explanatory Memorandum").

General

2. To transact any other business which may be brought before the meeting in accordance with the Constitution of the Company, the Corporations Act 2001, or otherwise.

The specific details of the background to the Resolutions to be put before the Meeting are set out in the Explanatory Memorandum.

BY ORDER OF THE BOARD

S. Andjelkovic
Company Secretary

Dated 18 November 2002
Brisbane, Queensland

VOTING:

- (1) A Proxy Form is enclosed with this Notice.
- (2) The Company will disregard any votes cast on Resolution 1 by the Offenhausers or their associates and any person or their associates who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

OTHER:

Words, which are defined in the Explanatory Memorandum and Glossary, have the same meaning when used in this Notice of Meeting unless the context requires or the definitions in the Glossary provide otherwise. For assistance in considering the Notice of Meeting the following words are defined here:

“ordinary resolution” means a Resolution passed by a simple majority of Shareholders on a show of hands or by a simple majority of votes given on a poll.

“special resolution” means a Resolution passed by a majority of 75% of Shareholders on a show of hands or by a majority of 75% of votes given on a poll.

SECTION 3

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist members with their consideration of the Resolutions proposed for the Extraordinary General Meeting of Australian Property Systems Limited ACN 096 925 610 ("APSL" or "Company") to be held at Level 1, Naval Offices, 3 Edward Street, Brisbane, Queensland 4000 on 6 January 2003 commencing at 10:00am. It should be read in conjunction with the Notice of Meeting.

1. PROPOSED TRANSACTION

1.1 Overview of Proposed Transaction

Mr Leon Craig Offenhauser, a majority shareholder of Charter Pacific Securities Limited ACN 089 809 487 ("CPS") is the non-executive Chairman of the Company.

The Company has entered into the Share Sale Agreement with Leon Craig and Lorelle May Offenhauser ("Offenhausers") under which the Company agreed to accept the transfer of 100% of the share capital in CPS in exchange for the Company issuing the following shares in the Company:

- (1) 1,100,000 (fully paid ordinary shares) to Mr Leon Craig Offenhauser; and
- (2) 1,100,000 (fully paid ordinary shares) to Mrs Lorelle May Offenhauser ("the Proposed Transaction") on the following terms and conditions:
 - (a) the conditions precedent to the completion of the acquisition of CPS are:
 - (i) completion of due diligence enquiries (which have been completed satisfactorily);
 - (ii) the Offenhausers being satisfied that no material adverse changes have occurred to the business of the Company; and
 - (iii) Shareholder approval following prior notice to (and approval by) the Newcastle Stock Exchange (NSX) and the Australian Securities Investment Commission (ASIC).
 - (b) the transfer of the Offenhausers' shares in CPS to APSL and the issue of the shares in the Company to the Offenhausers as contemplated by the Proposed Transaction will occur on 6 January 2003.
 - (c) the Offenhausers have provided warranties in relation to CPS. The Company has provided warranties in relation to the conduct of the Company.
 - (d) the Offenhausers agreeing to escrow their APSL shares on the same terms and conditions as the other shareholders of APSL, as follows:
 - (i) Mr Leon Craig Offenhauser escrowing 1,000,000 APSL shares; and
 - (ii) Mrs Lorelle May Offenhauser escrowing 1,000,000 APSL shares.
- (3) The Offenhausers currently own 0.47% of the issued capital in the Company. If the Company's shareholders approve Resolution 1, the Offenhausers and associated entities will hold approximately 9.80% of the issued Shares of the Company.

1.2 CPS

(1) General Overview

CPS holds a current unrestricted dealers license, \$30 million of funds under management and licenses with funds managers for the supply of products (“Dealership”) all of which is being acquired by APSL under the Proposed Transaction. Mr Craig Offenhauser, currently the authorised representative of CPS, essentially provides financial services to a range of sophisticated investor type clients of CPS.

The incoming managing director of the Dealership Mr Alex Kay, an expert in dealerships and a person with appropriate financial services qualifications, has carried out the due diligence in respect of the Proposed Transaction on behalf of APSL and an independent valuation of CPS has been carried out by Bellas Accountants (a copy of which is annexed to this Explanatory Memorandum as Annexure A) (“Independent Valuation”). The Independent Valuation stipulates (among other things) that CPS has a fair market value of \$700,549 to \$1,200,000.

(2) Benefits for APSL

Australian Property Systems Limited (APSL) has the rights to exploit an issued patent to a unique property development management system (“the System”).

In order to maximise distribution of APSL property products developed under the System in Australia and the South Pacific Region, APSL will seek to (through the Dealership) enhance distribution of the APSL direct property products and provide extra income from users of the company’s proprietary software products, Property Services Exchange (“PSX”) and Development Manager (“DM”).

After the Proposed Transaction, the Dealership will be a stand alone, autonomous company enabling it to take a truly independent stance on the recommendation of financial services products.

Currently, the APSL product is distributed through a number of independent sources including:

- Non Institutional dealers (these dealers tend to be small and use their own recommended lists but are limited in their area of influence)
- Accountants *
- Stockbrokers *
- Solicitors *
- Real Estate Agents *

**Due to the enactment of the Financial Services Reform Act (FSRA) these occupations are required to (among other things) hold a Dealers License or Proper Authority to provide financial services.*

The larger institutional dealers sell only the products included on their recommended lists (“Recommended Lists”). Direct property investments have not been included on the Recommended Lists due to their high risk profile.

The APSL direct property product has been specifically designed to meet the strict FSRA requirements of dealers, having a substantially reduced risk profile than traditional property and software programs (previously unavailable) for the dealer and their advisors to easily manage the direct property investment on behalf of their clients.

APSL intends to change the name of the acquired Dealership and will outsource the majority of its backroom functions (to the extent permitted under FSRA) as soon as possible and practical without losing the ability to govern its' own destiny in line with the principles and ideals of the APSL Group. Upon completion of the Proposed Transaction, sufficiently qualified individuals (such as, Mr Alex Kay) will be appointed to operate the Dealership to ensure statutory compliance and continuity of the Dealership business.

APSL will own 100% of the ordinary shares in the Dealership, but it is intended that APSL will recover its initial capital investment of \$1.1 million (and any other funds invested into the Company) by issuing non voting preference shares in the Dealership for the benefit of advisors. These preference shares will give the holders preference over any increase in the capital value of the Dealership pro-rata to the percentage holding.

The preference shares will only be issued subject to the advisors achieving agreed levels of performance. It is envisaged that the advisors will ultimately hold 65% of the preference shares, senior management of the Dealership will hold 15% and APSL & Lawfund (an APSL strategic alliance partner) the remaining 20%.

The Proposed Transaction once completed, will provide APSL with multiple benefits, such as:

1. It will focus on selling the APSL product and Property Services Exchange Pty Ltd (PSX) usage;
2. It will guarantee volume sales of the APSL product (including the PSX system);
3. It will gain market acceptance and recognition of the low risk and unique features of APSL product;
4. Once the larger institutional dealerships recognise the level of sales generated by the APSL dealership, they will no doubt consider including the product on their Recommended Lists; and
5. APSL's share of the capital value of the dealership will increase.

(3) Vision And Mission Statements

The company vision and mission statements will be developed over the initial operating weeks in conjunction with senior staff as they are appointed. These statements will be in line with the core values of the APSL business.

(4) Key Objectives

The company's primary objective will be to bring value to all of the stakeholders of the Dealership treating each relationship with these stakeholders as partnerships, to the extent permitted at law.

The benefits that the company will bring to the parent company are paramount.

The Dealership will adopt a philosophy of mutuality. The underlying principle of this philosophy is that all of the stakeholders will mutually benefit from their association with the Dealership.

The stakeholders are:

- the consumer;
- the supplier;

- the business partner;
- the employee;
- the adviser; and
- the APSL shareholders.

It will be the aim of the Dealership to:

- provide a dedicated distribution channel for the APSL product and system;
- achieve forecast returns for shareholders;
- appoint a select number of high quality advisers and staff;
- offer value-added support and USPs to advisers;
- bring benefits to all stakeholders as outlined in the principles of mutuality;
- provide complete financial planning and advisory services as a national licensee;
- be recognised as the truly independent and innovative non-institutional distribution group; and
- create a model for the dealership process capable of being applied globally.

(5) Major Components Of The Dealership

The company will be a lean operation with the bulk of the services outsourced.

An outsourced provider will be contracted for:

1. planner support services;
2. systems-based back office infrastructure;
3. product research and software;
4. stock trading;
5. training and education support;
6. paraplanning;
7. pre and post retirement modelling software;
8. web based client management system (PSX linked to online wrap accounts);
9. practice management; and

10. agreements and adviser documentation.

It is the intension of the Company to locate the dealership in Sydney. This will be in a serviced office environment until there is available space in the planned new APSL office in the Briscoe Building at 485-511 Wattle Street Ultimo.

(6) Products

The Dealership will select a recommended list of products from outsourced providers. However, it will be a condition of the agreements that the Dealership retains the right to modify the list to ensure the independence and the inclusion of group in house products.

The Dealership will also identify a very select number of products for possible cloning or branding. Additional product margins will be earned from the sale of such products.

Advisers will be encouraged to place business in a wrap account due to the incentive of qualifying for preference shares. It is not intended that the company develops its own wrap account, rather that it "own a share" of an existing 'best practice' web based established product, with administration to remain with the manufacturer.

(7) Company Revenues

It is anticipated that the company will procure revenues from the following primary sources:

1. percentage of advisor gross income;
2. administration margin;
3. sale of APSL direct property products; and
4. funds management of products developed specifically around the APSL system.

(8) Capital Structure of APSL

(a) Existing Capital Structure

The existing capital structure of the Company as at the date of this Notice of Meeting is as follows:

Share capital	
Fully paid Shares	21,274,000
Options	
Listed on NSX	<i>Nil</i>
Unlisted	<i>Nil</i>

(b) **Capital Structure after issue of the Offenhausers' Shares**

Share capital	
Fully paid Shares	23,474,000
Options	
Listed on NSX	<i>Nil</i>
Unlisted	<i>Nil</i>

1.3 **Directors Recommendation**

Each of the directors of APSL ("Directors") consider that the Proposed Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of the resolution to accept the transfer from the Offenhausers of the 100% interest in CPS in exchange for the issue of 2,200,000 APSL shares to the Offenhausers.

The current Directors do not have an interest in the outcome of Resolution 1 other than in their capacity solely as shareholders of the Company. The Directors however wish to make shareholders of the Company aware that the Company will be subject to various risk factors if the transaction is approved and entered into by the Company. Some of these risk factors include:

(1) Dilutionary Effect on Existing Shareholders

The issue of 2,200,000 APSL shares to the Offenhausers will have a dilutionary effect on the existing shareholders of APSL. Although the Proposed Transaction will have a dilutionary effect on the existing shareholders of APSL, the Directors consider that the value associated with CPS (as set out in the Independent Valuation - Annexure A) will off-set any dilutionary effects in the long term.

The Offenhausers currently own 0.47% of the issued capital in the Company. If the Company's shareholders approve Resolution 1, the Offenhausers and associated entities will hold approximately 9.8% of the issued capital in the Company.

(2) Key management

Loss of the key management could have adverse consequences for APSL and could affect APSL's ability to achieve the planned rollout, APSL's ability to obtain new customers and APSL's future strategic direction and development. Whilst APSL intends to enter into employment arrangements with each of its key personnel with the aim of securing their services, the retention of their services cannot be guaranteed.

2. **THE RESOLUTIONS**

2.1 **Resolution 1 – Acquisition of CPS**

- (1) The shares in CPS are currently held as follows:
 - (a) Mr Leon Craig Offenhauser - 50% (currently holding 2 ordinary shares); and
 - (b) Mrs Lorelle May Offenhauser - 50% (currently holding 2 ordinary shares).
- (2) The Share Sale Agreement provides for APSL to accept a transfer by the Offenhausers of their 100% interest in CPS upon the terms and conditions set out in

the Share Sale Agreement. In summary, the consideration payable to the Offenhausers for the transfer of their 100% interest in CPS to the Company is the issue of 2,200,000 ordinary fully paid Shares in the Company to the Offenhausers ("Offenhausers Shares") as follows:

- (a) 1,100,000 (ordinary fully paid) Shares to Mr Leon Craig Offenhauser; and
 - (b) 1,100,000 (ordinary fully paid) Shares to Mrs Lorelle May Offenhauser.
- (3) If Resolution 1 is passed, the Company will be authorised to issue the Offenhausers Shares to the Offenhausers. After the issue of the Offenhausers Shares the Offenhausers and associated entities would be entitled to approximately 9.8 percent of the issued share capital of APSL.
 - (4) The 2,200,000 Offenhausers Shares will be issued on the 6th of January 2003 of which 2,000,000 shares will be held in escrow on the same terms and conditions as the existing voluntary escrow agreements and the remaining 200,000 shares will be freely transferable.
 - (5) The Offenhausers' and their associates and any person who might obtain a benefit, except a benefit solely in the capacity as a security holder, are not permitted to vote in relation to Resolution 1.

2.2 Section 208 of the Corporations Act 2001

- (1) Part 2E.1 of the *Corporations Act 2001* ("Act") exists to protect a public company's resources and the interests of its members by requiring that financial benefits to related parties that could diminish its resources are disclosed and approved by the shareholders in advance, in general meeting.
- (2) The Company issuing the Offenhausers' Shares to the Offenhausers may constitute a financial benefit under section 208 of the Act. Leon Craig Offenhauser is a related party of the Company under section 228(6) of the Act because he is the non-executive chairman of the Company. Lorelle May Offenhauser is a related party of the Company because she is married to Leon Craig Offenhauser.
- (3) In the circumstances, the Directors invite the Shareholders to consider the Independent Valuation. Shareholders should note the conclusion set out in the Independent Valuation is that the logic used by the parties to define terms in the contract are fair and reasonable.
- (4) In addition to the information contained in the Independent Valuation, the Company provides the following information to Shareholders to assist them in deciding whether or not it is in the Company's interest to pass Resolution 1:

- (5) **Related Parties**

The related parties to whom Resolution 1 would permit financial benefits to be given are Leon Craig and Lorelle May Offenhauser.

- (6) **Nature of Financial Benefit**

The nature of the financial benefit if Resolution 1 is passed is the issue of 2,200,000 ordinary fully paid Shares in the Company.

(7) **Recommendation of the Directors**

Each of the Directors recommend the issue of the Offenhausers' Shares as they consider the purchase of the 100% of the shares in CPS held by the Offenhausers to be in the best interests of the Company.

(8) **Other Information**

If Resolution 1 is passed and the Offenhausers' Shares are issued to the Offenhausers, the percentage shareholding in the Company of the existing Shareholders would be diluted by the issue of 2,200,000 Shares to the Offenhausers.

The Company requires Shareholder approval for the acquisition/disposal of a substantial asset from a related party under the Corporations Act 2001.

Leon Craig Offenhauser is a related party of the Company, but the Offenhausers' Shares are not a substantial asset within the meaning of the NSX Listing Rules. The other information relevant to Shareholders includes the following:

- (a) the proposed allottees of 2,200,000 Shares in the Company are Leon Craig and Lorelle May Offenhauser;
- (b) as at the date of this Explanatory Memorandum the Offenhausers and any associated entities hold 100,000 shares in APSL;
- (c) the Company understands that the Offenhausers:
 - (i) will not have a controlling interest in the Company;
 - (ii) have no present intention of injecting further capital into the Company;
 - (iii) do not propose that any property be transferred between the Company and any person associated with either of them except as described in this Explanatory Memorandum;
- (d) the terms and timing of the allotment of the Shares are summarised in paragraph 1.1 of this Explanatory Memorandum.
- (e) the reasons for the proposed allotment are provided for in paragraph 1 of this Explanatory Memorandum.
- (f) no current director of the Company has an interest in Resolution 1, save for the interest they share in common with other shareholders arising out of their shareholdings in the Company.
- (g) the identity of the persons proposing to make the acquisition and their associates are Leon Craig and Lorelle May Offenhauser; and
- (h) the maximum extent of the increase in those persons' voting power in the company that would result from the acquisition: 9.33%.

2.3 Independent Expert's Valuation

The Company has commissioned Bellas Accountants to prepare the Independent Valuation (attached as Annexure 1). The Directors recommend that shareholders approve the proposal for the following reasons:

- the Company will have access to CPS's future cash flows;
- management of the Company is strengthened.

In view of this, the Directors unanimously recommend that Shareholders approve the proposal. None of the directors voted against the board resolution to put the proposal to shareholders for approval.

This Explanatory Memorandum and the Independent Valuation are intended to provide certain information for Shareholders to make a decision on the Proposed Transaction. Although the Independent Valuation refers to a transaction involving the payment of \$500,000 in exchange for \$1,000,000 of 50 cent shares in APSL, the Proposed Transaction does not involve the payment of \$500,000 in exchange for \$1,000,000 of 50 cent shares in APSL.

ANNEXURE 1

Independent Valuation of CPS



PRINCIPAL:
Paul James Bellas

26 Bardsley Avenue
Stones Corner Q 4120

PO Box 428
Stones Corner Q 4120

PHONE: 07 3342 0671
FAX: 07 3342 0672

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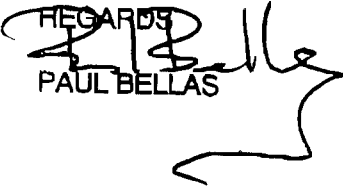
PRIVATE & CONFIDENTIAL

To: GLENN VASSALO	From: Paul Bellas
Fax: 3309 0999	Pages: (Including this cover sheet)
Phone:	Date: 4 December, 2002
Re: ADDENDUM	CC:

Urgent For Review Please Comment Please Reply For Your Information

GLENN

AS PER YOUR REQUEST

REGARDS

PAUL BELLAS

Addendum to

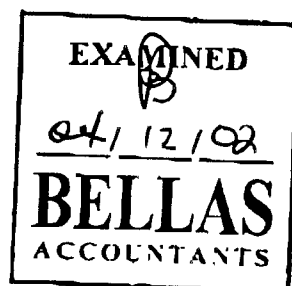
Charter Pacific Securities Ltd Valuation dated September 19 2002

The projections provided to me by Charter Pacific Securities Ltd and internally reviewed by Australian Property Systems Ltd appear to be formed on a reasonable basis. We have formed our opinion from observations of the Brisbane financial services market and we have considered the basis from which Charter Pacific Securities Ltd projected revenue and expenditure for the valuation.

Income has been presented to include sixty one percent actual growth in 2002, seventeen percent projected growth in 2003 from an increase of \$6,000,000.00 of client funds to be under Charter Pacific Securities Ltd management and 6 percent per annum growth in subsequent years. Assuming no future adverse negative market conditions, the income projections in our opinion appear reasonable.

Expenditure has been projected using costs structures carried forward from the audited accounts for the 2002 financial year. We have considered the cost structures of running a basic office per annum to service only a few premium clients. The costs are a manager's wage of approximately \$111,000.00, 1 part-time staff member's wages approximately \$20,000.00, office rent of \$20,000.00, office supplies including depreciation approximately \$20,000.00 and insurance and license registrations and all other costs have been adjusted for. We have based our assumptions on the current statutory regulatory policy of which Charter Pacific Securities Ltd operates it's unrestricted securities dealers license. Assuming no future unforeseen adverse increases in expenditure we are satisfied that the cost structures in the projections appear reasonable.

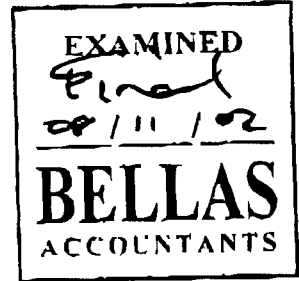
Note that the special purpose accounts as at the 30 June 2002 are not materially different to the audited accounts as at the 30 June 2002.



Read with Disclaimer

Mr Geoffrey Jamieson
Managing Director
Australian Properties Systems Ltd
A C N 96 925 610
Ground Floor Naval Office
3 Edward St
Bris Qld 4000

September 19, 2002



Dear Geoff

RE: Charter Pacific Securities Ltd A C N 089 809 487

1 INTRODUCTION

- 1.1 As requested by you, I have undertaken a valuation of Charter Pacific Securities Ltd, 50% shares owned each by Mr Craig Offenhauser & Mrs Lorelle Offenhauser.
- 1.2 The valuation is required for the possible purchase of the total shares of Charter Pacific Securities Ltd.

2 STRUCTURE OF REPORT

- 2.1 This report containing my opinion is set out under the following headings:

	Section
Summary of Opinion	3
Sources of Information	4
Financial Statements	5
Valuation Standards	6
Methods of Valuation	7
Capital Gains Tax	8
Valuation – Charter Pacific Securities Ltd	9
Scope of Engagement	10

3 SUMMARY OF OPINION

- 3.1 I have reviewed and analysed the financial data and other information available relating to Charter Pacific Securities Ltd 50 % shares owned each by Mr Craig Offenhauser and Mr Lorelle Offenhauser.

As a result of these considerations and based on my analysis of the information available to the 19th September 2002, I am of the opinion that the value range of Charter Pacific Securities Ltd 50% shares owned each by Mr Craig Offenhauser & Mrs Lorelle Offenhauser is \$700, 549.00 to \$1, 200, 000.00. In general terms the total value represents the asset value as at the 19th September 2002.

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which benefit the present owner. It relates to those advantages and benefits which attach to the interest which may not be necessarily transferable to a potential purchaser.

- 6.4 In my opinion, the appropriate standard of value to be applied in valuing the shares in this company is "fair market value".

7 METHOD OF VALUATION

- 7.1 There are a number of approaches which are generally accepted for valuing private companies and/or businesses. Most of these valuation methods typically fall within the categories of earnings or asset based methods and can be described as follows;

(a) Earnings Based Methods:

- (i) Capitalisation of Maintainable Earnings – This conventionally accepted method capitalises the future maintainable earnings of an entity by an appropriate capitalisation or investment rate which itself is derived from open market expectations after giving consideration to all conditions relevant at that time including the economy in general and in particular the business and industry that the entity operates.

Where there are surplus, unproductive or unrelated assets these are valued separately and added to the value derived by capitalising the maintainable earnings.

- (ii) Discounted Cash flow – This method although not dissimilar to the capitalisation of maintainable earnings approach, values the business by discounting the future cash inflows and outflows by an appropriate cost of capital.

(b) Asset Based Methods:

- (i) Orderly Realisation of Assets – Under this method the business is valued on the basis of the realisable value of its assets after making due allowance for expenses of realisation and after all liabilities are extinguished.
- (ii) Going Concern Value – Unlike the previous method this method assumes that the assets and liabilities of the business are transferred on a going concern basis. Therefore, no allowance is made for the costs of realising the assets or extinguishing the liabilities. This method is typically used to value investment or property companies where liquidation is not contemplated.

- 7.2 The use of the net tangible asset backing method is appropriate where:

- 3.2 My assessment of value has been based on the concept of fair market value and was made after a complete analysis of all relevant factors available as at the 19th September 2002. For these purposes, fair market value was considered to represent the value at which a willing seller and a willing buyer both informed of the relevant facts about the business, could reasonably conduct a transaction with neither person acting under compulsion to do so or anxious to buy or sell.

4 SOURCES OF INFORMATION

- 4.1 You have provided me with financial information which I have relied on in the preparation of this report, In summary form, the information I have relied on consists of:
- Financial statements for the years ended 30th June 2001 and 30th June 2002
Projections to the 30 June 2003 – 30 June 2006 prepared by Charter Pacific Securities Ltd.

5 FINANCIAL STATEMENTS

- 5.1 The entity which is the subject of this report is not a “reporting entity” as defined in AASB1025 an Accounting Standard provided under Corporations Law therefore, the accounts which I have relied upon are special purpose financial accounts which have been drawn up for distribution to the members for the purpose of fulfilling their legal requirements.
- 5.2 Depreciation of items of property, plant and equipment, etc, has been calculated using as a base the rates which are allowed by the Deputy Commissioner of Taxation. The client has not supplied alternative information that would vary the estimated useful life.
- 5.3 The accounts have not been audited.

6 VALUATION

- 6.1 When assessing the value of an interest in an entity it is important to establish the appropriate standard or concept of value which should be applied in order to provide a fair and reasonable value. This is provided, there are no other binding legal requirements or agreements.
- 6.2 The concept of “fair market value” is by far the most widely recognised and accepted standard of value in commercial transactions. This standard represents the value at which a willing seller and a willing buyer would conduct a transaction with neither person acting under compulsion to buy or sell and where both are informed of all relevant facts.
- 6.3 In certain circumstances, it may be appropriate to apply a “value to owner” value in preference to the fair market value to other valuation standards. The “value to owner” concept considers those special property rights which attach to an interest and

- the enterprise is merely in a "holding" situation and does not carry on any trading operations;
- the enterprise or business entity generates very little income, or indeed, makes losses, to make it an attractive investment proposition from the willing buyer's point of view; and
- the nature of the operations are such that it is not possible to make an estimate of maintainable earnings.
- In certain circumstances, an asset which can normally be regarded as a capital asset may give rise to some taxable income. In particular, I refer to capital assets which are used in the business and have been depreciated. If they are sold or disposed of at a later stage for a value greater than their depreciated value the difference to the extent that it represents recoupment of depreciation is included as part of the taxpayer's taxable income. That part of the proceeds over and above the original cost of the asset is treated as a capital gain and provided that it was not acquired after 19th September 1985 is not taxable.

8 CAPITAL GAINS TAX

8.1 Since 19th September 1985, special provisions apply to the taxation of capital gains. In summary, it can be said that gains made on the disposal, after 19th September 1985, of an asset acquired after 19th September 1985, will attract tax as provided by the Income Tax Assessment Act.

8.2 There are some exceptions to the general rule above and these relate principally to:

- the principal place of residence; and
- non-listed personal assets of a value of \$5000 or less.

Any gains made on the disposal of one of the classes of assets above are exempt from capital gains tax.

8.3 Any capital gains tax attributable to the transfer of assets to spouses in consequence of an Order of the Family Court of Australia or pursuant to an agreement under Section 87 of the Family Law Act is deferred until the eventual sale of the asset. This is provided for in Sections 160ZZM and 160ZZMA of the Income Tax Assessment Act.

9 VALUATION – Charter Pacific Securities Ltd A C N 089 809 487

9.1 Background Information

9.1.1 Charter Pacific Securities Ltd was incorporated on the 4th October 1999 of which Mr Craig Offenhauser & Mrs Lorelle Offenhauser holds 50% each of the total shares. The company's operation has from the outset and is currently under the total control of Mr Craig Offenhauser & Mrs Lorelle Offenhauser.

There are approximately 5 critical clients of which Mr Craig Offenhauser has provided general commercial and financial planning support for the past 15 years.

Australian Properties Systems Ltd has reason to believe that these commercial relationships of which Charter Pacific Securities Ltd earns revenue will continue in perpetuity.

Charter Pacific Securities Ltd's revenue per year is 1 % of the funds under management.

9.2 Methodology

Having regard to the activities carried out by the company I have elected to value the shares in the company based on its net maintainable earnings.

The net maintainable earnings would be sufficient to return a reasonable return on the value of the assets.

9.3 Financial Information

On Schedule 1, I have summarised the operating result of the business over the last financial years.

9.3.1 A summary of the results is shown hereunder:

	Profit Before Tax
Historical	
2001	\$ 64, 221.00
2002	\$ 139, 830.00
Projection	
2003	\$ 215, 871.00
2004	\$ 247, 151 .00
2005	\$ 275, 519.00
2006	\$ 302, 544.00

9.3.2 In view of the above I am of the view that the company generates sufficient net income after making allowance for reasonable remuneration for the management.

9.4 Net Worth of Company

9.4.1 On Schedule 1, I have set out the net worth of the company as at 19th September 2002. The figures have been extracted from the accounts & projections to the year ended 30th June 2006.

9.4.2 On Schedule 1 (A), Supplementary Information 16 points.

9.4.3 We note that our industry research confirms that there are various industry valuation methods used in the market place to value financial services business.

We identify 2 methods

The 1st uses multiples applied to the trailer of 1% of funds under advice, approximately 1 ½ times for the lower range and approximately 3 times for the upper range being \$ 600,000.00 - \$1, 200,000.00.

The 2nd method applies market transaction percentage averages of funds under management businesses sold in recent periods, the relevant lower range at approximately 2% to the relevant upper range at approximately 5 % and higher which shows an approximate relevant value range from \$ 768,000.00 to \$1,800,000.00. Refer to the Cogent Management draft valuation on file.

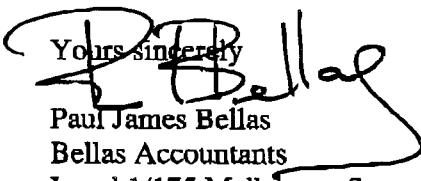
However after making consideration & adjustments to those figures, for reasons which are set out below, using 3 – 5 multiples of net maintainable earnings, I value the shares in Charter Pacific Securities Ltd A C N 089 809 487 in the range of \$ 700, 549.00 and \$1, 200, 000.00.

10 SCOPE OF EXAMINATION

10.1 The statement and opinions contained in this report are given in good faith and on the belief that no material items have been withheld from me. In the preparation of this report I have relied upon information obtained from sources identified in this report.

10.2 I reserve the right, if I consider it necessary, to review all calculations referred to in this report or to revise my estimates of value if information which is material to my assessment and not previously available becomes known to me after the issue of this report.

Yours sincerely


Paul James Bellas
Bellas Accountants
Level 1/175 Melbourne Street,
West End, Brisbane Qld 4101
Ph 33420671 Fx 3342 0672

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Charter Pacific Securities Limited

Schedule one

Profit & Loss Statement

01/07/2001 through 30/06/2002

	Actual 30/06/01	Actual 30/06/02	Projected 30/06/03	Projected 30/06/04	Projected 30/06/05	Projected 30/06/06
Income						
Commissions Received	247,294	303,131	393,000	413,000	433,000	453,000
Professional Fees		67,068	74,000	81,000	89,000	98,000
Interest Received	15,04	1,871	1,600	1,740	1,845	1,955
Other Revenue		28,346	0	0	0	0
Total Income	248,798	400,417	468,600	495,740	523,845	552,955
Expenses						
Advertising & Promotion		3,720	0	0	0	0
Audit Fees		1,125	1,100	1,100	1,100	1,100
Bank Charges	463	805	800	800	800	800
Cleaning		450	450	450	450	450
Client Outlays		3,208	3,200	3,200	3,200	3,200
Computer Software & Expenses	12,493	11,019	4,000	4,000	4,000	4,000
Conferences & Seminars		37,371	7,000	7,000	7,000	7,000
Consultancy Fees	136,567	72,583	0	0	0	0
Debt Collection		585	585	585	585	585
Depreciation	219	17,003	28,474	18,334	12,071	8,156
Electricity		1,387	1,400	1,400	1,400	1,400
Fees and Permits	1,230	586	600	600	600	600
Filing Fees	240	2,766	2,400	2,400	2,400	2,400
Freight & Cartage	221	328	0	0	0	0
Insurance		6,943	7,000	7,000	7,000	7,000
Legal Fees		1,678	1,500	1,500	1,500	1,500
Minor Equipment Purchases		2,146	2,000	2,000	2,000	2,000
Motor Vehicle Expenses	1,342	6,527	6,000	6,000	6,000	6,000
Newspapers & Magazines		114	120	120	120	120
Petty Cash Expenditure	500	1,273	1,300	1,300	1,300	1,300
Postage		77	100	100	100	100
Printing & Stationery		5,401	3,000	3,000	3,000	3,000
Repairs & Maintenance		10,453	5,000	5,000	5,000	5,000
Security Costs		293	300	300	300	300
Staff Amenities		202	200	200	200	200
Staff Training		3,845	4,000	4,000	4,000	4,000
Subscriptions	1,975	14,692	7,000	7,000	7,000	7,000
Superannuation - Employees	1,869	58,934	11,000	12,000	13,000	14,000
Telephone	156	7,205	7,200	7,200	7,200	7,200
Travelling Expenses	949	76,776	10,000	10,000	10,000	10,000
Wages	23,816	111,676	92,000	97,000	102,000	107,000
Total Expenses	182,043	461,170	207,729	203,589	203,326	205,411
Net Profit/(Loss)	66,754	-60,753	260,871	292,151	320,519	347,544

VALUATION ADJUSTMENTS						
CONSULTING FEES	14467	72583	-5000	-5000	-5000	-5000
TRAVELLING COSTS		74000				
CONFERENCE SEMINARS		32000				
SUPERANNUATION		47000				
REPAIRS		5000				
SUBSCRIPTIONS		10000				
RENTS	-20000	-20,000	-20,000	-20,000	-20,000	-20,000
SUPPORT STAFF	3000	-20000	-20000	-20,000	-20,000	-20,000
TOTAL ADJUSTED PROFIT	64,221	139,830	215,871	247,151	275,519	302,544

EXAMINED

19/09/02

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SCHEDULE ONE (A)

1. HISTORICAL FINANCIAL ADJUSTMENTS

Charter Pacific Securities Ltd historical profit and loss shows abnormal expenditure for year end 2002 Consultant fees \$72,583.00 Travelling expenses of \$74,000.00 Conference seminars of \$32,000.00 Superannuation of \$47,000.00 Repairs of \$5,000.00 Subscriptions of \$10,000.00.

Charter Pacific Securities Ltd historical profit and loss incurred abnormal expenditure for the year ended 2001 Wages, consultant fees of \$14,467.00.

2. FRINGE BENEFITS TAX

We have assumed that these tax deductible expenses have been included under motor vehicle expenses as provided by Charter Pacific Securities Ltd.

3. GST

We assume that the accounts provided to Bellas Accountants from Charter Pacific Securities Ltd are gst exclusive amounts.

4. PRELIMINARY EXPENSES

Preliminary expenses have no realisable value.

5. BALANCE SHEET

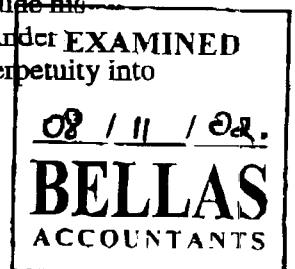
Client's unaudited Balance Sheet value was applied.

6. MR CRAIG OFFENHAUSER

Bachelor of Financial Administration
Masters of Taxation
Chartered Accountant with Practice Certificate
Certified Practising Accountant with Practice Certificate
Certified Financial Planner
Fellowship Diploma of Life Insurance
Licensed Unrestricted Securities Dealer

7. ONGOING CRITICAL MANAGEMENT BY MR CRAIG OFFENHAUSER

Mr Craig Offenhauser the Managing Director of Charter Pacific Securities Ltd is a licensed unrestricted securities dealer and the business projections include his continued full time management of the current and future funds to be under management. The upper range valuation includes his continuance in perpetuity into the future.



8. FUNDS UNDER MANAGEMENT

	2002	2001
Wilson Super	\$ 4,325,918.00	\$ 4,618,138.00
RCM Superfund	\$23,315,883.00	\$22,865,847.00
Merchant Superfund	\$10,758,593.00	\$ 9,229,819.00

The funds above are under management as distinct to funds under advice.

We have not confirmed the history or exact nature of the investment portfolios however, we have been advised by Australian Properties Systems Ltd that have verified that the funds have been invested in a range of diversified blue chip shares.

9. REVENUE STRUCTURE

1 % pa of total funds under management to continue into the future.

10. OFFICE COSTS

Charter Pacific Securities Ltd has conducted business operations from a home office, giving rise to reduced operating costs. This valuation adjusted to the lower range maintainable earnings value does include a low cost office rental of \$20,000.00 pa.

11. MINIMAL SUPPORT STAFF INPUT

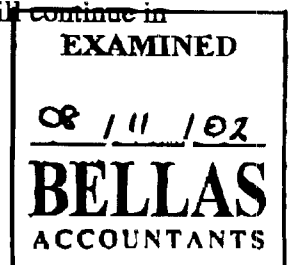
It is common for self-employed professionals to conduct operations with minimal support staff. Charter Pacific Securities Ltd has conducted operations this way. This valuation has adjusted for the lower range maintainable earnings value to include minimal part time non-professional support staff for \$20,000.00 pa.

No significant study has been conducted by Bellas Accountants regarding staffing however we have been advised by Australian Properties Systems Ltd that staff salaries including super will total approximately \$111,000.00 pa for manager's wages and approximately \$20,000.00 pa for a part time support administration person.

12. CLIENT RELATIONSHIP

There are approximately 5 critical clients of which Charter Pacific Securities Ltd has provided general commercial and financial planning support for the past 15 years.

Australian Properties Systems Ltd has reason to believe that these commercial relationships of which Charter Pacific Securities Ltd earns revenue will continue in perpetuity.



We have not confirmed the commercial relationship profile of any client however, we have been advised by Australian Properties Systems Ltd that they believe that the relationships are very secure and long-term in nature.

13. ACTUAL & PROJECTED OPERATING INCOME AND COSTS

In good faith, we have depended on the reports of actual and projections provided by Charter Pacific Securities Ltd to and reviewed internally by Australian Properties Systems Ltd.

Australian Properties Systems Ltd have indicated to us that they have conducted it's own internal review and they believe that sound commercial principles have been used to produce the actual & projected reports.

We have relied on Australian Properties Systems Ltd knowledge of Charter Pacific Securities Ltd activities and note that we have been advised accordingly that the cost structures provided in these projected reports are sufficient to service the increased turnover.

No audit or review has been conducted.

14. COGENT REPORT

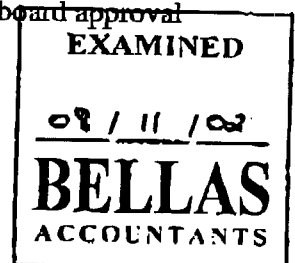
Cogent Management valuation report was brought to my attention for consideration by Australian Properties Systems Ltd. Though there are differences in the business profile of Charter Pacific Ltd and the ones discussed in the Cogent report, the relevant critical common item is the purchase of the use of the unrestricted securities license by Australian Properties Systems Ltd. We have not used the valuation method suggested in the Cogent report however we do note that the diverse value ranges outlined in the Cogent report, certainly reveal market valuation anomalies.

15. CONSIDERATION AND CONTRACT TERMS

Bellas Accountants has not advised Australian Properties Services Ltd and it's directors and shareholders or Charter Pacific Securities Ltd and it's directors or shareholders as to the terms and conditions outlined in the contract.

The terms and conditions in the contract have been arrived through negotiations of both parties of which Bellas Accountants has had no involvement.

Subsequent to the negotiations, Australian Properties Systems Ltd has requested that we give an opinion on the logic used to define the consideration, terms and conditions between itself and Charter Pacific Securities Ltd. The agreement discloses the consideration for the purchase of Charter Pacific Securities Ltd to be \$ 1,100,000 dollars worth of 50cent shares in Australian Properties Systems Ltd listed on the Newcastle stock exchange which will be held in conjunction with an escrow deed. The escrow deed shows that shares cannot be sold without company board approval and is not dependent on a specified date.



It is noted that the terms of the contract disclose that a cash injection of \$500,000.00 to be paid by the vendor in exchange for \$1,000,000.00 of 50cent shares in Australian Property Systems Ltd of which there are no restrictions registered in the agreement.

The Bellas Accountants valuation is based on the assumption that a straight cash contract of approximately between \$ 700, 549.00 and \$1, 200, 000.00. However it is normal for negotiations to produce actual final contracts that deviate from the forms of consideration used in the valuation. In this case the agreement brought to my attention shows various forms, shares held with what appears to have tight board controlled restrictions and further to the negotiations, a cash exchange for shares without restrictions.

Though the value of the consideration has differed from the valuation, so to the restrictions have differed and parties have a strong desire to execute an agreement.

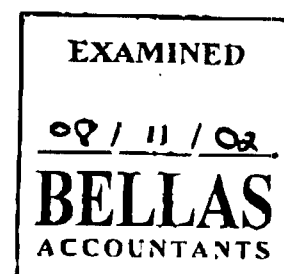
Australian Properties Systems Ltd has researched and defined it's future business strategy and has concluded that having a registered dealers license is critical for the company's future profits. Without valuing the shares in Australia Properties Systems Ltd and without verifying the procedures used to arrive at it's conclusion in the light of the restrictions and consideration on offer I find the logic used by parties to define terms in this contract fair & reasonable.

16. USES OF THIS REPORT

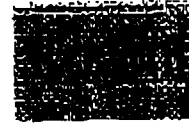
Australian Properties Systems Ltd has indicated that this report will be used for the purpose to assess the value of Charter Pacific Securities Ltd and they will be given the opportunity to perform further due diligence prior to the acquisition if required.

This report is not to be provided to any financial institution, individual or organization for any other purpose without my express written permission.

We have conducted the valuation in the knowledge of the above.



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MANAGEMENT PTY LTD
ASX:CMO

3/283 Sydney Road
(PO Box 90)
Belconnen NSW 2022

Urgent Facsimile Message

To: *Craig Offenhausser*
Company:
Facsimile Number: 07 3268 7415
Phone Number: 07 3268 4944
Date: 18 September 2002

Pages Including Cover Page: 007

From: Peter Jones
Return Facsimile Number: 61 2 9949 5453
Return Phone Number: 61 2 9949 8500

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Craig

Attached is an extract from a valuation that was conducted in October of last year that lists all the reported transactions over the past few years.

Appendix 5 did not appear to exist although it is referred to but I believe that the information you want is contained in "Table 9" on page 16. I trust this helps.

If I can be of any further help give me a call.

Regards

Peter

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The FUA percentages for the 17 transactions between 1995 and 2001 for which information is available, ranged from 0.7% to 11.9% and averaged 4.2%. However, it appears that FUA percentages are lower now than they were some years ago. In this regard we note that:

- for the six transactions to the end of 1999, excluding County Natwest as an outlier, the range of FUA percentages was from 5.2% to 6.5% and the average was 5.8%;
- for the eight transactions in 2000 and 2001, excluding MLC and Sterling Grace as outliers, the range was from 0.7% to 3.6% and the average was 2.0%; and
- for the nine transactions in 2000 and 2001, excluding only MLC as an outlier, the range was from 0.7% to 7.7% and the average was 2.7%.

The FUA percentages derived from these transactions should be used with some caution because the details of the transactions are mainly taken from press articles, and sometimes important details are unclear - such as whether the transaction value represents enterprise value or equity value and to what extent the funds under administration are funds under advice or funds under management. For the purpose of this report, we assume that the reported transaction values represent enterprise values.

Details of the Transactions

Brief details of the recent transactions summarised in Table 9 are given below.

Sterling Grace Portfolio Management

In October 2001, AXA Asia Pacific purchased Sterling Grace Portfolio Management for \$201 million. Sterling Grace, which operates Money Monitor in Australia and Spicers in New Zealand, is an integrated retail portfolio management group focused on distribution via financial advisers. Sterling Grace has over \$2.6 billion in funds under management, 88 financial planners, and annual inflows of \$500 million.¹⁰ It offers wrap and master trust services in Australia and New Zealand. The transaction value was 20 times Sterling Grace's estimated net profit after tax (NPAT) of \$10 million.¹¹

Ord Minnett SA

In September 2001, Investor Group acquired Ord Minnett SA, which began as part of Pembroke Financial Planners in 1987.¹² Ord Minnett SA has \$800 million in funds under management. The acquisition will expand the Investor Group's advice portfolio to \$2.8 billion.

Albert & Will

In August 2001, the financial planning firm Ipac Securities acquired Albert & Will for an undisclosed sum. The value of the acquisition was reportedly based primarily on Albert & Will's relationship with its client base, and less on the revenue stream that arose from selling managed fund products.¹³

¹ Australian Financial Review, 28 October 2002

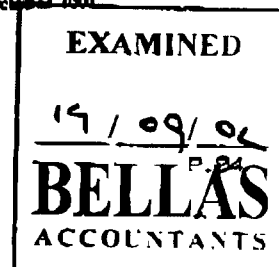
² The Australian, 18 October 2001.

³ Asian Wall Street Journal, 18 October 2001, p 26.

¹⁰ Johnson Taylor Potting Limited, Research on AXA Asia Pacific, 18 October 2001.

¹¹ AFR, 21 August 2001.

¹² Australian Financial Review, 8 August 2001.



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This would suggest that the price paid for the acquisition was lower than that recently paid by "aggregators".

IPAC Securities

In June 2001, Commonwealth Bank of Australia (CBA) sold its 50% stake in IPAC Securities, which specialises in financial planning and master trusts, to UBS Capital (30%) and the directors of IPAC (20%). The deal was worth between \$30 million and \$40 million to CBA.¹⁴

Deutsche Bank Financial Planning

In February 2001, NAB acquired Deutsche Bank Financial Planning for \$115 million.¹⁵ NAB intends to merge this financial planning business with its Godfrey Penhroke operation. The acquisition adds \$1.9 billion in funds under advice, \$1.3 billion in funds under management and 65 financial planners to the merged operation.

County Investments

In December 2000, Amvoscop, which is a UK based group, bought County Investment Management from NAB for \$110 million. County Investment a leading institutional fund manager, had \$15 billion in funds under management, but a low a profit of \$1.4 million.¹⁶ Amvoscop planned to merge County Investment with its Australian operations, Invesco, which is responsible for retail and institutional investment management. NAB had purchased County Investments for \$100 million from the UK based Nat West in 1997.

Associated Planners Financial Services Limited

In November 2000, Zurich Financial Services purchased 30% of Associated Planners for \$30 million.¹⁷ The acquisition was intended to strengthen Zurich's retail distribution, especially in the managed funds area.

Equitylink

In October 2000, Equitylink was acquired by the UK based Aberdeen Asset Management for \$133 million. Equitylink had \$5.5 billion in funds under management.¹⁸

Bridges Financial Planning

In September 2000, Tower acquired Bridges financial planning network from Credit Union Services Corporation (Australia) Limited for \$168 million (\$148 million in cash and \$20 million in Tower shares).¹⁹ At the time of the purchase, Bridges had \$1.7 billion in FUM, an estimated inflow of \$800 million per annum, a further \$2 billion under administration, 110 advisers, 44,000 customers, and one of the 10 largest master trusts in the country. The payment represents 6.4% of assets, or 25 times the historic earnings of Bridges.

Personal Financial Planners

In June 2000, Pacific Rim Investment Corporation Ltd (PRI) bought the West Australian financial services organisation Personal Financial Planners (PFP) for \$1.75 million. The business had funds under management exceeding

¹⁴ The Australian, 14 June 2001, p21.

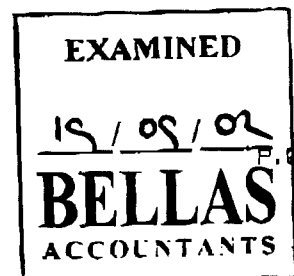
¹⁵ Sydney Morning Herald, 20 February 2001.

¹⁶ The Australian, 21 Dec 2000.

¹⁷ Australian Financial Review, 15 November 2000, p22.

¹⁸ The Australian Financial Review, 21 October 2000, p14.

¹⁹ The Australian, 6 Sep 2000.



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\$185 million and revenue streams in excess of \$2.7 million.²⁰ It provided PRI with an exclusive wrap account that complemented the group's national distribution network. FFP, PRI and other acquisitions of the group were rebranded Dealin Financial Services Group.

MLC

In April 2000, NAB acquired the financial services group MLC from Lend Lease for \$4.56 billion. At the time of the acquisition, MLC represented 40% of the Lend Lease's 1999 net profit of \$420 million. The deal added \$32 billion to the \$20 billion that the NAB already had in funds under management.²¹ It included the MLC businesses MasterKey, Garvan, FlexPlan, Godfrey Pembroke and Plum.

Garrisons

In November 1999, Challenger International acquired the financial planning company Garrisons for \$4.7 million, and the rights for Synergy Master Trusts for \$28.25 million.²² The Synergy Master Trusts had \$565 million in funds under management.

Money Planners

In July 1999, Pacific Rim Investment (PRI) lifted its stake in Money Planners from 18% to 100%, in a deal that valued the latter at \$3.8 million. The 240 advisers from Money Planners were merged with PRI's recently acquired Mawson Group.

Mawson Group

In July 1999, the Victorian based Mawson Group was acquired by Pacific Rim Investment (PRI) for \$0.5 million.²³ The 213 advisers from Mawson were merged with PRI's recently acquired Money Planners adviser network.²⁴

Godfrey Pembroke

In June 1999, MLC acquired the financial services group Godfrey Pembroke for \$40.6 million.²⁵ Godfrey Pembroke retained its separate identity within MLC as a provider of financial planning products and services to high net worth investors. It offered MLC a distribution capacity and an opportunity for securing funds under administration. Our understanding is that the funds under administration amounted to approximately \$760 million.

BT Funds Management

In June 1999, the Principal Financial Group purchased BT Funds Management for \$2.1 billion.²⁶ BT Funds Management generated income of about \$400 million and made an after tax profit of \$77 million in 1998.

Wilson Dilworth

In December 1998, Perpetual Trustee acquired 60% of Wilson Dilworth for \$22.25 million.²⁷ Wilson Dilworth specialised in superannuation master trusts.

²⁰ ASX Company Announcements, 27 June 2000.

²¹ Sydney Morning Herald, 11 April 2000.

²² Australian Associated Press, 9 November 1999.

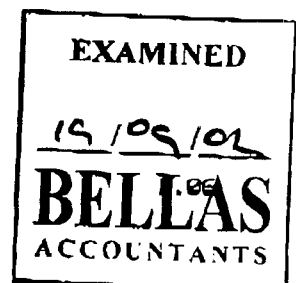
²³ Jobson's Year Book of Public Companies, May 2001.

²⁴ The West Australian, 21 July 1999, p58.

²⁵ Australian Associated Press, 30 June 1999.

²⁶ Australian Financial Review, 21 June 1999, p10.

²⁷ Courier Mail (Queensland), 17 Dec 1998.



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Sealcorp

In December 1997, St George Bank bought 40.3% of Sealcorp, the Perth based master trust operator and financial planning services group, from NAB. The acquisition valued Sealcorp at \$272 million, equivalent to a price-earnings ratio of 19.5 times the net profit forecast for 1997/98.²⁸ The funds under management totalled \$600 million and funds under advice totalled \$3.9 billion.

County Natwest Funds Management

In October 1997, NAB bought the funds management business of County Natwest for around \$100 million.²⁹

IPAC Securities

In May 1997, the Commonwealth Bank bought a 50% stake in IPAC Securities, a Sydney based portfolio manager and financial planner for an undisclosed sum. IPAC had generated a profit of \$2.1 million and an operating revenue of \$22.6 million in 1996. It managed \$2.6 billion in funds and had 130 staff.³⁰

Fort Capital/Retireinvest

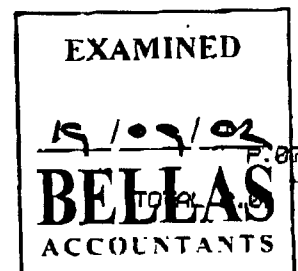
In February 1998, Merchantile Mutual (now ING), paid \$35 million for Fort Capital Corporation and its financial planning subsidiary Retireinvest. At the time of the acquisition, Fort Capital Corporation had \$600 million in funds under management.

7.4 Appropriate FUA Percentage

Having considered the evidence presented above, we believe that a range of FUA percentages of 2% to 3% is appropriate for valuing the investments in which operates a master trust.

which operates a wrap account. We believe a range of between 1% and 2% is appropriate for valuing the investment because the holding is only 20% and carries relatively less control and influence.

²⁸ West Australian, 9 December 1997
²⁹ The Australian, 4 October, 1997, p53.
³⁰ The Age, 15 May 1997.



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7. Valuation of

Here we present our valuation of the approach using FUA percentages. based on the market

7.1 Summary

We believe the value of the is in the range of million to million based on the market approach using FUA percentages as shown in Appendix 5.

7.2 Implied Share Market FUA Percentages

As shown in the following table, the implied FUA percentage for the comparative group of listed companies (excluding Hunter Hall) ranges from 1.5% to 3.8% and averages 3.0% as at 30 September 2001.

Table 6: Implied Share Market Multiples as at 30 September 2001

	FUA (\$ million)	Enterprise Value to FUA	Enterprise Value to EBIT
Investor Group	2,800	3.8%	13.07x
Stockford Financial Services	2,800	2.6%	n/a
Fiducian Portfolio Services	490	3.6%	17.50x
Coast Financial	6,000	1.8%	17.12x
Deakin Financial Services	n/a	n/a	n/a
Hunter Hall International	192	17.7%	4.22x
Low (ex Hunter Hall)		1.5%	13.07x
High (ex Hunter Hall)		3.8%	17.50x
Average (ex Hunter Hall)		3.0%	16.99x

Companies in the Comparative Group

Brief details of the operations of the companies in the comparative group are given below.

Investor Group Limited

Investor Group Limited is a financial services company that offers personal superannuation, financial planning, rollover and investment advice as well as business advice, accounting and taxation. The group is composed of 14 independent accountancy firms, predominantly in regional centres, and 3 independent financial planning firms.

Stockford Financial Services

Stockford Financial Services Pty Limited is a national dealer advisory group that specializes in wealth maintenance and accumulation strategies for clients. Its activities incorporate financial planning and investment advice to high net worth individuals, private client planning, private client pooled funds and risk management and estate planning.

Fiducian Portfolio Services

Fiducian Portfolio Services provides master fund, client administration and financial planning services to selected financial advisers and adviser groups. In addition, the group provides investment product research, technical research strategies, and asset allocation software.

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Count Financial

Count Financial Limited provides financial services to a franchise network of 471 accounting firms across Australia and operates under the name Count Wealth Accountants. It is partly owned by employees and franchisees, and is not a product manufacturer.

Deakin Financial Services

Deakin Financial Services Group Limited, which is primarily established in Victoria and Western Australia, is involved in financial services distribution, financial planning, and life insurance broking. It experienced a significant reduction in revenue in 2001 and operated at a loss.

Hunter Hall

Hunter Hall International Limited is a small investment fund manager which was launched in 1995. It manages the Hunter Hall Value Growth Trust, which is positioned as an ethical investment. It also plans to launch superannuation products to take advantage of the growth in government mandated retirement savings.

7.3 Transaction Multiples

The following table summarizes 21 transactions involving the purchase of financial advisory businesses between 1995 and 2001.

Table 8: Transaction Multiples

Target	Year	Transaction Value \$ millions	Funds under Management \$ millions	Funds under Advice \$ millions	Funds under Admin. \$ millions	Transaction value to FUA
Sterling Grace Portfolio Management	2001	201,000	n/a	2,800	2,600	7.7%
Ord Minnett SA	2001	12,000	n/a	800	800	1.5%
Albert & WRI	2001	n/a	n/a	n/a	n/a	n/a
Ipac Securities (30%)	2001	35,000	n/a	5,000	5,000	1.7%
Deutsche Bank Financial Planning	2000	119,000	1,300	3,900	5,200	2.2%
County Investment Management	2000	110,000	16,000	n/a	18,000	0.7%
Associated Planners Financial Services (30%)	2000	30,000	n/a	3,000	3,000	3.3%
Equitylink	2000	150,000	5,500	n/a	5,500	2.8%
Bridges Financial Services	2000	180,000	2,700	2,000	4,700	3.6%
Personal Financial Planners	2000	1,750	n/a	180	180	0.8%
MLC	2000	4,960,000	32,000	n/a	32,000	11.9%
Gerrards	1999	56,550	565	n/a	565	0.5%
Money Planners (32%)	1999	5,100	n/a	n/a	n/a	n/a
Mawson Group	1999	0,500	n/a	n/a	n/a	n/a
Godfrey Pembroke	1999	40,600	n/a	780	780	5.3%
BT Funds Management	1999	2,100,000	40,000	n/a	40,000	5.3%
Wilson Dilworth	1998	22,250	n/a	585	585	6.3%
Sealcorp (40.3%)	1997	109,600	600	3,900	4,500	6.0%
County Network	1997	100,000	5,000	n/a	8,000	1.1%
IPAC Securities (30%)	1997	n/a	n/a	n/a	n/a	n/a
Fort Capital / Retirement	1995	28,000	890	n/a	680	6.3%
Low						0.7%
High						11.6%
Average						4.2%
Average 1995 to 1999 (ex County Network)						0.3%
Average 2000 to 2001 (ex MLC)						2.0%
Average 2000 to 2001 (ex Sterling and MLC)						2.0%

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*** RX REPORT ***

RECEPTION OK

TX/RX NO	7040	
CONNECTION TEL		30136699
SUBADDRESS		
CONNECTION ID	PAUL BELLAS	
ST. TIME	04/12 11:56	
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RESULT	OK	

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- 4 DEC 2002
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Section 4

GLOSSARY

The following definitions are used in this Notice of Extraordinary General Meeting and Explanatory Memorandum:

“ASIC”	means the Australian Securities and Investments Commission;
“Board”	means the board of directors of the Company
“Business Days”	means Monday to Friday inclusive, except New Years Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that NSX declares is not a business day;
“Company” and “APSL”	means Australian Property Systems Limited ACN 096 925 610;
“Directors”	means the directors of the Company;
“Explanatory Memorandum”	means the explanatory memorandum setting out details of the Resolutions proposed in the Notice of Meeting;
“Listing Rules”	means the official listing rules of NSX;
“Managing Director”	means the person appointed as Managing Director of the Board;
“NSX”	means Newcastle Stock Exchange Limited;
“Offenhausers”	means Leon Craig Offenhauser and Lorelle May Offenhauser;
“Official Quotation”	has the same meaning as in the NSX Listing Rules;
“Share”	means an ordinary fully paid share in the capital of the Company; and
“Shareholder”	means the registered holder of a Share in the Company.

If the member is a company, then it shall affix its Common Seal below or sign by a duly authorised officer.

EXECUTED by)
)
ACN)
in accordance with section 127 of the)
Corporations Act 2001)

.....
Director/Company Secretary

.....
Director

.....
Name of Director/Company Secretary
(BLOCK LETTERS)

.....
Name of Director (BLOCK LETTERS)

OR

.....
Signature

.....
(Insert capacity in which duly authorised officer
is signing for a member which is a company)

If the member is an individual or joint holders:

.....
Signature

.....
Signature

1. A member entitled to attend and vote at the Extraordinary Meeting convened by the above Notice is entitled to appoint not more than 2 proxies to vote on the member's behalf.
2. Where 2 proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise half of the member's voting rights.
3. A proxy need not be a member.
4. Proxy forms (and the power of attorney, if any, under which the proxy form is signed) must be received at Level 1, Naval Offices, 3 Edward Street, Brisbane, Queensland 4000, fax number (07) 3211 7419 no later than 48 hours before the time fixed for holding the meeting.
5. Appointment of a proxy by a member being a natural person must be under the hand of the member or of an attorney appointed in writing by the member.
6. Appointment of a proxy by a member being a body corporate must be under the common seal of the body corporate or under the hand of an attorney appointed in writing by the body corporate.
7. If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.
8. The proxy appointment may be a standing appointment for all general meetings until it is revoked.
9. As permitted by the Corporations Act 2001, the Company has determined that all securities of the Company registered as at 48 hours before the time appointed for the meeting will be taken for purposes of the meeting, to be held by the persons who are the registered holders thereof at 5:00pm on 4 January 2003. Accordingly, transactions registered after time will be disregarded in determining entitlements to attend and vote at the meeting.