

# **Australian Property Growth Fund**

**Interim Consolidated Financial Report  
for the half year ended 31 December 2011**

**Comprising the consolidated financial report of  
Australian Property Growth Trust ABN 95 909 819 176  
and Australian Property Growth Limited ABN 56 111 628 589  
and their controlled entities**

## **Fund Information**

This consolidated financial report covers Australian Property Growth Fund ('APGF' or 'Fund'), which comprises the stapled entities of Australian Property Growth Trust ('APGT') and Australian Property Growth Limited ('APGL'). Under Australian Accounting Standards, APTG is the nominated parent entity of the stapled structure.

APGT has a 99.99% ownership interest in Blue Tower Trust ("BTT").

APGL has a 100% ownership interest in:

- APGL (Palm Beach) Pty Ltd ('APB')
- APGF Administration Pty Ltd ('APGA')
- APGF Property Limited ('APL')
- Austgrowth Property Syndicates Limited ('APS')
- Austgrowth Investment Management Pty Ltd ('AIM')
- APGF Management Limited ('APGM')
- Domaine Property Funds Limited ('DPF')
- Adviseq Pty Ltd ('ADPL')
- Adviseq Unit Trust ('ADUT')
- Property Funds Australia Limited ('PFA')

APGL has a 99% ownership interest in:

- APGF (Victoria) Pty Ltd ('VIC') (deregistered 23 February 2012)

APGM is the Trustee and Responsible Entity of APTG and BTT. The Fund's structure is described further in the Directors' Report.

The Fund's functional and presentation currency is AUD (\$) and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

A description of the Fund's operations and of its principal activities is included in the review of operations and activities in the Director's Report on pages 3 to 8.

### **Corporate Information for both APGM (the Trustee and Responsible Entity of APTG) and APGL is as follows:**

#### **Registered office and principal place of business is located at:**

Level 15  
12 Creek Street  
Brisbane QLD 4000  
Phone 61 7 3004 1222

#### **Auditors**

Ernst & Young  
Level 5  
Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

## **Directors' Report**

The Board of Directors of APGF Management Limited ('APGM'), the Trustee and Responsible Entity of Australian Property Growth Trust ('APGT') and the Board of Directors of Australian Property Growth Limited ('APGL') present their financial report on the Fund consisting of APGT and APGL and their controlled entities for the half year ended 31 December 2011.

### **DIRECTORS**

The names of the Directors of APGM as the Trustee and Responsible Entity for APGT and of APGL in office during the half year and until the date of this report are provided below. Directors were in office for this entire period unless otherwise stated.

#### **APGM as Trustee and Responsible Entity for APGT:**

Neil Edwin Summerson	(Non-executive Chairman)
Geoffrey Michael McMahon	(Managing Director)
Adriano Julius Cragolini	(Executive Director)

#### **APGL:**

Neil Edwin Summerson	(Non-executive Chairman)
Geoffrey Michael McMahon	(Managing Director)
Robert Bryan	(Non-executive Director)
Kenneth Ross Pickard	(Non-executive Director)
Scott Edward Bryan	(Non-executive Director)
Sally Kathleen Smith	(Alternate for Scott Edward Bryan)

### **COMPANY SECRETARY**

Adriano Julius Cragolini is the company secretary for both APGM and APGL.  
Luis Garcia is the joint company secretary for APGM.

### **FUND INFORMATION**

#### **Structure of Australian Property Growth Fund ("the Fund" or "APGF")**

The Fund was created by the stapling of units issued by APGT to shares issued by APGL on 21 December 2004. The stapled securities are treated as one security and are quoted and traded together on the National Stock Exchange of Australia ('NSXA') from 3 January 2012. Prior to this the stapled securities were listed on the Bendigo Stock Exchange ('BSX'). The stapled securities cannot be traded or dealt with separately.

APGT was created by a Trust Deed dated 14 May 2004 as amended from time to time. Units were issued under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by unitholders at General Meetings held on 20 December 2007 and 28 November 2008. On 19 September 2006, APGT acquired a 99.99% ownership interest in Blue Tower Trust ('BTT').

## Directors' Report (continued)

### FUND INFORMATION (continued)

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 9 July 2006 and through placements approved by shareholders at General Meetings held on 20 December 2007 and 28 November 2008. APGL has a 100% ownership interest in:

Entity	Date of Incorporation/Acquisition
APGL (Palm Beach) Pty Ltd ('APB')	21 March 2005
APGF Administration Pty Ltd ('APGA')	14 June 2007
APGF Property Limited ('APL')	22 June 2007
Austgrowth Property Syndicates Limited ('APS')	22 June 2007
Austgrowth Investment Management Pty Ltd ('AIM')	22 June 2007
APGF Management Limited ('APGM')	31 December 2007
Domaine Property Funds Limited ('DPF')	13 March 2009
Property Funds Australia Limited ('PFA')	12 April 2010

APGL has a 99% ownership interest in:

- APGF (Victoria) Pty Ltd ('VIC') (deregistered 23 February 2012)

The two entities comprising the Fund remain separate legal entities in accordance with the *Corporations Act 2001*, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the *Corporations Regulations 2001*.

The Fund's stapled security structure allows equity investors to derive income from passive property ownership (Creek Street, Concord Campus and Collins Street) supplemented by profits from property funds management and property development (Palm Beach).

The Fund is subject to a Stapling Deed (formerly called Stapling and Asset Management Deed) dated 8 November 2004, amended on 4 September 2006 and later amended on 13 May 2008 to remove the Asset Management provisions from the Deed.

### Nature of Operations and Principal Activities

The Fund was established to invest in and develop a portfolio of quality property projects and businesses including:

- 12 Creek Street, Brisbane (formerly known as Comalco Place), a 37 level commercial office building located in the heart of Brisbane CBD's "golden triangle";
- 99 Melbourne Street, South Brisbane, a five level commercial office building located next to Brisbane's Exhibition and Convention Centre (sold in September 2010);
- 7 King Street, Concord West Sydney, a commercial/business park development fully occupied by Westpac Bank, that includes approximately 16,500 m<sup>2</sup> of office accommodation and parking for 485 cars;
- 287-301 Collins Street, Melbourne, a 13 level Art-Deco style office building situated in one of the most traditional Collins Street locations in Melbourne's CBD;
- Property funds management business managing property trusts/syndicates containing properties encompassing commercial office, industrial and retail property sectors in Sydney, Melbourne, Brisbane, Perth, Canberra, Newcastle, Gold Coast and Cairns;
- Palm Beach Plaza, Gold Coast Highway, Palm Beach, Gold Coast. This site is being developed into an approximate 5,000m<sup>2</sup> retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is planned to be developed in two stages over 2007 – 2014 with construction of stage one completed in June 2009;
- Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales; and
- Future projects which satisfy the Fund Managers' project selection criteria.

## Directors' Report (continued)

### FUND INFORMATION (Continued)

### OPERATING AND FINANCIAL REVIEW

#### Review of Operations

##### *(a) Property Investment*

APGT's investment strategy is to invest in a quality portfolio of properties that are supported by long term rental income. During the half year ended 31 December 2011, APGT owned the following properties:

- 12 Creek Street, Brisbane – this 37 level 32,000m<sup>2</sup> commercial office building in Brisbane's CBD has recently completed an \$8 million services upgrade. The property's valuation at 31 December 2011 is \$252 million. The Blue Tower is 99.52% occupied. During the half year ended 31 December 2011 APGF finalised one of Brisbane's largest leasing deals in the past 12 months with BDO Queensland signing a 12 year lease on 6 floors together with signage rights. This places Blue Tower in an optimum position and is currently held for sale.
- 287-301 Collins Street, Melbourne (Royal Bank Chambers building) – built around 1940 this 13 level Art-Deco style sandstone building is situated in one of the most traditional Collins Street locations in Melbourne's CBD. The building was fully occupied by ANZ Bank until 31 December 2009 when ANZ vacated the nine upper floors. The property is being repositioned through refurbishment and re-leasing of the vacant floors. Collins Street was marketed for sale commencing in October 2011 by Knight Frank. Strong interest is being received on this property. This property is currently held for sale.
- 7 King Street, Concord West Sydney (Westpac Campus) – located just 15 kilometres from the Sydney CBD, this commercial/business park development comprises approximately 16,500m<sup>2</sup> of office accommodation together with childcare facilities, café, gymnasium and 485 car parks and was purpose built for Westpac Bank in 1997. The property is fully occupied by Westpac Banking Corporation until 1 October 2022 with two 5 year options. The lease was extended in December 2011 to provide a Weighted Average Lease Expiry (WALE) of 10.70 years. The property is in excellent condition and is valued at \$52 million at 31 December 2011. The property is currently held for sale.

## Directors' Report (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### Review of Operations (continued)

##### *(b) Property Development*

During the half year ended 31 December 2011, APGF has been involved in the following property development projects:

- The Palm Beach Project is situated on the corner of the Gold Coast Highway, Fourth Avenue and Fifth Avenue, Palm Beach, Gold Coast. The Palm Beach site, comprising two lots totalling 9,819m<sup>2</sup>, is to be developed into an approximate 5,000m<sup>2</sup> retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is being developed in two stages over 2007 – 2014, with construction of stage one completed in June 2009. As at 14 March 2012, of the 104 stage one residential units, 102 units have settled (99 settled by 30 June 2011). Pre-selling of stage two of the project has commenced with 28 of the total 98 stage two units subject to unconditional contracts of sale. Construction of this stage will commence once sufficient stage two pre-sales are achieved; and
- The Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales are residential land subdivisions substantially impacted by the fallout from the global financial crisis and the resultant downturn in the property development sector.

##### *(c) Property Funds Management*

The property funds management business had approximately \$1.1 billion in funds under management as at 31 December 2011 (30 June 2011: \$1.2 billion). The properties under management are located across Australia (including Brisbane, Sydney, Melbourne, Perth, Gold Coast, Cairns and the Hunter Region of New South Wales) and encompass investments in commercial office, industrial, hotel and retail properties.

After originally acquiring a property funds management business from Elderslie Finance Corporation Limited on 22 June 2007, APGF has continued to expand its property funds management business through acquisitions of:

- APGF Management Limited, the Responsible Entity and Trustee for APGT and BTT and the asset manager of APGF's development projects, on 31 December 2007;
- Domaine Property Funds Limited ('DPF') and controlled entities from Domaine Holdings Pty Ltd (a member of the Mirvac Group) on 13 March 2009; and
- Property Funds Australia Limited ('PFA') from Mirvac Holdings Limited (a member of the Mirvac Group) on 12 April 2010. PFA, at the time of acquisition, previously managed the PFA Diversified Property Trust, before management was transferred to APGF Management Limited.

### Results

The net operating result of the Fund is presented in the Statement of Comprehensive Income. The net loss attributable to the security holders for the half year ended 31 December 2011 was \$(9,945,000) (2010: \$5,720,000 profit). A summary of results for the period by operating segment is set out below.

## Directors' Report (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### Results (continued)

##### (a) Property Investment

The net profit attributable to the security holders from the property investment operations for the half year ended 31 December 2011 was \$7,941,000 (2010: \$10,661,000). Reflected in this result are net revaluation increments on investment properties of \$4,847,000 (2010: \$8,605,000).

##### (b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders from the property development operations for the half year ended 31 December 2011 is \$6,882,000 (2010: \$4,358,000 loss).

##### (c) Property Funds Management

The net loss attributable to the security holders from the property funds management operations for the half year ended 31 December 2011 was \$11,004,000 (2010: \$583,000 loss). Included in this result is a write-down of the goodwill arising on acquisition of the property funds management business of \$13,355,000. At 31 December 2011, the Directors assessed the recoverability of goodwill acquired through business combinations and determined recognition of an impairment loss is warranted given current market conditions and a reassessment of the property funds management business. Accordingly, goodwill has been fully impaired.

#### Reconciliation of Loss attributable to security holders to Underlying Profit

The statutory profit/(loss) amounts disclosed above have been prepared in accordance with the accounting policies described in Note 2 to the financial statements and includes fair value increments/decrements, impairment losses and other non-operating transactions. The reconciliation below shows the adjustments required to determine the underlying profit, which reflects the Directors assessment of the result for the ongoing business activities of APGF.

Underlying profit is useful because it represents the trading performance of APGF which excludes certain items. It presents performance on the basis of operating activities rather than overall change in securityholder value caused by changes in value of investments (revaluation of investment properties), future performance (goodwill, future tax losses) and level of activity in preparing property developments for construction and sale (Palm Beach and Ulladulla expenses).

	After Income Tax		Before Income Tax *	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
<b>(Loss)/Profit attributable to security holders</b>	(9,945)	5,720	(6,232)	5,903
<b>Adjust for following items</b>				
Revaluation (increment)/decrement on investment properties	(4,847)	(8,605)	(4,847)	(8,605)
Fair value movement in management fee asset	822	769	1,174	1,099
Impairment loss - goodwill	13,355	-	13,355	-
Palm Beach Project pre-construction costs expensed	377	1,233	539	1,761
Ulladulla property costs	345	1,323	493	1,889
Tax losses derecognised	4,000	-	-	-
<b>Underlying Profit</b>	<b>4,107</b>	<b>440</b>	<b>4,482</b>	<b>2,047</b>

Underlying profit is calculated in accordance with ASIC's Regulatory Guide 230 "Disclosing non-IFRS financial information" issued December 2011. \* Extracted from reviewed financial statements.

## Directors' Report (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent financial years.

#### ROUNDING

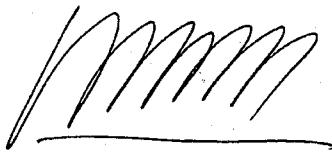
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies.

#### AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 23.

This statement is made in accordance with a resolution of the Directors of APGM as Trustee and Responsible Entity for APGT and the Directors of APGL.

On behalf of the Board  
APGF Management Limited as  
Trustee and Responsible Entity for  
Australian Property Growth Trust  
ABN 50 090 257 480



G. McMahon  
Managing Director  
Brisbane, 14 March 2012

On behalf of the Board  
Australian Property Growth Limited  
ABN 56 111 628 589



N. Summerson  
Chairman  
Brisbane, 14 March 2012



## Statement of Comprehensive Income

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

		Consolidated	
	Note	31 December 2011 (\$000)	31 December 2010 (\$000)
<b>Revenue</b>			
Sales income		1,871	3,708
Rental income		14,948	14,174
Property funds management fee income		6,897	5,151
Interest income		765	467
Other income		440	337
<b>Total Revenue</b>		24,921	23,837
Revaluation increment/(decrement) on investment properties		4,847	8,605
Fair value movement in management fee asset		(1,174)	(1,099)
<b>Total Revenue and Revaluation Increment/(Decrement)</b>		28,594	31,343
<b>Less Expenses</b>			
Air conditioning expenses		323	312
Audit fees		92	40
Borrowing expenses	4	10,623	10,463
Consultancy fees		724	510
Development costs expensed (incl cost of inventories sold)	4	2,998	6,852
Electricity		161	196
Goodwill impairment	4	13,355	-
Insurance		125	126
Land tax		385	548
Leasing expenses		213	130
Legal expenses		83	186
Lift expenses		96	160
Management fee expenses		597	631
Personnel expenses		2,186	2,181
Rates		626	607
Recoverable outgoings		681	676
Rent expenses		653	726
Repairs and maintenance		194	278
Other expenses		711	818
<b>Total Expenses</b>		34,826	25,440
<b>(Loss)/Profit from operating activities before income tax</b>		(6,232)	5,903
Income tax benefit/(expense)	4	(3,713)	(183)
<b>Net (Loss)/Profit from operating activities after income tax</b>		(9,945)	5,720
<b>Total comprehensive income for the period</b>		(9,945)	5,720

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Comprehensive Income (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Profit/(Loss) after income tax attributable to security holders represents:</b>		
Earnings attributable to members of APGT	7,099	9,203
Loss attributable to members of APGL	(17,044)	(3,483)
Non-controlling interests	-	-
	<hr/> (9,945)	<hr/> 5,720
<b>Total comprehensive income for the period represents:</b>		
Earnings attributable to members of APGT	7,099	9,203
Loss attributable to members of APGL	(17,044)	(3,483)
Non-controlling interests	-	-
	<hr/> (9,945)	<hr/> 5,720
<b>Earnings per stapled security (cents)</b>		
- Basic earnings per stapled security	(4.4)	2.5
- Diluted earnings per stapled security	(4.4)	2.5

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

AS AT 31 DECEMBER 2011

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2011 (\$'000)</b>	<b>30 June 2011 (\$'000)</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		9,672	7,802
Trade and other receivables		3,687	3,668
Inventory	9	3,073	11,353
Investment properties held directly	7	335,500	80,275
Management fee assets		3,166	637
Other assets		740	336
<b>Total Current Assets</b>		<b>355,838</b>	<b>104,071</b>
<b>Non-Current Assets</b>			
Trade and other receivables		6,691	8,085
Inventory	9	29,605	23,676
Investment properties held directly	7	-	250,000
Plant and equipment		688	641
Investments		231	257
Management fee assets		12,148	15,851
Goodwill	4	-	13,163
Deferred tax asset	4	3,380	7,092
<b>Total Non-current Assets</b>		<b>52,743</b>	<b>318,765</b>
<b>TOTAL ASSETS</b>		<b>408,581</b>	<b>422,836</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		7,996	10,186
Borrowings and interest bearing loans	6	262,370	91,394
Provisions		556	426
<b>Total Current Liabilities</b>		<b>270,922</b>	<b>102,006</b>
<b>Non- Current Liabilities</b>			
Payables		-	422
Borrowings and interest bearing loans	6	-	168,739
Provisions		250	300
Other liabilities		3,000	3,000
<b>Total Non-current Liabilities</b>		<b>3,250</b>	<b>172,461</b>
<b>TOTAL LIABILITIES</b>		<b>274,172</b>	<b>274,467</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF</b>		<b>134,409</b>	<b>148,369</b>
<b>REPRESENTED BY:</b>			
<b>Attributable to members of APGL</b>			
Contributed equity	8	23,473	23,473
Accumulated losses		(52,937)	(35,893)
Total attributable to members of APGL		(29,464)	(12,420)
<b>Attributable to unitholders of APGT</b>			
Units on issue	8	174,977	178,992
Undistributed earnings		(11,114)	(18,213)
Total attributable to unitholders of APGT		163,863	160,779
Non-controlling interests		10	10
<b>TOTAL MEMBERS' INTERESTS</b>		<b>134,409</b>	<b>148,369</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## Statement of Changes in Security Holders' Interests

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Securities Issued	Undistributed Income	CONSOLIDATED Other Reserves	Non- controlling Interests	Total
	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2010</b>	210,431	(57,598)	-	9	152,842
Profit for period	-	5,720	-	-	5,720
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	5,720	-	-	5,720
Distributions to security holders	(4,016)	-	-	-	(4,016)
<b>At 31 December 2010</b>	<b>206,415</b>	<b>(51,878)</b>	<b>-</b>	<b>9</b>	<b>154,546</b>
<b>At 1 July 2011</b>	202,465	(54,106)	-	10	148,369
Loss for period	-	(9,945)	-	-	(9,945)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(9,945)	-	-	(9,945)
Distributions to security holders	(4,015)	-	-	-	(4,015)
<b>At 31 December 2011</b>	<b>198,450</b>	<b>(64,051)</b>	<b>-</b>	<b>10</b>	<b>134,409</b>

	Note	Consolidated 31 December 2011	31 December 2010
<b>Distributions per stapled security (cents)</b>	5	1.8	1.8

The above Statement of Changes in Security Holders' Interests should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Note	Consolidated	
	31 December 2011 (\$000)	31 December 2010 (\$000)
<b>Cash flows from operating activities</b>		
Receipt of sales income	2,058	4,079
Receipt of rental income	16,763	12,227
Receipt of property funds management income	8,030	5,685
Payment of Palm Beach project development costs	(990)	(1,869)
Payments to other suppliers & employees	(12,685)	(14,476)
Borrowing costs paid	(10,691)	(8,878)
Dividends received	46	38
Interest received	765	467
Income tax received	-	1,730
<b>Net cash flows from/(used in) operating activities</b>	<b>3,296</b>	<b>(997)</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(89)	(58)
Payments for investment property additions	(779)	(2,214)
Net proceeds from sale of investment property	-	28,037
Repayments/(payment) of advances to syndicates	1,422	(165)
Payment of deposit and final payment on business acquisition	-	(6,000)
<b>Net cash flows from investing activities</b>	<b>554</b>	<b>19,600</b>
<b>Cash flows from financing activities</b>		
Repayment of Palm Beach project borrowings	6 (1,701)	(3,322)
Repayment of other borrowings	6 (11,564)	(21,064)
Proceeds from new borrowings	6 15,500	-
Payment of costs of new borrowings	(221)	-
Distributions paid to security holders	(3,994)	(3,994)
<b>Net cash flows used in financing activities</b>	<b>(1,980)</b>	<b>(28,380)</b>
Net increase/ (decrease) in cash held	1,870	(9,777)
Cash and cash equivalents at beginning of the period	7,802	17,405
<b>Cash and cash equivalents at end of the period</b>	<b>9,672</b>	<b>7,628</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 1. CORPORATE INFORMATION

The Consolidated Financial Report of Australian Property Growth Fund ('APGF' or 'the Fund') for the half year ended 31 December 2011 was authorised for issue in accordance with a resolution of Directors on 14 March 2012.

Australian Property Growth Trust ('APGT' or 'the Trust') is a trust that has been registered as a managed investment scheme under Chapter 6 of the Corporations Act (2001). APGF Management Limited ('APGM'), the Trustee and Responsible Entity of the Trust, is an unlisted public company incorporated and domiciled in Australia.

Australian Property Growth Limited ('APGL') is a company limited by shares incorporated and domiciled in Australia. The nature of the operations and principal activities of the Fund are described in the Directors' report.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

This general purpose consolidated financial report for the half year ended 31 December 2011 has been prepared in accordance with the Trust's constitution, the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half year consolidated financial report has also been prepared on the basis of historical costs, except for investment properties and management fee assets which have been measured at fair value. The half year consolidated financial report is presented in Australian dollars. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

The half year consolidated financial report does not include all notes of the type normally included within the annual consolidated financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Australian Property Growth Fund ('APGF' or 'the Fund') as the full financial report.

It is recommended that the half year consolidated financial report be read in conjunction with the annual report of the Fund for the year ended 30 June 2011 and considered together with any public announcements made by the Fund during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations of the NSXA listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the annual financial report.

Since 1 July 2011 the Fund has adopted certain Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2011. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Fund. The Standards and Interpretations adopted are:

- AASB 124 (Revised) Related Party Disclosures (December 2009)
- AASB 2009-12 Amendments to Australian Accounting Standards
- AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-5 Amendments to Australian Accounting Standards
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]
- AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]

The Fund has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

### 3. OPERATING SEGMENTS

The Fund has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The primary reporting format for the group is business segments.

The operating segments are determined by management so as to aggregate operations with similar characteristics including nature of products produced or services provided, assets used in conducting that activity and relative risks of those activities.

Operating Segments	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
<b>31 December 2011</b>				
<b>Revenue</b>				
Sales income	-	-	1,871	1,871
Rental income	14,032	-	916	14,948
Property funds management fee income	-	6,897	-	6,897
Interest income	153	289	323	765
Revaluation increment on investment properties	4,847	-	-	4,847
Fair value movement in management fee asset	-	(1,174)	-	(1,174)
Other income	125	315	-	440
<b>Total Revenue and Revaluation Increments/Decrements</b>	<b>19,157</b>	<b>6,327</b>	<b>3,110</b>	<b>28,594</b>
<b>Result</b>				
Result before fair value movements, impairments and interest expense	11,544	6,293	(3,987)	13,850
Add: Revaluation increment on investment properties	4,847	-	-	4,847
Less: Management fee asset (decrement)	-	(1,174)	-	(1,174)
Less: Goodwill expense	-	(13,355)	-	(13,355)
Less: Interest expense	(8,450)	(1,740)	(210)	(10,400)
Result before income tax expense	7,941	(9,976)	(4,197)	(6,232)
Income tax (expense)/benefit	-	(1,028)	(2,685)	(3,713)
Segment Net Profit/(Loss)	7,941	(11,004)	(6,882)	(9,945)
Loss attributable to non-controlling interest	-	-	-	-
<b>Segment Net Profit/(Loss) attributable to security holders</b>	<b>7,941</b>	<b>(11,004)</b>	<b>(6,882)</b>	<b>(9,945)</b>
<b>Segment Assets at 31 December 2011</b>	<b>344,761</b>	<b>25,733</b>	<b>38,087</b>	<b>408,581</b>
<b>Segment Liabilities at 31 December 2011</b>	<b>231,823</b>	<b>15,560</b>	<b>26,789</b>	<b>274,172</b>

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

### 3. OPERATING SEGMENTS (continued)

Operating Segments	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
<b>31 December 2010</b>				
<b>Revenue</b>				
Sales income	-	-	3,708	3,708
Rental income	13,218	-	956	14,174
Property funds management fee income	-	5,151	-	5,151
Interest income	88	172	207	467
Revaluation decrement on investment properties	8,605	-	-	8,605
Fair value movement in management fee asset	-	(1,099)	-	(1,099)
Other income	-	337	-	337
<b>Total Revenue and Revaluation Decrements</b>	<b>21,911</b>	<b>4,561</b>	<b>4,871</b>	<b>31,343</b>
<b>Result</b>				
Result before fair value movements, impairments and interest expense	10,597	2,170	(3,994)	8,773
Add: Revaluation increment on investment properties	8,605	-	-	8,605
Less: Management fee asset (decrement)	-	(1,099)	-	(1,099)
Less: Interest expense	(8,541)	(902)	(933)	(10,376)
Result before income tax expense	10,661	169	(4,927)	5,903
Income tax (expense)/benefit	-	(752)	569	(183)
Segment Net Profit/(Loss)	10,661	(583)	(4,358)	5,720
Loss attributable to non-controlling interest	-	-	-	-
<b>Segment Net Profit/(Loss) attributable to security holders</b>	<b>10,661</b>	<b>(583)</b>	<b>(4,358)</b>	<b>5,720</b>
<b>Segment Assets at 30 June 2011</b>	<b>338,031</b>	<b>36,028</b>	<b>48,777</b>	<b>422,836</b>
<b>Segment Liabilities at 30 June 2011</b>	<b>214,770</b>	<b>22,262</b>	<b>37,435</b>	<b>274,467</b>



## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>4. EXPENSES</b>		
Depreciation of plant and equipment	42	46
Borrowing expenses		
Interest and finance charges paid or payable to:		
Other parties	10,400	10,376
Amortisation of borrowing costs	223	87
Total borrowing expenses	10,623	10,463
Development costs expensed (incl cost of inventories sold)		
Palm Beach project		
Borrowing costs	355	626
Inventory write-down	-	900
Selling and marketing costs	184	235
	539	1,761
Cost of inventories sold	1,747	3,202
Total Palm Beach project	2,286	4,963
Other projects		
Springfield Meadows and Dolphin Point, Ulladulla properties	493	1,889
Cost of inventories sold	219	-
Total Other projects	712	1,889
Total development costs expensed (incl cost of inventories sold)	2,998	6,852
Impairment loss – goodwill *	13,355	-
Income tax expense **	3,713	183

\* At 31 December 2011, the Directors assessed the recoverability of goodwill acquired through business combinations and determined recognition of an impairment loss is warranted given current market conditions and a reassessment of the property funds management business. Accordingly, goodwill has been fully impaired.

\*\* At 31 December 2011, the Directors assessed the recoverability of the deferred tax asset arising from tax losses and determined to write-down the deferred tax asset to an amount considered recoverable.

### 5. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED

Distributions declared or paid during the half year by APGT totalling 1.76 cents (2010: 1.76 cents) per stapled security:

(a) Distributions paid during the half year

(b) Distributions provided for during the half year

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
	2,008	2,008
	2,007	2,008
	4,015	4,016

No dividends were paid or proposed during the period by APGL (2010: Nil).

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 6. BORROWINGS AND INTEREST-BEARING LOANS

The following significant transactions involving borrowings and interest bearing loans occurred during the half year:

- Proceeds received from sales of residential units at the Palm Beach Project were primarily used to repay the facility provided by St George Bank Limited in respect of that project. Net repayments of \$1,701,000 during the period reduced the outstanding balance of the facility from \$10,949,000 at 30 June 2011 to \$9,248,000 at 31 December 2011. The expiry date of the facility was extended to 29 June 2012.
- Proceeds received from the sales of blocks of land at Springfield Meadows were used to repay the facility provided by St George Bank Limited in respect of that project. Net repayments of \$995,000 during the period reduced the outstanding balance of the facility from \$8,696,000 at 30 June 2011 to \$7,701,000 at 31 December 2011. The expiry date of the facility was extended to 29 June 2012.
- Repayments of \$600,000 were made during the period on a facility provided by Suncorp Metway Limited reducing the facility's outstanding balance from \$17,400,000 at 30 June 2011 to \$16,800,000 at 31 December 2011. The expiry date of this facility has been extended to 30 June 2012.
- The expiry dates of the facilities provided by Suncorp Metway Limited for the Collins Street, and King Street, Concord West properties were extended to 30 June 2012.
- Borrowings of \$12,500,000 were received during the period for a Tranche B drawdown on a facility provided by ANZ Banking Group Limited, increasing the outstanding balance of the total facility from \$150,000,000 at 30 June 2011 to \$162,500,000 at 31 December 2011. The Tranche A loan expires on 29 June 2014 and Tranche B loan expires on 22 December 2012 however, have been classified as current liabilities as the property securing these facilities are current assets.
- Repayments of \$1,000,000 were made during the period to Glendower Investments Pty Ltd atf Glendower Investments superannuation Fund reducing the balance at 31 December 2011 to Nil.
- Repayments of \$1,000,000 were made during the period to G&M Rees Investments Pty Ltd atf G&M Rees Investment Trust reducing the balance at 31 December 2011 to Nil.
- Borrowings of \$3,000,000 were received and repayments of \$8,000,000 were made during the period to R Bryan reducing the balance at 31 December 2011 to Nil.

#### 7. INVESTMENT PROPERTIES HELD DIRECTLY

	Consolidated	
	31	30
	December	June
	2011	2011
	\$000	\$000
Current	335,500	80,275
Non-current	-	250,000
Total	335,500	330,275

As part of the management of the investment property portfolio, certain investment properties may be sold. Investment properties which meet this criteria in the next 12 months are classified as current assets.

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

### 7. INVESTMENT PROPERTIES HELD DIRECTLY (continued)

#### (a) Reconciliation of Carrying Amounts

*Reconciliation of carrying amounts of property investments*

	Consolidated Six months to 31 December 2011 \$000	Twelve months to 30 June 2011 \$000
Opening balance at start of period/year	330,275	347,500
Additions	686	4,921
Disposals	-	(28,097)
Amortisation	(96)	(241)
Leasing fees expensed	(212)	(304)
Net gain/(loss) from fair value adjustments	4,847	6,496
Closing balance at end of period/year	335,500	330,275

#### (b) Details of Property Valuations at 31 December 2011

Property Description	Date Acquired	Cost and additions to 31 December 2011 (\$000)	Book value at 31 December 2011 (\$000)	Latest Independent Valuation**	
				Valuation (\$000)	Date of Valuation
12 Creek Street, Brisbane	19/09/2006	195,943	252,000	252,000	29/02/2012
7 King Street, Concord, Sydney	02/10/2007	65,604	52,000	52,000	17/01/2012
287-301 Collins Street, Melbourne	04/10/2007	36,881	31,500	30,750	07/08/2008
<b>Total</b>		<b>298,428</b>	<b>335,500</b>	<b>334,750</b>	

Fair value at 31 December 2011 as assessed by the APGM Directors in accordance with AASB 140 *Investment Property*. The Directors' valuations have been prepared with consideration given to market sentiment, the passing income and initial yield and fully leased yield basis after taking into account current market conditions and comparable sales evidence if available. The independent valuations as at 31 December 2011 are based on initial yields for Creek Street of 6.99% (30 June 2011: 7.11%); King Street, Concord West of 7.90% (30 June 2011: 7.90%). The Director's valuation as at 31 December is based on initial yields for Collins Street, Melbourne of 6.50% (30 June 2011: 6.50%).

The global market for all types of property has been severely affected in recent years by volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards property and the number of property transactions has significantly reduced.

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 7. INVESTMENT PROPERTIES HELD DIRECTLY (continued)

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. The current lack of comparable market evidence means that there is less certainty in regard to valuations.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the fair value recorded in the financial report.

\*\* Latest Independent Valuations are based on fair values as assessed using a fair market value approach between a willing buyer and seller by:

- 12 Creek Street – Knight Frank Valuations Queensland.
- 7 King Street - DTZ Australia (NSW) Pty Ltd.
- 287-301 Collins Street - Charter Keck Cramer.

#### 8. ISSUED SECURITIES

	Consolidated		Consolidated	
	31 December 2011 Number	31 December 2011 \$000	30 June 2011 Number	30 June 2011 \$000
Units issued in APTG (i)	227,580,022	174,977	227,580,022	178,992
Shares issued in APGL (ii)	227,580,022	23,473	227,580,022	23,473
		198,450		202,465

(i) Units carry one vote per unit and carry the right to receive distributions.

(ii) Fully paid ordinary shares carry one vote per share and carry the right to receive dividends.

#### Movements in securities on issue

	Units in APTG		Shares in APGL	
	Number	\$000	Number	\$000
At 1 July 2010	227,580,022	186,958	227,580,022	23,473
Capital distributions during the period		(4,016)		-
At 31 December 2010	227,580,022	182,942	227,580,022	23,473
Capital distributions during the period		(3,950)		-
At 30 June 2011	227,580,022	178,992	227,580,022	23,473
Capital distributions during the period		(4,015)		-
At 31 December 2011	227,580,022	174,977	227,580,022	23,473

## **Notes to the Financial Statements (continued)**

### **FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

#### **9. INVENTORY**

Inventory consists of current and non-current holdings of property development inventory in the Palm Beach Project, Springfield Meadows and Dolphin Point projects.

The Palm Beach Project continues to be allocated over current and non-current asset components in accordance with the expected remaining sales of the units in Stage 1 of the project, and the future development of Stage 2 of the Palm Beach project site over the longer term.

#### **10. CAPITAL COMMITMENTS AND CONTINGENCIES**

Material changes to capital commitments, contingent liabilities or contingent assets disclosed in the most recent annual financial report are:

- bank guarantees at 31 December 2011 are \$37,500 (30 June 2011: \$37,500). These guarantees are secured by cash accounts held with the bank.
- capital commitments at 31 December 2011 are \$nil (30 June 2011: \$nil).

#### **11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

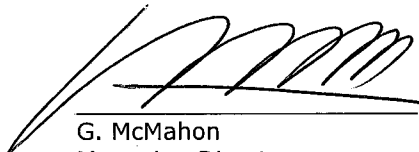
The Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

## Directors' Declaration

In accordance with a resolution of the Directors of APGF Management Limited as Trustee and Responsible Entity for Australian Property Growth Trust and the Directors of Australian Property Growth Limited, we state that in the opinion of the Directors:

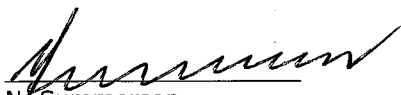
- (a) the financial statements and notes of the consolidated entity set out on pages 9 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board  
APGF Management Limited  
as Trustee and Responsible Entity  
for Australian Property Growth Trust  
ABN 50 090 257 480



G. McMahon  
Managing Director  
Brisbane, 14 March 2012

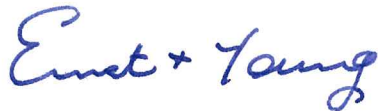
On behalf of the Board  
Australian Property Growth Limited  
ABN 56 111 628 589



N. Summerson  
Chairman  
Brisbane, 14 March 2012

## Auditor's Independence Declaration to the Directors of APGF Management Limited as Responsible Entity and Trustee of Australian Property Growth Trust

In relation to our review of the financial report of Australian Property Growth Fund for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of 'Ernst & Young' in blue ink.

Ernst & Young

A handwritten signature of 'Mark Hayward' in blue ink.

Mark Hayward  
Partner  
14 March 2012

To the security holders of Australian Property Growth Fund

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund"), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in security holders' interest and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the half-year end or from time to time during the half-year.

## Directors' Responsibility for the Half-Year Financial Report

The directors of APGF Management Limited, the Responsible Entity of the Fund ("the directors") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Property Growth Trust and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust and its controlled entities) is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in blue ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'M J Hayward'.

Mark Hayward  
Partner  
Brisbane  
14 March 2012