



Australian Property
Growth Fund

2011•12

ANNUAL REPORT

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Australian Property Growth Fund (APGF/the Fund) specialises in property funds management, investment and development.

2011♦12

KEY FEATURES

- NET ASSET VALUE PER STAPLED SECURITY OF 50 CENTS
- STATUTORY ACCOUNTING AFTER TAX LOSS OF \$26.2 MILLION*
- UNDERLYING AFTER TAX OPERATING PROFIT OF \$7.7 MILLION**
- NET ASSETS OF \$114 MILLION
- TOTAL ASSETS UNDER MANAGEMENT OF APPROXIMATELY \$1.1 BILLION
- SETTLEMENT OF THE SALE OF THE WESTPAC CONCORD CAMPUS FOR \$52 MILLION IN MAY 2012
- 12 CREEK STREET (BLUE TOWER), BRISBANE UNDER UNCONDITIONAL CONTRACT OF SALE DUE TO SETTLE ON 31 OCTOBER 2012
- 18.5 CENTS PER STAPLED SECURITY IS PROPOSED TO BE PAID TO INVESTORS IN NOVEMBER 2012.

* Includes non-operating and non-cash items such as property revaluations, impairment of goodwill and write-down of tax losses totalling \$33.9 million.

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

CHAIRMAN AND MANAGING DIRECTOR'S REPORT



NEIL SUMMERSON
Chairman



GEOFF McMAHON
Managing Director

ECONOMIC ENVIRONMENT

The global economic outlook continues to be dominated by concerns about the fiscal and banking problems facing the euro zone, which continue to cause considerable volatility in financial markets. Expectations for global growth remain subdued in 2013 with authorities in the euro zone facing significant challenges. The drag on global economic growth from the advanced economies is placing increasing importance on the faster growing emerging economies, particularly in Asia.

The Australian economy continues to record moderate growth. However, conditions continue to vary significantly across industries and regions with the economy undergoing considerable structural change in response to relatively high commodity prices and the accompanying high exchange rate. The resources sector remains a key element in the Australian economy, although the resources cycle peak may now have passed. The high exchange rate, deleveraging by businesses and households and weak consumer spending means that overall growth outside the resources sector is expected to remain below trend.

PROPERTY MARKET

The "multi-speed" theme continues to play out in Australian property markets, with quality commercial office properties performing relatively well. However, lesser quality commercial and residential properties are still facing significant headwinds.

Against the background of an uncertain global economic outlook and a moderate and slowing Australian economy, the outlook for the commercial and residential property market remains subdued.

2011/12 RESULT

APGF recorded an accounting statutory loss after tax of \$26.2 million for the year ended 30 June 2012. This result includes non-cash and non-operating items such as property revaluations, goodwill impairment and a write-down of tax losses totaling \$33.9 million.

The 2011/12 result was impacted by the following major items:

- A valuation decrease of \$7.6 million was booked in 2011/12, primarily to align the book carrying value of 12 Creek Street, Brisbane with the contract sale price which is due to settle on 31 October 2012;
- An impairment loss of \$13.4 million was recognised on goodwill arising from the acquisition of the property funds management business. Directors assessed the recoverability of goodwill and determined recognition of an impairment loss was warranted;
- The reassessment of future activity in the property funds management business has resulted in \$5.6 million in tax losses being derecognised in 2011/12;
- Derecognition and impairment of the property funds management intangible asset of \$3.6 million; and
- Write down and development costs expensed totalling \$3.7 million for Palm Beach and Ulladulla.

APGF achieved an underlying after tax operating profit of \$7.7 million for the period under review.

APGF's net asset value per stapled security as at 30 June 2012 was 50 cents.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

CORPORATE STRATEGY

The APGF Board has been investigating opportunities to facilitate a partial liquidity event for APGF headstock investors in 2012.

The APGF Board has determined an orderly sell down of its headstock property assets and the gradual winding down of its property funds management business, as each managed fund reaches its maturity date. This process is the optimal way to provide such liquidity events for investors.

The wind-up of the APGF business and payments to investors is likely to take a number of years. The first payment to investors is scheduled to be paid in November 2012 as a result of the sale of 12 Creek Street (Blue Tower) Brisbane, which is presently under an unconditional contract for \$241.6 million. Blue Tower is due to settle on 31 October 2012.

The APGF Board was pleased with the successful outcome of the Blue Tower sale process, which was the largest commercial property transaction in the Brisbane CBD in 2012. APGF secured an excellent price and maximised value for our investors in the prevailing market.

The majority of the Blue Tower sale proceeds will be used to reduce APGF's external debts with the remaining funds being used to pay 18.5 cents per stapled security to investors.

The timing and quantum of future payments to investors will depend on the outcome of the marketing campaigns for the wind-up and sale of APGF's remaining property assets. Quarterly distributions will not be paid during this process.

The second payment to investors is expected to occur following the sale of the ANZ Royal Bank Chambers Building in Collins Street, Melbourne, which is likely to be in 2014.

A further payment to investors is likely on the finalisation of Stage 2 of Pavilions on Palm Beach, which is expected to occur within the next few years.

APGF will continue to keep investors informed regarding the progress of the headstock asset sale process.

We would like to thank all of our stakeholders for their continued commitment and support, particularly over the past few challenging years.



NEIL SUMMERSON
Chairman



GEOFF McMAHON
Managing Director

TRUST ASSETS



WESTPAC CONCORD CAMPUS, CONCORD WEST, SYDNEY

The sale of Westpac Concord Campus for \$52 million settled on 24 May 2012. This sale price was in line with the property's current valuation.

Westpac Concord Campus, located in Concord West, approximately 15 kilometres from the Sydney CBD, was acquired by APGF in October 2007.

This property is a 16,500 square metre commercial/business park development comprising office accommodation along with other facilities.

The asset was sold following Westpac's recent agreement to a 10-year lease extension to 31 October 2022.



12 CREEK STREET (BLUE TOWER) BRISBANE CBD

Blue Tower is under unconditional contract of sale for \$241.6 million with settlement scheduled to occur on 31 October 2012.

The property was sold to Dexus Property Group following an extensive marketing campaign. The sale price of \$241.6 million represented a Brisbane CBD commercial property sale record for 2012. While the sale price was less than the property's latest independent valuation of \$252 million, the APGF Board is confident the sale price achieved was maximised in the current market.

The property was well positioned for sale following completion of an \$8 million refurbishment program and with a Weighted Average Lease Expiry (WALE) of approximately five years.



ROYAL BANK CHAMBERS, MELBOURNE CBD

APGF acquired the classic sandstone Royal Bank Chambers building in Melbourne's prestigious Collins Street in October 2007.

ANZ has a long-term lease over the retail banking chambers, however vacated the nine upper floors in December 2009. The refurbishment and re-leasing program is proceeding with three floors refurbished and re-leased as at 30 June 2012.

As at 30 June 2012, the building was valued at \$30.5 million.

The property had been marketed for sale. However, it has been decided to further the refurbishment and leasing program prior to finalising a sale, to maximise the sale price.

DEVELOPMENT PROJECTS



PAVILIONS PALM BEACH, GOLD COAST

APGF has continued to develop the \$125 million Pavilions Palm Beach mixed retail and residential project.

Construction of Stage 1 was completed in June 2009. As at 21 September 2012, 103 of the 104 apartments have settled and the retail precinct was 100% leased.

Despite the depressed nature of the Gold Coast market, the sales and leasing success of Stage 1 reflects the quality of the project and the area's demographics support the project's concept.

Stage 2 of the project comprises an additional 98 apartments and a dedicated dining and café precinct. Construction of Stage 2 will commence once sufficient pre-sales have been secured.

For more information, please visit
www.pavilionspalmbeach.com.au

ULLADULLA, NEW SOUTH WALES

Both of APGF's Ulladulla land subdivisions are quality projects however they continue to be impacted by the fallout from the credit crisis and the softening of the New South Wales south coast residential market.

APGF is continuing to market the developed lots in the Springfield Meadows Estate and will look to exit the Dolphin Point land holding in coming years.

APGF gained its interests in these two properties through the acquisition of a property funds management business in mid-2007.

For more information, please visit
www.springfieldmeadows.com.au

PROPERTY FUNDS MANAGEMENT BUSINESS

This business is being wound down in a gradual and orderly fashion. Properties in the individual funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Funds' investors.

APGF is continuing to focus on the proactive management of property assets, to maximise net income and enhance investors' returns.

In August 2012, APGF sold the management of PFA to Charter Hall for \$10 million, with \$5.2 million of the consideration being received at settlement. The remaining \$4.8 million will be paid over six years from a share of PFA's asset disposal and performance fees.

FUND INFORMATION

This Consolidated Annual 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 (in process of being wound up) ('APS')
- Austgrowth Investment Management Pty Ltd ('AIM')
- APGF Management Limited ('APGM')
- Domaine Property Funds Limited ('DPF')
- Property Funds Australia Limited ('PFA')

APGL has a 99% ownership interest in:

- APGF (Victoria) Pty Ltd ('VIC')

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 Directors' Report on pages 8 to 19. The Directors' Report is not part of the financial report.

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

*From November 2012, Level 5, 12 Creek Street, Brisbane QLD 4000

Auditors

Ernst & Young
Level 51
111 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 year ended 30 June 2012.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

APGM as Trustee and Responsible Entity for APGT:

Neil Edwin Summerson BCom, FCA, FAICD, FAIM

Neil Summerson is non-executive Chairman of the company. He is currently and has been a director of several public, private and government corporations and has over 40 years experience practising as a Chartered Accountant. During the last 16 years Neil has served and continues to serve as a Director of Bank of Queensland Limited and subsidiaries (appointed Director 5 December 1996, appointed Chairman 20 August 2008) and Australian Made Campaign Limited (appointed 29 November 2002). He was a partner and Managing Partner (Queensland) of Ernst & Young and a past State Chairman of the Institute of Chartered Accountants. As a practising chartered accountant Neil's field of expertise was in corporate reconstruction, mostly in the building and property sectors and consequently he has broad experience in property development and construction. His core strengths include strategic planning, risk management, corporate governance, regulatory compliance and financial analysis.

Geoffrey Michael McMahon BEcon, BCom, FCPA, FAICD, FCIM, F FIN

Geoffrey ('Geoff') McMahon is Managing Director of the Fund. He has worked in the property sector for more than 23 years and is responsible for the Fund's corporate strategy, property funds management, investments and developments. Geoff has been involved in over \$1 billion worth of property investments and developments and has been a driving force within the Fund since its inception. Geoff has significant experience in corporate finance and strategy, property funds management, property investment, property development, capital raising and management, risk management, corporate governance and financial management.

Adriano Julius Cagnolini B.Bus(Acc), CA, F FIN

Adriano Cagnolini joined the Board of APGM as an executive Director on 22 March 2010. Adriano has 17 years experience in senior management positions spread between public practice experience at Ernst & Young Australia, and in commerce working for a diversified property/hospitality group based in Papua New Guinea as well as a venture capital backed IT start-up company based in London. Adriano is responsible for the Fund's corporate finance, risk management, regulatory compliance and property funds management.

APGL:

Neil Edwin Summerson (Non-executive Chairman) – Refer APGM above.

Geoffrey Michael McMahon (Managing Director) – Refer APGM above.

Robert Bryan AM BSc (Hons, Geology), HonDBus Qld, FAusIMM

Robert ('Bob') Bryan is a founding Director of the Australian Property Growth Fund. Bob has had a long term involvement in both the property and mining industries in Australia and South East Asia. In 1983 Bob founded Pan Australian Mining Ltd and in the capacity as Managing Director oversaw the development of a major gold mine at Mt Leyshon in Queensland. He sold out his controlling interest in 1989 for \$41 million. In the same year, he established a private property business, the Leyshon Group. In 2006 Leyshon morphed into the Australian Property Growth Fund with the introduction of outside equity. Bob is the major shareholder of APGF. However, in 1996, consistent with a long time interest in mining, Bob established a new mineral exploration company, Pan Australian Resources Ltd, that now operates two major mines in Laos. That company is now valued at approximately \$2 billion as at 20 September 2012. In 2000, Bob founded the Queensland Gas Company to search for coal seam gas in Queensland. QGC was sold in 2008 for \$5.6 billion. Bob is an Honorary Life Member of the Queensland Resources Council and is a director of the Bryan Research Centre within the University of Queensland. In 2007, Bob was awarded the Institute Medal from the Australasian Institute of Mining and Metallurgy for his contribution to the Mining Industry. In 2009, Bob was an inaugural inductee into the Queensland Business Leaders Hall of Fame, and in 2010 received an Honorary Doctorate of Business from the University of Queensland for services to the Mining Industry. This year he was made a member of The Order of Australia.

Scott Edward Bryan BSc (Hons, Geology), PhD

Scott Bryan is a founding Director of the Fund. He resigned from the Board of APGM as a non-executive Director on 22 March 2010 but remains a Director of APGL. Scott Bryan is a geologist, graduating from the University of Queensland with First Class Honours in Geology and having obtained a PhD from Monash University. Scott was a Research Fellow at Yale University, Senior Lecturer at Kingston University in the United Kingdom and a Principal Research Fellow with the Sustainable Minerals Institute at the University of Queensland. Since April 2010 Scott has been a Vice Chancellor's Research Fellow at the Queensland University of Technology. Scott has been on the Board of APGL since 2004 and has been involved in property funds management, development and investment through his directorship of Leyshon Group since 2001.

Kenneth Ross Pickard BCom, FCA

Kenneth ('Ken') Pickard is a founding Director of the Fund. He resigned from the Board of APGM as a non-executive Director on 22 March 2010 but remains a Director of APGL. Ken is the Managing Director of Moore Stephens (Queensland) Limited Chartered Accountants, a Queensland based firm of approximately 170 staff providing a full range of financial services to clients. Ken was a partner of Ernst & Young from 1982, a position he held until the formation of his own firm, Pickards BDS in 1996, which subsequently became Moore Stephens (Queensland) in July 2007. He has over 30 years experience in property, business services, consulting and audit. Ken has developed a wide range of skills for the provision of accounting services and financial management advice to all business sectors including manufacturing, marine and the property industry.

Sally Kathleen Smith BBus (Human Resource Management)

Sally acts as alternate Director for Scott Bryan. Sally has extensive experience in human resource management having worked in various senior positions involving strategic planning, development and implementation of human resource policies and advice to executive management for the Queensland Government. Since 1995 Sally has been on the board of Leyshon Group and has been involved in Leyshon Group's property funds management, development and investments.

COMPANY SECRETARY**Adriano Julius Cragolini B.Bus(Acc), CA, F FIN**

Adriano Cragolini was appointed company secretary of APGM and APGL on 16 March 2007. Refer APGM above for qualifications and experience.

Luis Garcia MBA, Dip Fin Ad, CPA

From 6 July 2011, Luis Garcia was appointed joint company secretary of APGM. Luis is employed full time by APGF as a Senior Funds Manager having 37 years experience in senior management positions in banking and finance and he has been involved in the property funds management industry since 1998.

Relevant interests in units of APGT and shares of APGL

As at the date of this report, the interests of the APGM and APGL Directors in the securities of APGT and APGL were:

	Relevant Interests	
	APGT Fully paid units	APGL Fully paid shares
N Summerson #	92,532,062	92,532,062
G McMahon #	92,965,693	92,965,693
R Bryan #	90,421,693	90,421,693
S Bryan	77,666	77,666
K Pickard	3,017,300	3,017,300
A Cragolini	9,434	9,434
S Smith	36,000	36,000

The holdings of N Summerson, G McMahon and R Bryan each include the same 90,421,693 securities held by the Leyshon Group of Companies.

The Directors are not party to any contract to which the Directors may be entitled to a benefit or that confer a right to call for or deliver interests in APGT or APGL.

FUND INFORMATION

STRUCTURE OF AUSTRALIAN PROPERTY GROWTH FUND ('APGF' OR 'THE FUND')

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 ('NSX') 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').

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 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

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 investors to derive income from passive property ownership (Creek Street, Concord Campus (sold May 2012), Collins Street) supplemented by profits from property funds management and property development (Palm Beach, Ulladulla).

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" (under contract for sale with settlement due 31 October 2012);
- 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 m² of office accommodation and parking for 485 cars (sold in May 2012);
- 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, hotel and retail property sectors in Sydney, Melbourne, Brisbane, Perth, Canberra, Newcastle, Gold Coast and Cairns (management of the PFA Diversified Property Trust was sold to Charter Hall in August 2012);
- Palm Beach Plaza, Gold Coast Highway, Palm Beach, Gold Coast. This site is to be developed into an approximate 5,000m² retail and commercial complex and 202 residential apartments to be known as 'Pavilions'. The project is being developed in two stages, with construction of stage one completed in June 2009;
- Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS FOR THE YEAR

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 year ended 30 June 2012, APGT owned the following properties:

- 12 Creek Street, Brisbane – this 37 level 32,000m² commercial office building in Brisbane's CBD has recently completed an \$8 million services upgrade. The Blue Tower is approximately 95% occupied. During the half year ended 31 December 2011 APGF finalised one of Brisbane's largest more recent leasing deals with BDO Queensland signing a 12 year lease on 6 floors together with signage rights. An offer to sell has been accepted from Dexu for \$241.6 million. It is expected to settle at the end of October, with proceeds used to reduce the Fund's current debt facilities and to make a payment to investors.
- 287-301 Collins Street, Melbourne (Royal Bank Chambers building) – built around 1940 this 13 level ArtDeco 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 for sale through refurbishment and re-leasing of the vacant floors. 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 16,500m² 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. This property was sold in May 2012 for \$52 million, proceeds from sale were used to reduce borrowings with Suncorp and ANZ.

Property Development

During the year ended 30 June 2012, 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 9,819m², is to be developed into an approximate 5,000m² retail and commercial complex and 202 residential apartments to be known as 'Pavilions'. The project is being developed in two stages over 2007 – 2015, with construction of stage one completed in June 2009. As at 30 June 2012, 102 of the 104 stage one residential units had settled, (86 settled by 30 June 2010, 99 settled by 30 June 2011), 1 unit was subject to an unconditional contract of sale and has now settled, and 1 unit unsold. Marketing efforts for stage two have been deferred until a more favourable environment exists, with construction commencing after sufficient stage two pre-sales are achieved.
- 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. The Dolphin Point property was written down by \$1.5 million during the year.

Property Funds Management

The property funds management business had approximately \$1.1 billion in funds under management as at 30 June 2012. 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 continued to expand its property funds management business through acquisitions of:

- APGF Management Limited, the Responsible Entity and Trustee of APGT and BTT and the asset manager of APGF's 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. DPF manages several significant unlisted property funds with approximately \$625 million of property assets at acquisition date; and
- Property Funds Australia Limited ('PFA') from Mirvac Holdings Limited (a member of the Mirvac Group) on 12 April 2010. At the time of acquisition, PFA managed the PFA Diversified Property Trust (approx \$580 million funds under management), before management was transferred to APGF Management Limited.

The property funds management business is being wound down in a gradual and orderly manner. Properties in the individual funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Funds' investors. Management of the PFA Diversified Property Trust was sold to the Charter Hall Group for \$10 million in August 2012, comprising \$5.2m paid at settlement and the remaining balance of \$4.8 million to be paid over six years from a share of the PFA Diversified Property Trust's asset disposal and performance fees.

The property funds management result for 2011/12 is impacted by the following major items:

- An impairment loss was recognised on goodwill arising on acquisition of the property funds management business of \$13.4 million. 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 was fully impaired in 2011/12.
- The reassessment of future activity in the property funds management business resulted in \$5.6 million in tax losses being derecognised in 2011/12.
- Derecognition and impairment of the property funds management intangible asset of \$3.6 million.
- Write down and development costs expensed totalling \$3.7 million for Palm Beach and Ulladulla.

Economic Environment

The global economic outlook continues to be dominated by concerns around the fiscal and banking problems facing the Euro zone, which continue to cause considerable volatility in financial markets. Expectations for global growth remain weak in 2012/13 with authorities in the Euro zone facing significant challenges. The drag on global economic growth from the advanced economies is placing increasing importance on the faster growing emerging economies, particularly in Asia.

The Australian economy continues to record moderate growth. However, conditions continue to vary significantly across industries and regions with the economy undergoing considerable structural change in response to high commodity prices and the accompanying high exchange rate. The resources sector remains a key element of the Australian economy, although the peak in the resources cycle may now have passed. The high exchange rate, deleveraging by businesses and households and subdued consumer spending means that overall growth outside the resources sector is expected to remain below trend.

The "multi-speed" theme continues to play out in Australian property markets, with quality commercial office properties performing relatively well. However, lesser quality commercial and residential properties are still facing significant headwinds.

Against this background of continued global economic uncertainty and a moderate and variable Australian economy, the outlook for the Australian commercial property market remains subdued.

APGF's experienced management team is focused on maximizing investor returns through proactive asset management. APGF will continue to focus on property fundamentals and maximise each individual property's net operating income to deliver sustainable performance and maximise value to investors.

Employees

At 30 June 2012 APGL had 17 employees (2011: 24) and APGM had no employees (2011: Nil).

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 year ended 30 June 2012 was \$26,184,000 (2011: \$3,493,000 profit). This result includes non-cash and non-operating items such as property valuations, goodwill impairment and a write-down of tax losses totalling \$33.9 million.

The 2011/12 result was impacted by the following major items:

- A valuation decrease of \$7.6 million was booked in 2011/12, primarily to align the book carrying value of 12 Creek Street, Brisbane with the contract sale price which is due to settle on 31 October 2012;
- An impairment loss of \$13.4 million recognised on goodwill arising from the acquisition of the property funds management business. Directors assessed the recoverability of goodwill and determined recognition of an impairment loss was warranted;
- The reassessment of future activity in the property funds management business has resulted in \$5.6 million in tax losses being derecognised in 2011/12;
- Derecognition and impairment of the property funds management intangible asset of \$3.6 million; and
- Write down and development costs expensed totalling \$3.7 million for Palm Beach and Ulladulla.

A summary of results for the year by significant industry segments is set out below.

Property Investment

The net loss attributable to the security holders from the property investment operations for the year ended 30 June 2012 was \$7,711,000 (2011: \$9,377,000 profit). Reflected in this result are net revaluation increments/(decrements) on investment properties of (\$7,560,000) (2011: \$6,496,000 increment).

Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders from these operations for the year ended 30 June 2012 is \$7,975,000 (2011: \$8,651,000 loss). This loss included non-cash losses on the Springfield Meadows and Dolphin Point properties of \$1,500,000 (2011: \$2,873,000) and Palm Beach of \$nil (2011: \$900,000).

Property Funds Management

The net loss attributable to the security holders from the property funds management operations for the year ended 30 June 2012 is \$10,498,337 (2011: \$2,766,000). This result included an impairment loss on goodwill of \$13,355,000.

Distributions/Dividends

A final capital distribution was declared for the year ended 30 June 2011 of 0.875 cents per stapled security in respect of the quarter ended 30 June 2011 and was paid on 29 July 2011.

Distributions to security holders during the year were paid quarterly including a capital distribution of 0.875 cents per stapled security paid on 31 October 2011 in respect of the quarter ended 30 September 2011, a capital distribution of 0.875 cents per stapled security paid on 31 January 2012 in respect of the quarter ended 31 December 2011 and a capital distribution of 0.875 cents per stapled security paid on 30 April 2012 in respect of the quarter ended 31 March 2012.

A final capital distribution was declared for the year ended 30 June 2012 of 0.875 cents per stapled security in respect of the quarter ended 30 June 2012 and was paid on 30 July 2012.

All distributions declared for the year ended 30 June 2012 were paid from APGT.

No dividends were paid or proposed by APGL during the year.

Security Holder Returns

The Fund generated positive returns to investors for the period from establishment until 30 June 2007, but deterioration in the markets in which the Fund operates had a negative impact on the results for subsequent years. Based on current market conditions, the Directors have adopted a conservative position in respect of the projects of the Fund and as a consequence have recorded impairment losses and valuation decrements on some assets. APGF's experienced management team is focused on maximizing investor returns through pro-active asset management. APGF will continue to focus on property fundamentals and maximise each individual property's net operating income to deliver sustainable performance and maximise long term value to investors.

The Fund's key financial measures are detailed below:

	2012	2011	2010	2009	2008
Basic earnings per stapled security (cents)	(11.5)	1.5	0.3	(28.8)	(3.2)
Net asset value per stapled security (cents)	50.2	65.2	67.2	70.4	107.7
Assets under management (\$ million) (unaudited) #	1,124	1,557	1,828	1,346	947

Includes properties owned directly by the Fund and also properties owned by syndicates or trusts managed by the Fund.

SECURITIES ON ISSUE

A total of 227,580,022 stapled securities were on issue at 30 June 2012 (2011: 227,580,022). There were no stapled securities issued during the year (2011: Nil). For further details refer Note 21.

FUND ASSETS

At 30 June 2012, the Fund owned total assets to the value of \$337,282,000 (2011: \$422,836,000). The basis for valuation of assets is disclosed in Note 2 to the financial statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

APGM received fees during the year relating to property management from APGT and BTT. Fees paid to the Responsible Entity and its associates out of the Fund during the financial year are disclosed in Note 24 to the financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes to the state of affairs of the Fund during the year were:

- Gradual and orderly wind down of the property funds management business. Properties in the individual funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Funds' investors.
- Sale of the Concord Campus for \$52 million in May 2012.

Further information on these changes is provided in the Review of Operations and the notes to the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

An offer to sell 12 Creek Street, Brisbane has been accepted from Dexu for \$241.6 million. It is expected to settle at the end of October 2012, with proceeds used to reduce the Fund's current debt facilities and to make a payment to investors.

In August 2012, the trusteeship and role of responsible entity for Austgrowth Property Syndicate 21 and Austgrowth Property Syndicate 24 transferred from APGF Management Limited to another external trustee and responsible entity.

The property funds management business is being wound down in a gradual and orderly manner. Properties in the individual funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Funds' investors. Management of the PFA Diversified Property Trust was sold to the Charter Hall Group for \$10 million in August 2012, comprising \$5.2 million paid at settlement and the remaining balance of \$4.8 million to be paid over six years from a share of the PFA Diversified Property Trust's asset disposal and performance fees.

Other than the above, 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The investment strategy of the Fund will be maintained in accordance with the APGT and APGL constitutions and investment objectives. In the foreseeable future it is expected that APGT will continue its property investment business and APGL will continue its property development and property funds management businesses.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Fund are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known breaches of any other environmental requirements applicable to the Fund.

There is unlikely to be any material impact on APGF's operations and future results from the Federal Governments' Carbon Tax. APGF is monitoring this issue and planning for the possible introduction of this tax.

OPTIONS

No options over unissued securities or interests in the entities of the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Fund has not given or agreed to give any indemnity to an officer or auditor of the Fund and has not paid any premium for insurance against those officers' or auditor's liability for legal costs. Insurance and indemnity arrangements concerning officers of the Fund were continued throughout the year. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable. The Fund has not given or agreed to indemnify the auditors.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of APGM and APGL support the principles of corporate governance.

Scope of responsibility of the Boards

The Directors have a strong commitment to good corporate governance. Their guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly in accordance with the law in the interests of investors and other stakeholders.

Compliance Committee

Compliance matters are monitored and managed by the Compliance Committee in accordance with the compliance plan and Australian Financial Services Licence ("AFSL"). The majority of the Compliance Committee members are persons who are external and unrelated to APGM and whose role is to supervise APGM's compliance with the compliance plan, AFSL and the *Corporations Act 2001*.

The Compliance Committee reports to APGM's Board, and if necessary, ASIC, in relation to compliance issues. During the year ended 30 June 2012 four compliance committee meetings were held. The members of the Compliance Committee, during the period, and a summary of their attendance at meetings, is provided below:

	Number of meetings eligible to attend	Number of meetings attended
Karen Prentis	4	4
Adriano Cragolini	4	4
Kathleen Armstrong	4	4

The functions of the Compliance Committee are essentially governed by APGT's compliance plan. The original compliance plan was registered and approved by ASIC prior to registration of APGT as a managed investment scheme. The current master compliance plan for APGT was adopted by the Responsible Entity and lodged with ASIC with effect from 13 April 2010.

Audit and Risk Committee

APGL has established an Audit and Risk Committee to advise on the establishment of a framework to monitor internal controls, business risks and appropriate ethical standards for the management of the Fund.

The committee performs a variety of functions relevant to risk management and internal and external reporting and report to the Boards following each meeting. The members of the Audit and Risk Committee during the period, and a summary of their attendance at meetings, is provided below:

	Number of meetings eligible to attend	Number of meetings attended
Ken Pickard (Chairman)	4	3
Neil Summerson	4	3
Geoff McMahon (as alternate for Ken Pickard/Neil Summerson)	2	2

Remuneration Committee

It is the Fund's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. For details of the Fund's remuneration philosophy and framework and the remuneration received by Directors and other Key Management Personnel please refer to Note 27(b).

The Boards are responsible for determining and reviewing compensation arrangements for the Directors themselves and the Managing Director and executive team. APGL has established a Remuneration Committee comprising four non-executive Directors. The members of the committee are:

- Neil Summerson (Chairman);
- Ken Pickard;
- Robert Bryan; and
- Scott Bryan.

The committee discharges its responsibilities regarding the public reporting of remuneration information, determining and reviewing remuneration arrangements for the Directors and executives and other matters.

During the year ended 30 June 2012 no Remuneration Committee meetings were held as the Committee determined no significant changes would occur to remuneration due to the difficult financial conditions.

Code of Corporate Governance

Overview

The Directors of APGM and APGL are committed to maintaining a high standard of corporate governance that yields the best results for the Fund's security holders and other stakeholders.

To achieve its objectives, the Fund endeavours to be an organisation that rewards its security holders, is responsible to its stakeholders' needs and partners with the community.

Good corporate governance is not just about compliance, but about values and behaviour. The Directors of APGM and APGL have developed and implemented policies and practices which, while not mandatory are guided by the latest edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations ('Principles') developed by the ASX Corporate Governance Council and published in August 2007.

These policies are reviewed annually and their maintenance is overseen by the Directors.

A summary of the Fund's corporate governance policies and practices, organised in order of the Principles, is set out below.

Principle 1: Board and Management

This Code of Corporate Governance ('Code') sets out the key governance principles adopted by APGM and APGL in governing the Fund. The Code recognises the fundamental difference between the Directors' roles and responsibilities and that of management – the Directors' main role is to set corporate strategy and goals with management being responsible for their implementation. Annual performance reviews were conducted during the reporting period for senior executives against appropriate measures.

Principle 2: Board Structure

At 30 June 2012 the Board of APGM had three Directors (including the Chairman) one of whom was a non-executive Director and APGL had five Directors (including the Chairman) four of whom were non-executive Directors. The roles of the Chairman and Managing Director are exercised by different individuals.

The Boards have established an Audit & Risk Committee, Compliance Committee and Remuneration Committee. Due to the limited size of the Boards, the role of a nominations committee has been assumed by the Boards. Every Director and Committee Member of the Boards has the right to seek independent professional advice in connection with carrying out their duties at the expense of the Fund. Written approval of the Chairman is required prior to a Director or Committee Member seeking independent professional advice.

The Boards do not consider that a Director's independence, age or length of service on the Board is a factor affecting a Director's ability to act in the best interests of security holders and the Fund.

Annual formal performance reviews are not conducted for the Boards, committees and for individual Directors.

Principle 3: Ethical and Responsible Decision Making

Directors are expected at all times to uphold the Code of Corporate Governance in order to promote the interests of the Fund and its security holders and to drive its relationships and responsibilities with security holders, stakeholders and the broad community.

Through training initiatives on compliance with legal obligations, regular reviews of corporate policies including the Conflict of Interests Policy and related party registers, and enforcement of the Code of Corporate Governance, the Boards strive to actively promote ethical and responsible decision-making within the operations and activities of the Fund.

Principle 4: Integrity of Financial Reporting

The Audit and Risk Committee operates under a written charter approved by the Boards and focuses on issues relevant to the integrity of the Fund's financial reporting and risk management. The Audit and Risk Committee is charged with making recommendations to the Boards on the adequacy of the external audits and the independence of the external auditors, internal controls, and risk management and compliance procedures.

The Audit and Risk Committee also monitors and liaises with the Responsible Entity's Compliance Committee to ensure that the conditions of the Responsible Entity's AFSL are adhered to at all times.

The Boards do not consider the independence of the Audit & Risk Committee is a factor affecting the committee's ability to safeguard the integrity of the Fund's financial reporting practices.

The Managing Director and Chief Financial Officer must annually state in writing to the Boards that the Fund's annual audited statutory financial reports present a true and fair view, in all material respects, of the Fund's financial position and operational results in accordance with the relevant accounting standards.

Principle 5: Timely and Balanced Disclosure

The Boards are committed to keeping the market informed in a timely and balanced manner of all material information concerning the Fund including its financial position, performance, ownership and governance. The Boards are committed to creating and maintaining an informed market in its securities and enhancing corporate governance by encouraging a culture of transparency in relation to the Fund's operations and corporate activities.

The Fund will also provide relevant information to media organisations, to ensure the broadest possible communication with security holders and the general market.

The Managing Director and Company Secretary are responsible for communications with the NSX.

Principle 6: Respect Rights of Security holders

The Boards will promote effective communication with security holders, by providing them with ready access to balanced, understandable information about the Fund and encourage their participation at general meetings. The Fund maintains an informative website that contains copies of press releases, annual reports, security holders information, policies and contact details.

Principle 7: Recognise and Manage Risk

The Boards believe that risk management and internal controls are a critical part of the Fund's operations and a comprehensive risk management program has been developed. Management of risk is a key function of the Audit and Risk Committee under its charter. Due to the size of the Fund, the Boards do not have a defined internal audit function. It is incumbent on the Audit & Risk Committee to manage the inherent risks and preserve the independence of the external audit role.

The Audit & Risk Committee has reported to the Boards that the Fund's management of its material business risks is effective for the reporting period.

The Managing Director and Chief Financial Officer must annually state in writing to the Boards that the declaration provided in accordance with Section 295A of the Corporations Act in respect of the Fund's annual audited statutory financial report is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remuneration

The Board's Remuneration Committee discharges the Board's responsibilities regarding the public reporting of remuneration information, compensation of non-executive Directors, senior executives and other matters. Additional information on the remuneration of Directors and other Key Management Personnel is provided in Note 27(b).

Meetings of Directors

During the financial year, four meetings of Directors of APGL and four meetings of Directors of APGM were held. The number of meetings attended by each Director was:

Directors	APGM		APGL	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
N Summerson	4	4	4	4
G McMahon	4	4	4	4
R Bryan	N/A	N/A	4	4
S Bryan	N/A	N/A	4	4
K Pickard	N/A	N/A	4	4
A. Cragnolini	4	3	N/A	N/A
S Smith *	N/A	N/A	N/A	N/A

* S Smith is the Alternate Director of APGL for Scott Bryan.

A summary of attendance at committee meetings by Directors is included in the Corporate Governance section of this report.

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 AND NON-AUDIT SERVICES

Auditor Independence

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 19.

Non-Audit Services

The following non-audit services were provided by the Fund's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance and advisory services	\$38,850
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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.

APGF Management Limited as
Trustee and Responsible Entity for
Australian Property Growth Trust
ABN 50 090 257 480

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



G. McMahon
Managing Director
Brisbane, 21 September 2012



N. Summerson
Chairman
Brisbane, 21 September 2012



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

In relation to our audit of the financial report of Australian Property Growth Fund for the financial year ended 30 June 2012, 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 a cursive script.

Ernst & Young

A handwritten signature of "Mark Hayward" in a cursive script.

Mark Hayward
Partner
21 September 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 \$'000	2011 \$'000
Revenue			
Sales income		2,630	6,186
Rental income		29,928	27,672
Property funds management fee income	4 (a)	11,843	13,548
Interest income		1,170	785
Other income		548	527
Total Revenue	4 (a)	46,119	48,718
Revaluation increment/(decrement) on investment properties	16 (a)	(7,560)	6,496
Fair value movement in investments		(33)	(7)
Loss on disposal		(614)	-
Total Revenue and Revaluation Increments/(Decrements)		37,912	55,207
Less Expenses			
Air conditioning expenses		658	555
Audit fees		326	259
Borrowing expenses	4 (b)	21,642	21,087
Consultancy fees		1,419	1,605
Derecognition of property funds management intangible assets	14	2,966	2,776
Development costs expensed (incl cost of inventories sold)	4 (b)	6,730	14,119
Electricity		351	344
Impairment loss – Goodwill	15	13,355	-
Impairment loss – property funds management intangible assets	14	716	631
Insurance		276	225
Land tax		1,020	1,336
Leasing expenses		516	304
Legal expenses		482	254
Lift expenses		204	229
Management fee expenses	4 (b)	893	1,532
Personnel expenses		4,945	4,298
Rates		1,101	1,148
Recoverable outgoings		1,304	475
Rent expense		944	471
Repairs and maintenance		366	449
Other expenses		1,093	1,441
Total Expenses		61,307	53,538
Profit/(Loss) from operating activities before income tax		(23,395)	1,669
Income tax (expense)/ benefit	5	(2,789)	1,824
Net profit/(loss) from operating activities after income tax		(26,184)	3,493
Total comprehensive income for the period		(26,184)	3,493

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

STATEMENT OF COMPREHENSIVE INCOME

(CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Note	2012 \$000	2011 \$000
Profit/(loss) after income tax attributable to security holders represents:			
Earnings attributable to members of APGT		(7,236)	8,318
Loss attributable to members of APGL		(18,948)	(4,826)
Non-controlling interests		-	1
		(26,184)	3,493
Total comprehensive income for the period represents:			
Earnings attributable to members of APGT		(7,236)	8,318
Loss attributable to members of APGL		(18,948)	(4,826)
Non-controlling interests		-	1
		(26,184)	3,493
Earnings per stapled security (cents)			
Basic earnings per stapled security	6	(11.5)	1.5
Diluted earnings per stapled security	6	(11.5)	1.5

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	Consolidated	
		2012 \$000	2011 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	8	6,911	7,802
Trade and other receivables	9	2,605	3,668
Inventory	10	602	11,353
Investment properties held directly	16	272,100	80,275
Other assets	11	199	336
Total Current Assets		282,417	103,434
Non-Current Assets			
Trade and other receivables	9	7,083	8,085
Inventory	10	29,817	23,676
Investment properties held directly	16	-	250,000
Plant and equipment	12	647	641
Investments	13	209	257
Property funds management intangible assets	14	12,806	16,488
Goodwill	15	-	13,163
Deferred tax asset	5	4,303	7,092
Total Non-current Assets		54,865	319,402
TOTAL ASSETS		337,282	422,836
LIABILITIES			
Current Liabilities			
Trade and other payables	17	8,182	10,186
Borrowings and interest bearing loans	18	211,139	91,394
Provisions	19	699	426
Total Current Liabilities		220,020	102,006
Non-Current Liabilities			
Payables	17	-	422
Borrowings and interest bearing loans	18	-	168,739
Provisions	19	53	300
Other liabilities	20	3,000	3,000
Total Non-current Liabilities		3,053	172,461
TOTAL LIABILITIES		223,073	274,467
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		114,209	148,369
REPRESENTED BY:			
Attributable to members of APGL			
Contributed equity	21	23,473	23,473
Accumulated losses		(54,841)	(35,893)
Total attributable to members of APGL		(31,368)	(12,420)
Attributable to unit holders of APGT			
Units on issue	21	171,016	178,992
Undistributed earnings		(25,449)	(18,213)
Total attributable to unit holders of APGT		145,567	160,779
Non-controlling interests		10	10
TOTAL MEMBERS' INTERESTS		114,209	148,369

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

STATEMENT OF CHANGES IN SECURITY HOLDERS' INTERESTS

FOR THE YEAR ENDED 30 JUNE 2012

Consolidated					
Note	Securities Issued \$000	Undistributed Income \$000	Other Reserves \$000	Non- controlling Interests \$000	Total \$000
At 1 July 2010	210,431	(57,598)	-	9	152,842
Profit for period	-	3,492	-	1	3,493
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	3,492	-	1	3,493
Distributions to security holders	7	(7,966)	-	-	(7,966)
At 30 June 2011	202,465	(54,106)	-	10	148,369
At 1 July 2011	202,465	(54,106)	-	10	148,369
Profit for period	-	(26,184)	-	-	(26,184)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(26,184)	-	-	(26,184)
Distributions to security holders	7	(7,976)	-	-	(7,976)
At 30 June 2012	194,489	(80,290)	-	10	114,209

	Consolidated		
	Note	2012	2011
Distributions per stapled security (cents)	7	3.5	3.5

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

Note	Consolidated	
	2012 \$'000	2011 \$'000
Cash flows from operating activities		
Receipt of sales income	2,893	6,758
Receipt of rental income	33,479	28,445
Receipt of property funds management income	15,382	5,680
Other receipts from customers	392	710
Payment of Palm Beach Project development costs	(2,330)	(2,158)
Payments to other suppliers & employees	(19,813)	(22,203)
Borrowing costs paid	(22,136)	(21,159)
Dividends, distributions & insurance proceeds received/(paid out)	(1,783)	1,958
Security deposit refunded	-	(19)
Interest received	1,170	787
Net cash flows from/(used in) operating activities	8	7,254 (1,201)
Cash flows from investing activities		
Payments for plant and equipment	(224)	-
Proceeds from sale of investment property	52,000	28,037
Payments for investment property additions	(1,865)	(3,886)
(Payment)/repayment of advances to syndicates	80	(193)
(Payment)/return of term deposits held as security for loan covenants	450	(1,350)
Net cash flows /(used in) investing activities		50,441 22,608
Cash flows from financing activities		
Proceeds from borrowings	12,500	150,000
Repayment of borrowings	(55,466)	(179,428)
Payment of costs of new borrowings	(218)	(1,174)
Repayment of borrowings – related parties	(7,000)	-
Proceeds from borrowings – related parties	30	6,970
Proceeds from / (repayment of) borrowings – unrelated parties	-	(763)
Dividends/distributions paid to security holders	(7,982)	(7,965)
Net cash flows from/(used in) financing activities		(58,136) (32,360)
Net decrease in cash held	(441)	(10,953)
Cash and cash equivalents at beginning of the year	6,452	17,405
Cash and cash equivalents at end of the year	8	6,011 6,452

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The Consolidated Annual Financial Report of Australian Property Growth Fund ('APGF' or 'the Fund') for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of Directors on 21 September 2012.

Australian Property Growth Trust ('APGT' or 'the Trust') is an Australian registered managed investment scheme.

APGF Management Limited ('APGM'), the Trustee and Responsible Entity of the Trust, is 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

The financial report is a general-purpose financial report, which has been prepared in accordance with the Trust's constitution, the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The financial report is to be read in conjunction with any public announcements by the Fund during the year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and the NSX Listing Rules.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

New Accounting Standards, Interpretations and Other Regulatory Changes

Change in accounting policy for recognition of Management Fee Asset

During the financial year, the Australian Securities and Investment Commission ('ASIC') raised queries about the accounting treatment followed by the Fund in relation to management fee assets ('MFA'). As a result of discussions with ASIC, the directors of APGF Management Limited, the Trustee of the Fund changed the accounting policy in relation to the recognition and measurement of Management Fee Assets to Property funds management intangible assets as ASIC considers this to be the only correct accounting policy for treatment of the MFA. In accordance with the requirements of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the effect of the change in accounting policy has been reflected retrospectively in these financial statements. The change in accounting policy had no impact on the profit/(loss) presented for the year ended 30 June 2011 or 30 June 2012 and had no impact on the total assets or net assets as at 1 July 2010, 30 June 2011 or 30 June 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Statement of compliance (continued)

Changes in accounting policy and disclosures (continued)

AASB 124 (Revised)

The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

AASB 2009-12

Amendments to Australian Accounting Standards

[AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]

Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations (ie AASB 8 Operating Segments)

AASB 2010-4

Amendments to Australian Accounting Standards arising from the Annual Improvements Project

[AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.

AASB 2010-5

Amendments to Australian Accounting Standards

[AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.

These amendments have no major impact on the requirements of the amended pronouncements.

AASB 1054

Australian Additional Disclosures

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- i. Compliance with Australian Accounting Standards
- ii. The statutory basis or reporting framework for financial statements
- iii. Whether the entity is a for-profit or not-for-profit entity
- iv. Whether the financial statements are general purpose or special purpose
- v. Audit fees
- vi. Imputation credits

AASB 2010-6

Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

AASB 1048

Interpretation of Standards

AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.

The above changes did not have any material impact on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Issued But Not Yet Effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2012. The impact of these new or amended standards and interpretations (to the extent relevant to the consolidated entity) are set out in the table below.

Summary	Applic'n Date of Standard	Applic'n Date for Entity*
<p><u>2010-8 - Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]</u></p> <p>These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.</p> <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2012	1 July 2012
<p><u>AASB 2011-9 - Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</u></p> <p>This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.</p> <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 July 2012	1 July 2012
<p><u>AASB 10 - Consolidated Financial Statements</u></p> <p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7.</p> <p><u>Impact on entity Financial Report</u></p> <p>These amendments are only expected to affect the presentation of the Fund's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.</p>	1 January 2013	1 July 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<p><u><i>Accounting Standards Issued But Not Yet Effective (continued)</i></u></p> <p><u><i>AASB 11 – Joint Arrangements</i></u></p> <p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly-controlled Entities – Non-monetary Contributions by Ventures</i>. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.</p> <p><u><i>Impact on entity Financial Report</i></u></p> <p>These amendments are not expected to affect the financial statements of the Fund.</p>	<p>1 January 2013</p>	<p>1 July 2013</p>
<p><u><i>AASB 12 - Disclosure of Interests in Other Entities</i></u></p> <p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p> <p><u><i>Impact on entity Financial Report</i></u></p> <p>These amendments are not expected to affect the financial statements of the Fund.</p>	<p>1 January 2013</p>	<p>1 July 2013</p>
<p><u><i>AASB 13 - Fair Value Measurement</i></u></p> <p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p> <p><u><i>Impact on entity Financial Report</i></u></p> <p>These amendments are not expected to affect the financial statements of the Fund.</p>	<p>1 July 2013</p>	<p>1 July 2013</p>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<p><u>Accounting Standards Issued But Not Yet Effective (continued)</u></p> <p><u>Annual Improvements 2009–2011 Cycle **** - Annual Improvements to IFRSs 2009–2011 Cycle</u></p> <p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 1 Firsttime Adoption of International Financial Reporting Standards</p> <ul style="list-style-type: none"> - Repeated application of IFRS 1 - Borrowing costs <p>IAS 1 Presentation of Financial Statements</p> <ul style="list-style-type: none"> - Clarification of the requirements for comparative information <p>IAS 16 Property, Plant and Equipment</p> <ul style="list-style-type: none"> - Classification of servicing equipment <p>IAS 32 Financial Instruments: Presentation</p> <ul style="list-style-type: none"> - Tax effect of distribution to holders of equity instruments <p>IAS 34 Interim Financial Reporting</p> <ul style="list-style-type: none"> - Interim financial reporting and segment information for total assets and liabilities <p><u>Impact on entity Financial Report</u></p> <p>These amendments are not expected to affect the financial statements of the Fund.</p>	<p>1 January 2013</p>	<p>1 July 2013</p>
<p><u>AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</u></p> <p>This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.</p> <p><u>Impact on entity Financial Report</u></p> <p>These amendments are not expected to affect the financial statements of the Fund.</p>	<p>1 July 2013</p>	<p>1 July 2013</p>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<p><u><i>Accounting Standards Issued But Not Yet Effective (continued)</i></u></p> <p><u><i>AASB 1053 Application of Tiers of Australian Accounting Standards</i></u></p> <p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local Governments</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.</p> <p><u><i>Impact on entity Financial Report</i></u></p> <p>The Fund will apply Tier 1 requirements and it is not likely to affect the financial statements of the company.</p>	1 July 2013	1 July 2013
<p><u><i>AASB 2012-2 - Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i></u></p> <p>AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.</p> <p><u><i>Impact on entity Financial Report</i></u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2013	1 July 2013
<p><u><i>AASB 2012-5</i></u></p> <p><u><i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle</i></u></p> <p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> - repeat application of AASB 1 is permitted (AASB 1); and - clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). <p><u><i>Impact on entity Financial Report</i></u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2013	1 July 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Accounting Standards Issued But Not Yet Effective (continued)</u>		
<p><u>AASB 2012-3</u> <u>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</u></p> <p>AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2014	1 July 2015
<p><u>AASB 9 - Financial Instruments</u></p> <p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity’s business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) - The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2015	1 July 2015

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

*** AASB ED 215 *Mandatory effective date of IFRS 9* proposes to defer the mandatory effective date of AASB 9 from annual periods beginning 1 January 2013 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

**** These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting judgements, estimates and assumptions

In the process of applying the Fund's accounting policies management has made various judgements, estimations and assumptions. Where significant, further information on these judgements, estimates and assumptions are disclosed in the relevant notes to the financial statements. The significant estimates are in relation to the measurement of the fair value of investment properties (Note 16), measurement and recoverability of intangible assets (Note 14), goodwill impairment testing (Note 15), measurement of net realisable value of inventories (Note 10), measurement of fair value of other liabilities (Note 20) and in determining the allocation of costs associated with revenue recognition on property development (Note 2(e)(iv)).

(d) Basis of consolidation (including accounting for investment in subsidiaries)

The consolidated financial statements comprise the financial statements of APGT ("the parent entity") and its controlled entities as at 30 June each year ("the Fund"). Under AASB 3, APGT is considered to be the parent entity of APGL. The consolidated financial statements have been drawn up in accordance with ASIC Class Order 05/642 relating to combining accounts under stapling, and for the purposes of fulfilling the requirements of the National Stock Exchange of Australia (NSX).

Subsidiaries are all those entities over which the Fund has the power to govern the financial and operating policies so as to gain benefits from their activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing consolidated financial statements, all intercompany balances and transactions, income and expenses, profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and cease to be consolidated from the date on which control is transferred out of the Fund.

In the books of the parent entity, investments in subsidiaries for which the primary undertaking is to hold investment properties are accounted for on the basis described in Note 2(l). All other investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity.

The Fund accounts for acquisitions of subsidiaries using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and the fair value of the consideration (including the fair value of any pre-existing investments in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests not held by the Fund are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent security holders' equity. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. Revenue received in advance is classified as prepaid income and recognised as revenue over the period to which the revenue received relates. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Rental income and recoverable outgoings

Rental income from investment properties is accounted for on a straightline basis for fixed increase leases over the lease term. Contingent rental income is recognised as income in the years in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(iii) Management fee income

Revenue from management fees is recognised as and when the fee could be estimated reliably and its receipt is probable. These fees are calculated as follows:

Project delivery management fees in respect of development projects are recognised in accordance with the relevant Development Management Agreement for each project. This reflects the proportion of the project that has been settled.

Property funds management fees (including performance fees and leasing fees) are recognised as services are performed in accordance with the relevant Property Management Agreement, Asset Management Agreement or Constitution for each entity.

Other management fee revenue is recognised upon attaining control of the right to receive payment of the fee.

(iv) Property development sales income

Sales revenue in respect of property development projects is recognised on settlement of individual units of inventory. Costs in relation to individual settled units of inventory are recognised in proportion to the total costs for the project that the settled units of inventory represent.

All revenue is stated net of the amount of goods and services tax.

(f) Borrowing costs

Borrowing costs such as interest are recognised as an expense when incurred. Borrowing costs relating specifically to the acquisition, construction or production of a qualifying asset are capitalised as part of inventories.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified. Financial difficulties of the debtor and default payments are considered objective evidence of impairment.

(i) Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Under current tax legislation, APGT and BTT are not liable to pay income tax provided their taxable income and taxable realised gains are fully distributed to unit holders.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ('GST') except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Investment properties

Property (including land and buildings) held for long-term rental yield is classified as an investment property.

Initially, investment properties are measured at cost including transaction costs.

Subsequent to initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset or where this is not available, an appropriate valuation method which may include discounted cashflow projections and the capitalisation method. The fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflows (excluding those relating to future capital expenditure) that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably.

In the books of the parent entity, investments in subsidiaries for which the primary undertaking is to hold investment properties are accounted for on the above basis.

Land and buildings (including integral plant and equipment) that comprise the investment property are not depreciated.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on derecognition of an investment property are recognised in the statement of comprehensive income in the year of derecognition.

Investment properties which are held for sale in the next 12 months from the reporting date are classified as current assets, others are classified as non-current assets.

(l) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Of the four classifications described above, the Fund currently only holds the following:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available for Sale Investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as either at fair value through profit or loss, loans and receivables or held-to-maturity investments. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments with no active market is determined using appropriate valuation techniques.

Impairment

The Fund assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and arise when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Inventories (Development Properties)

Development land, including the acquisition costs of the land, together with associated development costs is valued at the lower of cost and net realisable value. Borrowing costs relating specifically to a qualifying asset are capitalised as part of inventories.

(p) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Fund expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(i) Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before reporting date.

(ii) Distributions

A provision for distributions is not recognised as a liability unless the distributions are declared, determined or publicly recommended prior to balance date.

(iii) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of the employees' services up to reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Contributed equity and unit holders' funds

Issued and paid up capital is recognised at the fair value of the consideration received by the Fund. Each issued security confers upon the security holder an equal interest in the Fund, and is of equal value. A security does not confer any interest in any particular asset or investment of the Fund. The rights, obligations and restrictions attached to each security holder are identical in all respects.

Any transaction costs arising on the issue of securities are recognised directly in equity as a reduction of the security proceeds received.

(r) Earnings per security (EPS)

Basic EPS is calculated as net profit attributable to security holders of the parent where securities are classified as equity, adjusted to exclude costs of servicing equity (other than dividends/distributions) divided by the weighted average number of ordinary securities.

Diluted EPS is calculated as net profit attributable to security holders where securities are classified as equity, adjusted for:

- costs of servicing equity (other than dividends/distributions);
- the after tax effect of dividends/distributions and interest associated with dilutive potential ordinary securities that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary securities;

divided by the weighted average number of ordinary securities and dilutive potential ordinary securities, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Leasing fees expense

Commissions paid for negotiating and executing the on-going renewal of tenant lease agreements are capitalised as a part of investment property and expensed on a straight line basis over the lease term on the same basis as the lease income.

(t) Leasing incentives

Incentives provided to lessees, which may take the form of rent free periods, rebates and lessor-paid fit-outs and improvements, are capitalised as part of the carrying amount of investment properties and amortised on a straight line basis over the lease term as a reduction of rental income.

(u) Business Combinations

For business combinations completed after 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's net assets. Acquisition related costs are expensed as incurred.

When the Fund acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Fund's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity it shall not be remeasured.

For business combinations completed before 1 July 2009

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the net fair value of the entity's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the entity's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- nature of the production processes
- type or class of customer for the products and services
- methods used to distribute the products or provide the services, and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial statements.

Information about other business activities and operating segments, if any, that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(w) Distributions

The Trust fully distributes its taxable income, including taxable capital gains arising from the disposal of investments, to unitholders on a quarterly basis or at such other times the Directors consider appropriate. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. The Trust is currently in a tax loss position and as such does not have any net taxable income to distribute.

(x) Goodwill

Goodwill acquired in a business combination is initially measured at the cost of the business combination, being the excess of the consideration transferred over the fair value of the Fund's interest in net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired the difference is recognised in profit and loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Fund's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Fund are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Fund at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Impairment losses for goodwill are not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation. All other repairs and maintenance are recognised in the profit and loss as incurred.

Depreciation is calculated on a straight-line or diminishing value basis over the estimated useful life of the specific assets as follows:

Leasehold improvements – 13 years
Office equipment – 3 to 10 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(z) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of AASB Int 4.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straightline basis over the lease term.

(aa) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either indefinite or finite with useful lives of generally between 7 and 12 years.

Intangible assets with finite lives are amortised under the straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life, the expected pattern of consumption of future economic benefits embodied in the asset or any revision to the estimated terminal value of the intangible asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement in comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognised in the statement of comprehensive income when the asset is derecognised. The intangible assets are derecognised when property assets are sold or the Responsible

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. The operating segments identified are:

- (i) Property investment – this business invests in commercial office buildings that are supported by long term rental income.
- (ii) Property funds management – this business receives management fees for the provision of asset management and related services to property syndicates/trusts.
- (iii) Property development – this business acquires and develops appropriate sites into residential land subdivisions, residential apartments or retail centres. Once the developments are completed revenue is derived from the sale of the land subdivisions, apartments or retail centres produced.

All identified operating segments are also reporting segments.

Overhead costs incurred are allocated to each business segment on a proportional basis based on resources required to manage each segment so as to determine the segment result.

The accounting policies adopted by the Fund in reporting on segments internally are the same as those adopted in Note 2 and also those adopted in the prior period.

3. OPERATING SEGMENTS (CONTINUED)

30 June 2012	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
Revenue				
Sales income	-	-	2,630	2,630
Rental income	28,037	-	1,891	29,928
Property funds management fee income	-	11,843	-	11,843
Interest income	414	429	327	1,170
Other income	(369)	284	19	(66)
Fair value movement in investments	-	(33)	-	(33)
Revaluation decrement on investment properties	(7,560)	-	-	(7,560)
Total Revenue and revaluation increments / (decrements)	20,522	12,523	4,867	37,912
Result				
Segment result before fair value movements, amortisation, impairment, derecognition and interest expense	16,654	8,574	(2,044)	23,184
Add/(less):				
Revaluation decrement on investment properties	(7,560)	-	-	(7,560)
Derecognition of Intangible asset	-	(2,966)	-	(2,966)
Impairment of Intangible asset	-	(716)	-	(716)
Impairment loss – goodwill	-	(13,355)	-	(13,355)
Net realisable value adjustment - inventories	-	-	(1,500)	(1,500)
Interest expense	(16,805)	(2,030)	(1,647)	(20,482)
Segment result before income tax	(7,711)	(10,493)	(5,191)	(23,395)
Income tax (expense)/benefit	-	(5)	(2,784)	(2,789)
Segment Net Profit/(Loss)	(7,711)	(10,498)	(7,975)	(26,184)
Profit attributable to non-controlling interest	-	-	-	-
Segment Net Profit/(Loss) attributable to security holders	(7,711)	(10,498)	(7,975)	(26,184)
Assets				
Segment assets	281,610	17,298	38,374	337,282
Liabilities				
Segment liabilities	178,892	18,759	25,422	223,073
Cash flow information				
Net cash flows from/(used in) operating activities	20,119	(1,474)	(11,391)	7,254
Net cash flows from/(used in) investing activities	50,584	(143)	-	50,441
Net cash flows from/(used in) financing activities	(46,653)	(7,982)	(3,501)	(58,136)

3. OPERATING SEGMENTS (CONTINUED)

30 June 2011	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
Revenue				
Sales income	-	-	6,186	6,186
Rental income	26,484	-	1,188	27,672
Property funds management fee income	-	13,548	-	13,548
Interest income	160	238	387	785
Other income	90	437	-	527
Fair value movement in investments	-	(7)	-	(7)
Revaluation increment on investment properties	6,496	-	-	6,496
Total Revenue and revaluation increments / (decrements)	33,230	14,216	7,761	55,207
Result				
Segment result before fair value movements, amortisation, impairment, derecognition and interest expense	20,073	8,707	(5,548)	23,232
Add/(less):				
Revaluation decrement on investment properties	6,496	-	-	6,496
Derecognition of Intangible asset	-	(2,776)	-	(2,776)
Impairment of Intangible asset	-	(631)	-	(631)
Net realisable value adjustment - inventories	-	-	(3,773)	(3,773)
Interest expense	(17,192)	(1,505)	(2,183)	(20,880)
Segment result before income tax	9,377	3,795	(11,504)	1,668
Income tax (expense)/benefit	-	(1,029)	2,853	1,824
Segment Net Profit/(Loss)	9,377	2,766	(8,651)	3,492
Loss attributable to non-controlling interest	1	-	-	1
Segment Net Profit/(Loss) attributable to security holders	9,378	2,766	(8,651)	3,493
Assets				
Segment assets	338,031	36,028	48,777	422,836
Liabilities				
Segment liabilities	214,770	22,262	37,435	274,467
Cash flow information				
Net cash flows from/(used in) operating activities	3,880	(3,966)	(1,115)	(1,201)
Net cash flows from/(used in) investing activities	22,362	380	(134)	22,608
Net cash flows from/(used in) financing activities	(22,942)	-	(9,418)	(32,360)

4. REVENUE AND EXPENSES

		Consolidated	
		2012	2011
		\$000	\$000
(A)	REVENUE FROM OPERATING ACTIVITIES		
	Sales income	2,630	6,186
	Rental income	29,928	27,672
	Property funds management fee income	11,843	13,548
	Interest income	1,170	785
	Other income	548	527
	Total Revenue from operating activities	46,119	48,718
	Property funds management fee income includes:		
	Transaction fee income	3,778	2,469
	Property management fee income	6,649	10,305
	Leasing fee income	909	372
	Management services fee income	507	402
		11,843	13,548
(B)	EXPENSES		
	Depreciation of plant and equipment	86	90
	Defined contribution superannuation expense	269	264
	Operating lease payments included in statement of comprehensive income	172	98
	Operating Costs of Investment Properties	5,327	6,706
	Borrowing expenses		
	Interest and finance charges paid or payable to:		
	Related parties	2,158	1,881
	Other parties	19,911	20,892
		22,069	22,773
	Amortisation of borrowing costs	1,161	207
	Total borrowing expenses	23,230	22,980
	Less: interest expense for the current period included in development costs expensed	(1,588)	(1,893)
	Total borrowing expenses per statement of comprehensive income	21,642	21,087
	Management fee expenses		
	Management services fee expense	624	1,283
	Property management fee expense	269	249
	Total management fee expenses	893	1,532

4. REVENUE AND EXPENSES (CONTINUED)

	Consolidated	
	2012	2011
	\$000	\$000
Development costs expensed (incl cost of inventories sold)		
Palm Beach project		
Borrowing costs	830	603
Cost of inventories sold	1,747	5,504
Net realisable value adjustment to inventories	-	900
Other costs (incl selling and marketing costs)	657	1,417
Other projects (Springfield Meadows & Dolphin Point)		
Borrowing costs	758	814
Cost of inventories sold	977	364
Net realisable value adjustment to inventories	1,500	2,873
Other costs (inc selling and marketing costs)	261	1,644
Total development costs expensed (incl cost of inventories sold)	6,730	14,119

5. INCOME TAX

The major components of income tax benefit are:

STATEMENT OF COMPREHENSIVE INCOME

Current Income Tax

Current income tax charge	(851)	(1,189)
Recognition of losses as deferred tax assets	-	89
Losses not recognised as deferred tax assets	5,643	1,100
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(2,003)	(1,814)
Adjustments in respect of prior year tax returns	-	79
Movement in losses recognised	-	(89)

Income tax expense/(benefit) reported in the statement of comprehensive income	2,789	(1,824)
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A reconciliation between income tax benefit and the product of accounting loss before income tax multiplied by the Fund's applicable income tax rate is as follows:

Accounting profit/(loss) before income tax	(23,395)	1,669
Less: Earnings relating to APGT and BTT (refer [i])	3,056	(11,601)

Adjusted accounting profit/(loss)	(20,339)	(9,932)
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At the Fund's statutory income tax rate of 30% (2011: 30%)	(6,102)	(2,980)
Adjustments in respect of current income tax of previous years	-	79
Impairment losses not allowed for tax purposes	4,006	-
Tax amortisation and impairment of intangible asset of prior years	(1,008)	(90)
Other income not assessable for income tax purposes	250	67
Losses not recognised as deferred tax assets	5,643	1,100

Income tax expense/(benefit) reported in the statement of comprehensive income	2,789	(1,824)
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[i] Under current tax legislation, APGT (the parent) and BTT are not liable to pay income tax provided their taxable income and taxable realised gains are fully distributed to unit holders.

5. INCOME TAX (CONTINUED)

	Statement of Financial Position		Statement of Comprehensive Income	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Investments	1	11	10	2
Income receivable	22	22	-	(7)
Property Funds Management Intangible asset	-	1,826	1,826	597
	<u>23</u>	<u>1,859</u>		
<i>Deferred tax assets</i>				
Formation costs and share issue costs	54	24	30	(45)
Borrowing costs	4	10	(6)	(5)
Accrued expenses	259	262	(3)	(231)
Leave liabilities	226	218	8	38
Plant and equipment	-	-	-	(95)
Work in progress expensed	3,755	3,645	110	1,560
Other	28	-	28	-
	<u>4,326</u>	<u>4,159</u>	<u>2,003</u>	<u>1,814</u>
Losses available for offset against future taxable income	-	4,792	(4,792)	10
	<u>4,326</u>	<u>8,951</u>		
Gross deferred income tax assets				
	<u>4,303</u>	<u>7,092</u>		
Net deferred income tax assets				
Deferred tax income/(expense)			(2,789)	1,824

Under current tax legislation, APGT (the parent) is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unit holders, therefore no tax disclosures are made for APGT.

The Fund has cumulative gross tax losses of \$22,477,000 (2011: \$19,640,000). At 30 June 2012, no deferred tax asset is recognised on those cumulative gross tax losses. At 30 June 2011, the Fund recognised a deferred tax asset of \$4,792,000 on \$15,973,00 of the cumulative gross tax losses. During 2011/12, the Fund wrote off the previously recognised tax effect of benefits from tax losses arising in Australia. The tax effect of the losses no longer recognised as a deferred tax asset is \$5,643,000. Recognised and unrecognised tax losses are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The consolidated entity only recognises tax losses to the extent that forecasts indicate it is probable that sufficient taxable income will be earned to recoup the recognised losses.

The deferred tax asset will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the asset to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the Fund in realising the benefit.

Tax consolidation

APGL and its 100% owned Australian resident subsidiary (APB) formed a tax consolidated group with effect from 21 March 2005. APGA joined the tax consolidated group on 14 June 2007, APL, APS and AIM joined the tax consolidated group on 22 June 2007, APGM joined the tax consolidated group on 31 December 2007, DPF, ADPL and ADUT joined the tax consolidated group on 13 March 2009 and PFA joined the tax consolidated group on 12 April 2010. APGL is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

5. INCOME TAX (CONTINUED)

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the year, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company.

6. EARNINGS PER SECURITY

Basic earnings per security amounts are calculated by dividing net profit/(loss) for the year attributable to security holders of the Fund by the weighted average number of ordinary outstanding securities during the year.

Diluted earnings per security amounts are calculated by dividing net profit/(loss) for the year attributable to security holders of the Fund by the weighted average number of ordinary outstanding securities during the year plus the weighted average number of securities that would be issued on the conversion of all the dilutive potential securities into securities.

The following represents the income and security data used in the basic and diluted earnings per security comparisons:

	Consolidated	
	2012 \$000	2011 \$000
Net profit/(loss) attributable to security holders of the Fund *	(26,184)	3,493
	Number 000	Number 000
Weighted average number of securities for basic earnings per security *	227,580	227,580

There have been no transactions involving ordinary securities or potential securities between reporting date and the date of completion of these financial statements.

* This has been used for the calculation of both basic and diluted earnings per security.

7. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED

	Consolidated	
	2012 \$000	2011 \$000
Distributions on stapled securities declared or paid during the year totalling 3.50 cents (2011: 3.50 cents) per annum per stapled security:		
Capital distributions paid during the year	5,996	5,980
Capital distributions provided for during the year (Note 17)	1,980	1,986
Total distributions	7,976	7,966

No dividends were paid or proposed by APGL during the year (2011: Nil). APGL had franking credits of \$1,189,000 at 30 June 2012 (2011: \$1,142,000).

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2012	2011
	\$000	\$000
Cash at bank and on hand	5,819	4,746
Short term deposits	192	1,706
Term deposits	900	1,350
	6,911	7,802

Cash at bank and short term deposits earn interest at floating rates based on daily bank deposit rates. Term deposits earn interest at fixed rates for terms of up to 90 days. Certain term deposits are subject to access restrictions while they are held as security for specific loan covenants, so are not available as an immediate cash and cash equivalent balance.

	Consolidated	
	2012	2011
	\$000	\$000
Reconciliation to Cash Flow Statement		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and on hand	5,819	4,746
Short term deposits	192	1,706
Term deposits	900	1,350
Less: Restricted cash – term deposit	(900)	(1,350)
	6,011	6,452

Reconciliation of net profit/(loss) after tax to net cash flows from/ (used in) operating activities

Net profit/(loss) after income tax	(26,184)	3,493
Adjustment for:		
Amortisation of borrowing costs	1,161	207
Amortisation of lease fitout incentives	176	206
Amortisation of prepaid leasing fees	503	304
Straight line rent adjustments	777	129
Depreciation expense	86	90
Loss on disposal of plant and equipment	-	(89)
Impairment loss - goodwill	13,355	-
Dividends received	-	115
Equity Accounted Profits	(14)	(114)
Goodwill on Acquisition	-	36
Fair value movement in investments	33	-
Revaluation of property investment	7,560	(6,496)
Impairment of Intangible assets	716	631
Amortisation of Intangible assets	2,966	2,776
Changes in assets and liabilities		
(Increase)/decrease in receivables	697	(3,340)
(Increase)/decrease in inventories	4,610	9,733
(Increase)/decrease in deferred tax asset	2,789	(1,824)
(Increase)/decrease in other assets	-	(45)
Increase/(decrease) in payables	(2,003)	(7,139)
Increase/(decrease) in current tax liability	-	-
Increase/(decrease) in provisions	26	126
Net cash from/(used in) operating activities	7,254	(1,201)

8. CASH AND CASH EQUIVALENTS (CONTINUED)

Disclosure of financing facilities

Refer to Note 18.

Non-cash financing and investing activities

There were no non-cash financing and investing activities during the period (2011: Nil).

9. TRADE AND OTHER RECEIVABLES

	2012 \$000	2011 \$000
Current		
Trade and other debtors (i)	1,215	2,174
Trade and other debtors - related parties (i)	1,145	1,434
Advances to syndicates (ii)	245	60
	<hr/> 2,605	<hr/> 3,668
Non-Current		
Trade and other debtors (ii)	2,121	3,063
Trade and other debtors – related parties (ii)	2,289	2,589
Advances to syndicate (iii)	2,673	2,433
	<hr/> 7,083	<hr/> 8,085

(i) Trade and other debtors and amounts receivable from related parties (syndicates/trusts under management) are non-interest bearing and are generally settled on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There have been no impairment losses recognised in the year ended 30 June 2012 (2011: Nil).

(ii) Non-current trade and other debtors and amounts receivable from related parties (syndicates/trusts under management) are subject to a loan agreement due for repayment by 30 June 2013. Interest is charged at the bank bill rate plus a margin of 2%. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There have been no impairment losses recognised in the year ended 30 June 2012 (2011: Nil).

(iii) This advance, which is unsecured with no set repayment terms, has been made to a syndicate for which an entity in the Fund acts as Responsible Entity. An advance of \$2,300,000 has interest charged and capitalised at APGL's cost of borrowing plus a margin of 5% pa. All other advances are interest free.

	2012 \$000	2011 \$000
(iv) At 30 June 2012, the ageing analysis of trade and other debtors is as follows:		
0 – 30 days	1,322	2,693
31 – 60 days	255	270
61 – 90 days	193	57
+ 91 days	<hr/> 5,000	<hr/> 6,240
Total	<hr/> 6,770	<hr/> 9,260

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables past due but not considered impaired are \$5,193,000 for the consolidated entity (2011: \$6,297,000). The past due but not considered impaired receivables for the consolidated entity includes amounts totalling \$4,825,000 (2011: \$588,000) receivable from syndicates under the management of the Fund. The Directors have agreed to defer settlement of these amounts (as allowed under the respective Product Disclosure Statements of the syndicates) whilst new financing arrangements for those syndicates are being finalised. Payment terms for the other amounts have not been renegotiated. Management has been monitoring and has been in direct contact with the relevant debtor and is satisfied that payment will be received and that no material items are impaired.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Fair value and risk exposure

Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at balance date is the fair value of receivables. Collateral is not held as security for any receivables, nor is it the Fund's policy to transfer (on-sell) receivables to special purpose entities. Details regarding interest rate risk exposure is disclosed in Note 22.

10. INVENTORY

	Consolidated	
	2012	2011
	\$000	\$000
Current		
Development properties (Palm Beach) *	602	2,572
Development properties (Springfield Meadows/Dolphin Point) *	-	8,781
	602	11,353
Non-Current		
Development properties (Palm Beach) *	19,399	19,176
Development properties (Springfield Meadows/Dolphin Point) *	10,418	4,500
	29,817	23,676

* inventories are stated at net realisable value which is lower than the cost.

Included in inventories are capitalised borrowing costs of \$717,332 (2011: \$857,385) (refer Note 2(f)). Refer to Note 18 for details of inventory pledged as security for loans.

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2012 totalled \$6,730,000 (2011: \$14,119,000). This expense has been included in the development costs expensed line item in the statement of comprehensive income.

11. OTHER ASSETS

	Consolidated	
	2012 \$000	2011 \$000
Current		
Prepayments	171	150
Security deposits	28	186
	199	336

12. PLANT AND EQUIPMENT

	Consolidated	
	2012 \$000	2011 \$000
Leasehold improvements at cost	659	579
Accumulated depreciation	(112)	(65)
	547	514
Office equipment at cost	322	311
Accumulated depreciation	(222)	(184)
	100	127
	647	641

Reconciliation of carrying amounts (net of accumulated depreciation) at the beginning and the end of the period:

	Leasehold Improvements \$000	Office Equipment \$000	Assets Held Not Ready For Use \$000	Total \$000
Balance as at 1 July 2010	113	126	423	662
Additions	443	53	-	496
Disposals	-	(4)	(423)	(427)
Depreciation expense	(42)	(48)	-	(90)
Balance as at 30 June 2011	514	127	-	641
Balance as at 1 July 2011	514	127	-	641
Additions	80	12	-	92
Disposals	-	-	-	-
Depreciation expense	(47)	(39)	-	(86)
Balance as at 30 June 2012	547	100	-	647

13. INVESTMENTS

Non-Current

Investments in controlled entities
Investment in unlisted company
Investments in unlisted unit trusts

	Consolidated	
	2012 \$000	2011 \$000
(i)	-	-
	23	37
(ii)	186	220
	209	257

(i) Investments in controlled entities

The consolidated financial statements include the financial statements of APGT and the controlled entities listed in the following table:

Name	Country of Regist.	Equity Interest	
		2012 %	2011 %
Blue Tower Trust	Australia	99.99	99.99
Australian Property Growth Limited	Australia	100 *	100 *
and its controlled entities:			
APGL (Palm Beach) Pty Ltd	Australia	100 *	100 *
APGF (Victoria) Pty Ltd	Australia	99 *	99 *
APGF Administration Pty Ltd	Australia	100 *	100 *
APGF Management Limited	Australia	100 *	100 *
APGF Property Limited	Australia	100 *	100 *
Austgrowth Property Syndicates Limited	Australia	100 *	100 *
Austgrowth Investment Management Pty Ltd	Australia	100 *	100 *
Domaine Property Funds Limited	Australia	100 *	100 *
Adviseq Pty Ltd	Australia	100 *	100 *
Adviseq Unit Trust	Australia	100 *	100 *
Property Funds Australia Limited	Australia	100 *	100 *

* APGT has no direct ownership in APGL or its controlled entities but is considered to be the parent entity of APGL under AASB 3 (refer Note 2 (d)).

Refer to Note 18 for details of investments pledged as security for loans.

(ii) Fair value of investments in unlisted unit trusts

Investments in unlisted unit trusts are categorised as Level 3 financial instruments as defined by AASB 7. Accordingly fair value is estimated using inputs for the asset that are not based on observable market data and specifically is based on the net asset values of the respective entities at balance date.

14. PROPERTY FUNDS MANAGEMENT INTANGIBLE ASSETS

		Consolidated	
		2012	2011
		\$000	\$000
Current	(i)	-	-
Non-Current	(i)	12,806	16,488
		12,806	16,488
Opening balance		16,488	19,895
Impairment loss recognised		(716)	(631)
Management rights derecognised		(2,966)	(2,776)
Amortisation for the year		-	-
Closing balance		12,806	16,488
Cost (gross carrying amount)		14,772	17,738
Accumulated amortisation and impairment		(1,966)	(1,250)
Net carrying amount		12,806	16,488

(i) Property funds management intangible assets

Property funds management intangible assets represent management fee assets carried at cost less accumulated amortisation and accumulated impairment losses. An impairment loss of \$716,000 has been recognised in the profit or loss. The recoverable amount is based on the fair value of the properties under management.

Refer to Note 2(b) for the change in accounting policy that occurred during the financial year in relation to this item.

15. GOODWILL

		Consolidated	
		2012	2011
		\$000	\$000
Non-Current			
Goodwill			
Opening balance		13,163	13,197
Other additions/(decrease) *		192	(34)
Impairment		(13,355)	-
Closing balance		-	13,163

* This amount is a result of the change in the fair value of the contingent consideration in respect of the acquisition of DPF in the 2009 financial year.

(i) Description of Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer overleaf).

15. GOODWILL (CONTINUED)

(ii) Impairment testing

For the purposes of impairment testing, goodwill acquired through business combinations has been allocated to one individual cash generating unit, the Property Funds Management ('PFM') unit. PFM is a reportable segment (refer Note 3). The amount of goodwill after providing for impairment allocated to this unit is \$nil (2011: \$13,163,000).

The goodwill was acquired in the following transactions:

- SPFM acquisition (APL, APS and AIM) which occurred on 22 June 2007 resulting in goodwill of \$15,553,000. At 30 June 2008 the Directors considered that this asset was impaired, and recognised an impairment loss of \$5,000,000 in the accounts in that period;
- DPF acquisition which occurred on 13 March 2009 resulting in goodwill of \$2,500,000. This amount has increased by \$192,000 in the year ended 30 June 2012 (2011: decrease \$34,000) as a result of changes to the fair value of contingent consideration relating to the acquisition of DPF.

At 31 December 2011, the directors assessed the recoverability of goodwill 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. An impairment loss of \$13,355,000 has been recognised in 2011/12.

16. INVESTMENT PROPERTIES HELD DIRECTLY

	Consolidated	
	2012 \$000	2011 \$000
Current	272,100	80,275
Non-current	-	250,000
Total	272,100	330,275
<i>Included in the carrying amount of investment properties are the following components:</i>		
Property asset	265,701	324,316
Lease fitout incentives (at written down value)	594	643
Straight line rent receivable *	4,331	3,671
Rental incentives (at written down value)	384	483
Leasing fees (at written down value)	1,090	1,162
Investment property (at valuation)	272,100	330,275

* Asset arising from recording lease income on a straight line basis

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.

(a) Reconciliation of Carrying Amounts	Consolidated	
	2012 \$000	2011 \$000
<i>Reconciliation of carrying amounts of property investments</i>		
Opening balance at start of year	330,275	347,500
Additions	2,017	4,921
Disposals	(51,953)	(28,097)
Amortisation	(176)	(241)
Leasing fees expensed	(503)	(304)
Net gain/(loss) from fair value adjustments	(7,560)	6,496
Closing balance at end of year	272,100	330,275

16. INVESTMENT PROPERTIES HELD DIRECTLY (CONTINUED)

- (b) The assets of APGT and BTT are pledged as security to ANZ Banking Group Ltd and Suncorp-Metway Ltd under registered mortgage debentures granted by APGM as Custodian for APGT and BTT.

Included in the balances of property investments are assets over which mortgages have been granted as security over bank loans. The terms of the mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

The carrying value of the assets pledged as securities are:

	Consolidated	
	2012 \$'000	2011 \$'000
Property investments held directly	272,100	330,275

(c) Details of Property Valuations

Property Description	Date Acquired	Cost and additions to 30 June 2012 \$'000	Book value at 30 June 2012 \$'000	Book value at 30 June 2011* \$'000	Latest Independent Valuation \$'000
12 Creek Street, Brisbane	19/09/2006	196,929	241,600*	250,000	252,000**
7 King Street, Concord, Sydney	02/10/2007	65,470	-	49,000	52,000*** *
287-301 Collins Street, Melbourne	04/10/2007	37,231	30,500***	31,275	30,500***
Total		299,630	272,100	330,275	334,500

* Fair value as assessed by the APGM Directors in accordance with AASB 140 *Investment Property*. The fair value of 12 Creek Street at 30 June 2012 is based on an unconditional contract of sale that is due to settle on 31 October 2012.

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.

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 dated February 2012**.
- 287-301 Collins Street - Charter Keck Cramer dated 9 July 2012***.
- 7 King Street, Concord, Sydney – DTZ Australia (NSW) Pty Ltd dated 18 August 2008 (sold May 2012****)

The investment properties are subject to fixed term lease agreements at market rates with various escalation clauses and extension options with various tenants.

The primary tenants of:

- 287-301 Collins Street, Melbourne is ANZ Banking Group;
- 12 Creek Street, Brisbane – Various tenants with no individual tenant occupying a significant tenancy.

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2012	2011
	\$000	\$000
Current		
Trade creditors (i)	202	280
Prepaid income (ii)	1,362	854
Other creditors and accruals (iii)	4,638	7,066
Accrued distribution (iv)	1,980	1,986
	8,182	10,186
Non – Current		
Other creditors and accruals	-	203
Accrual for deferred consideration	-	219
	-	422

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Prepaid income is non-interest bearing and recognised as income over the period to which the prepayment relates.
- (iii) Other creditors and accruals are non-interest bearing and are generally settled between 30 and 60 days of amounts becoming due and payable. The non-current portion represents amounts that are not expected to be settled within 12 months of balance date for contingent consideration payable on the acquisition of DPF and for a rent guarantee provided in respect of Palm Beach project sales.
- (iv) Accrued distribution represents a distribution for the June quarter (Note 7).

Fair value and risk exposure

The carrying value of the trade and other payables approximate their fair value. The fair values of contingent consideration payable for the acquisition of DPF and the rent guarantee provided in respect of Palm Beach project sales have been calculated by discounting the expected future cash flows at prevailing market interest rates.

Details of interest rate and liquidity risk exposure is disclosed in Note 22.

18. BORROWINGS AND INTEREST BEARING LOANS

		Consolidated	
		2012	2011
		\$'000	\$'000
Current			
Secured bank loans – St George Bank Limited	(i)	13,927	19,645
Secured bank loans - ANZ Banking Group Ltd	(ii)	150,000	-
Secured bank loans – Suncorp-Metway Limited	(iii)	34,500	71,749
Less: Net borrowing costs		(288)	-
Unsecured loans from related entities (refer Note 27 (d))		13,000	-
		211,139	91,394
Non Current			
Secured bank loans:			
– ANZ Banking Group Ltd	(ii)	-	150,000
Less: Net borrowing costs		-	(1,231)
Unsecured loans from related entities (refer Note 27 (d))		-	19,970
		-	168,739

- (i) These loan facilities are provided by St George Bank Limited. Details of the loans and security provided to the lender are:
- A fully drawn facility, expiring on 31 December 2012, with an outstanding balance at 30 June 2012 of \$7,448,000 (2011: \$10,949,000). Security provided to the lender is a guarantee and indemnity from APGL, first registered mortgage by APB over the commercial property located at Palm Beach Shopping Centre, 1102 & 1112 Gold Coast Highway, Palm Beach, first registered fixed and floating charge over the assets and undertakings of APB, a set off deed over an amount of \$800,000 on deposit with St George Bank Limited given by APB was applied to the facility in June 2012. Refer to Note 10.
 - A fully drawn facility, first drawn on 22 February 2010 and due to expire on 30 December 2012, with an outstanding balance at 30 June 2012 of \$6,479,000 (2011: \$8,696,000). Security provided to the lender is a first registered real property mortgage over the Springfield Meadows and Dolphin Point properties, a charge over the assets and undertakings of APGL in respect of the Springfield Meadows and Dolphin Point properties, a charge over all current and future council and other authorities approvals, plans and specifications in relation to proposed developments on the Springfield Meadows and Dolphin Point properties and a set off deed amount of \$440,000 funds on deposit with St George Bank Limited given by APGL. This was applied to the facility in June 2012. Refer to Note 10.
- (ii) These loan facilities are provided by ANZ Banking Group Ltd ('ANZ'). Details of the loans and security provided to the lender are:
- A fully drawn facility totalling \$150,000,000 from ANZ expiring on 29 June 2014. Security provided to the lender is a guarantee and indemnity from APGM as Custodian for BTT via registered first mortgage over the 12 Creek Street, Brisbane property and mortgage debenture over all the assets and undertakings of APGM. Refer to Note 16(b). A further \$12,500,000 was advanced and repaid during the year. This loan is shown as current as the secured property is a current asset.
 - The fair value of 12 Creek Street is based on the contract for sale signed on 15 August 2012. The adoption of this value resulted in the reduction of the net asset position of the Fund as at 30 June 2012 to \$114 million. The ANZ facility includes a loan covenant that APGF net assets must be greater than \$125 million. On 4 September 2012, ANZ provided a waiver of this loan covenant and other reporting requirements until 15 November 2012.

18. BORROWINGS AND INTEREST BEARING LOANS (CONTINUED)

(iii) These loan facilities are provided by Suncorp-Metway Limited. Details of the loans and security provided to the lender are:

- A fully drawn facility for \$16,200,000 (2011: \$17,400,000) expiring on 31 December 2012. Principal repayments are \$100,000 per month to 30 June 2012, thereafter at \$200,000 per month, with the outstanding balance due on expiry of the facility. Security provided to the lender is a fixed and floating charge over all of APGL's assets and undertakings, excluding property development assets, and a share mortgage granted over all of the shares issued by APM, DPF, APL, APS and AIM.
- A fully drawn facility for \$18,300,000 (2011: \$18,300,000) expiring on 31 December 2012. Security provided to the lender is a guarantee and indemnity from APM as Custodian for APGL via first registered mortgage over the 287-301 Collins Street, Melbourne property. Refer to Note 16(b).
- A fully drawn facility for \$36,100,000 of which the carrying amount is \$nil (2011: \$36,050,000). Security provided to the lender was a guarantee and indemnity from APM as Custodian for APGL via first registered mortgage over the 7 King Street, Concord property. Refer to Note 16(b). This property was sold and the loan repaid in May 2012.

Fair value and risk exposure

The carrying amount of the Fund's current and non-current borrowings approximates their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates. Details regarding the Fund's interest rate and liquidity risk exposure is disclosed in Note 22.

Average interest rates on borrowings as at 30 June 2012: 8.66% (2011: 8.32%).

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Consolidated	
	2012 \$000	2011 \$000
Facilities unused	-	30
Facilities used (borrowing costs excluded)	211,427	261,363
Total facilities	211,427	261,393

Assets pledged as security

Details of assets pledged as security are disclosed above and in Note 16(b).

Defaults and breaches

Refer to Note 18 (ii) above.

19. PROVISIONS

	Consolidated	
	2012	2011
	\$000	\$000
Current		
Annual leave	368	327
Long service leave	331	99
	<u>699</u>	<u>426</u>
Non – Current		
Long service leave	<u>53</u>	<u>300</u>

Refer to Note 2(p) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of these provisions.

20. OTHER LIABILITIES

	Consolidated	
	2012	2011
	\$000	\$000
Non - Current		
Loan - Palm Beach Developments Pty Ltd (i)	<u>3,000</u>	<u>3,000</u>

(i) Pursuant to a Development Agreement between Palm Beach Developments Pty Ltd ("PBD") and APB, PBD is to contribute 20% of the equity for the Palm Beach project up to \$3 million in return for being entitled to a development fee equating to 20% of the profits of the project or its proportionate share based on project equity contributed.

21. MEMBERS' INTERESTS

	2012	2012	2011	2011
	Number	\$000	Number	\$000
Consolidated				
Units issued in APGT (i)	227,580,022	171,016	227,580,022	178,992
Shares issued in APGL (ii)	227,580,022	<u>23,473</u>	227,580,022	<u>23,473</u>
		<u>194,489</u>		<u>202,465</u>

(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 APGT		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 year		<u>(7,966)</u>		-
At 30 June 2011	227,580,022	178,992	227,580,022	23,473
Capital distributions during the year	-	<u>(7,976)</u>	-	-
At 30 June 2012	<u>227,580,022</u>	<u>171,016</u>	<u>227,580,022</u>	<u>23,473</u>

There were no issues of securities during the year ended 30 June 2012 or 30 June 2011.

21. MEMBERS' INTERESTS (CONTINUED)

The following capital distributions were paid/payable during the year ended 30 June 2012:	\$000
Distribution for the quarter ended 30 September 2011 paid on 31 October 2011	2,008
Distribution for the quarter ended 31 December 2011 paid on 31 January 2012	2,008
Distribution for the quarter ended 31 March 2012 paid on 30 April 2012	1,980
Distribution for the quarter ended 30 June 2012 paid on 30 July 2012	1,980
	<u>7,976</u>

The following capital distributions were paid/payable during the year ended 30 June 2011:

Distribution for the quarter ended 30 September 2010 paid on 21 October 2010	2,008
Distribution for the quarter ended 31 December 2010 paid on 31 January 2011	2,008
Distribution for the quarter ended 31 March 2011 paid on 29 April 2011	1,964
Distribution for the quarter ended 30 June 2011 paid on 29 July 2011	1,986
	<u>7,966</u>

Capital Management

When managing the capital base, management's objective is to ensure the Fund continues as a going concern as well as to maintain optimal returns to security holders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity, whilst also complying with any capital requirements of relevant regulatory authorities.

The Fund's normal capital management strategy is to target distributions that are in line with profits with the aim of ensuring the sustainability of investor returns, while management is constantly adjusting the capital structure to take advantage of favourable costs of capital or returns on assets. As the market is constantly changing, management may change the amount of dividends or distributions to be paid to security holders, return capital to security holders, issue new stapled securities or sell assets to reduce debt.

During 2012, the Fund paid capital distributions of \$7,982,000 (2011: \$7,965,000) at the rate of 3.50 cents (2011: 3.50 cents) per stapled security.

Management monitors capital through the gearing ratio (total interest bearing liabilities divided by total capital, which is represented by the sum total of total interest bearing liabilities and total equity). The target for the Fund's gearing ratio is between 40% and 65% for investment properties and up to 80% (depending on level of pre-sales) for development projects. The gearing ratios at 30 June 2012 and 2011 were as follows:

	Consolidated	
	2012 \$000	2011 \$000
Total interest bearing liabilities	211,427	260,133
Total equity	114,209	148,369
Total capital	325,636	408,502
Gearing ratio	64.93%	63.68%

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial instruments comprise receivables, payables, bank and other loans, cash and short-term deposits.

The Fund manages its exposure to key financial risks, including interest rate risk, in accordance with the Fund's financial risk management policy. The objective of the policy is to support the delivery of the Fund's financial targets whilst protecting future financial security.

The main risks arising from the Fund's financial instruments are interest rate risk, credit risk and liquidity risk. The Fund is not exposed to any material foreign currency risk. The Fund uses different methods to measure and manage different types of risks to which it is exposed. These include:

- monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates,
- ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, and
- liquidity risk is monitored through the development of rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including hedging cover of interest rate risk, credit allowances and monitoring future cash flow forecast projections.

Risk Exposure and Responses

Interest rate risk

The Fund's exposure to market interest rates relates primarily to the Fund's long-term debt obligations and interest rate swaps and caps. The level of debt is disclosed in Note 18.

At balance date, the Fund had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2012	2011
	\$000	\$000
Financial assets		
Cash and cash equivalents	6,911	7,802
Receivables	7,328	11,550
	14,239	19,352
Financial liabilities		
Secured bank loans	198,427	241,393
Unsecured loan from related party	13,000	19,970
	211,427	261,363
Net exposure	(197,188)	(242,011)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Fund's policy is to manage its finance costs using a mix of fixed and variable rate debt, while there is no specified policy on the mix of fixed and variable rates.

The Fund constantly analyses its interest rate exposure. As part of this process consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. Based on average values of financial assets and financial liabilities for the year ended 30 June 2012, if interest rates had moved with all other variables held constant, post tax profit and member's interest would have been affected as follows:

	Judgements of reasonably possible movements in interest rates:		Post Tax Profit/(Loss) Higher/ (Lower)		Other Comprehensive Income Higher/ (Lower)	
	2012	2011	2012	2011	2012	2011
	Basis Points	Basis Points	\$000	\$000	\$000	\$000
Consolidated						
Increase	50	50	(1,051)	(1,041)	-	-
Decrease	25	25	526	521	-	-

Reasonably possible movements in interest rates were determined based on the Fund's current credit profile and relationships and ongoing negotiations with financial institutions and management's assessment of economic forecaster's expectations of movements in interest rate markets.

The movements in profit are due to higher interest rates on variable rate debt and cash balances. The sensitivity in profit/(loss) is higher in 2012 than in 2011 because of an increase and repayment within the financial year in borrowings and reduction in cash balances during the period. The movement in equity excludes the post tax profit impact above.

Credit risk

Credit risk arises from the financial assets of the Fund, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Fund's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Fund trades only with recognised, creditworthy counterparties, and as such, collateral is not requested nor is it the Fund's policy to securitise its trade and other receivables. The Fund does not hold any credit derivatives to offset its credit exposure.

It is the Fund's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Fund's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk the Fund will not have sufficient funds to settle a transaction on the due date. The Fund's main liquidity risk is its ability to refinance its existing borrowings when they expire. To limit this risk, management has arranged a number of separate fully drawn bank facilities with various maturity dates. Cash flow forecasts and liquidity are monitored on an ongoing basis. This includes an assessment of expected cash flows and the availability of suitable collateral which could be used to secure additional funding if required. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Fund.

The table below summarises the maturity profile of the Fund's financial liabilities at balance date based on contractual undiscounted repayment obligations. Cash flows for financial liabilities without fixed amount or timing are based on the conditions and expectations existing at balance date.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The contractual maturities of the Fund's financial liabilities are:

Financial liabilities	≤6 Months	6-12 Months	1-5 Years	> 5 Years	Total
Year ended 30 June 2012	\$000	\$000	\$000	\$000	\$000
Consolidated					
Trade and other payables	8,182	-	-	-	8,182
Interest bearing loans & borrowings	69,212	5,478	224,741	-	299,431
Other liabilities	-	-	3,000	-	3,000
	77,394	5,478	227,741	-	310,613
 Year ended 30 June 2011	 \$000	 \$000	 \$000	 \$000	 \$000
Consolidated					
Trade and other payables	10,186	-	422	-	10,608
Interest bearing loans & borrowings	65,570	44,444	193,715	-	303,729
Other liabilities	-	-	3,000	-	3,000
	75,756	44,444	197,137	-	317,337

Fair value

The recognised financial assets and liabilities included in the Fund's Statement of Financial Position are carried at values which Directors consider approximates their net fair value.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

23. COMMITMENTS AND CONTINGENCIES

Capital Commitments

At 30 June 2012 outstanding contracted capital commitments for expenditure were \$Nil (2011: \$nil). These capital commitments are all due for settlement within 12 months of the balance sheet date.

Bank Guarantees

At 30 June 2012 bank guarantees provided by the Fund total \$37,500 (2011: \$37,500). These guarantees are secured by cash accounts held with the bank.

Contingencies

APGL had agreed to provide Interest Servicing Guarantees to the Commonwealth Bank of Australia ("CBA") in respect of loans provided by CBA to some of the trusts/syndicates for which subsidiaries of APGL act as Responsible Entity and Trustee. Under the terms of these guarantees APGL was liable to pay CBA any interest not paid to CBA by the relevant trusts/syndicates. As at 30 June 2012 APGL had not been required to pay any amounts under these guarantees as all interest due and payable had been paid by the relevant trusts/syndicates. All of these loans, other than the Penrith Property Syndicate loan, were repaid to CBA by 31 July 2011. The Penrith Property Syndicate loan was subsequently repaid to CBA prior to 30 June 2012.

The Directors are of the opinion that there are no other contingent liabilities or assets as at balance date that are not already provided for or disclosed in the notes to the financial statements.

Operating lease commitments – Fund as lessor

Some of the properties owned by the Fund are leased to third parties under operating leases. These leases have remaining terms of between 1 and 12 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	Consolidated	
	2012 \$000	2011 \$000
Future minimum rental revenues under non-cancellable operating leases are as follows:		
- not later than one year	19,414	29,413
- later than one year and not later than five years	44,978	53,183
- later than five years	5,596	11,032
Total	69,988	93,628

Operating lease commitments – Fund as lessee

The Fund has entered into operating leases over office premises and office equipment. These leases have an average life of between three and five years. There are no restrictions placed upon the Group by entering into these leases

	Consolidated	
	2012 \$000	2011 \$000
Future minimum rentals payable under non-cancellable operating leases are as follows:		
- not later than one year	172	123
- later than one year and not later than five years	92	129
- later than five years	-	-
Total	264	252

24. RELATED PARTY DISCLOSURES

APGT is the parent entity of the entities listed in Note 13 (i). APM is the Trustee and Responsible Entity of APM and BTT.

Key Management Personnel

Details relating to directors and key management personnel of APM and APGL are included in Note 27.

Scheme Management and Transaction Fees

Subsidiaries of the Fund act as Responsible Entity and provide asset management services (APM, APL, APS, DPF and PFA) and property management services (APM and AIM) to the following trusts and syndicates:

APGT (i)	PFA Diversified Property Trust
BTT (i)	Belmont Trust
APGF Diversified Property Fund	Penrith Property Syndicate(iv)
APGF Property Syndicate 4	Austgrowth Property Syndicate 18 (iii)
APGF Property Syndicate 5	Austgrowth Property Syndicate 19(ii)
APGF Property Syndicate 7	Austgrowth Property Syndicate 20 (ii)
APGF Property Syndicate 2000	Austgrowth Property Syndicate 21
Burwood Property Syndicate (ii)	Austgrowth Property Syndicate 22
Brisbane Property Syndicate (iii)	Austgrowth Property Syndicate 23
Canberra Property Syndicate (iii)	Austgrowth Property Syndicate 24
Melbourne Property Syndicate (ii)	Mernda Land Trust
Domaine SEQ Growth Fund	Domaine Diversified Property Fund (ii)
Domaine SEQ Growth Trust	Domaine Land Fund
Domaine Hunter Fund	

	2012	2011
	\$'000	\$'000
Property funds management fees paid/payable by these entities to the Fund	11,843	13,548

(i) These fees have been eliminated on consolidation.

(ii) Properties were sold during the year

(iii) Resigned as responsible entity effective 31 May 2011.

(iv) Change of management rights to another external manager 7 December 2011.

Transactions between APM, APL, APS, AIM, DPF and PFA and the abovementioned entities result from normal dealings with those entities in accordance with the applicable Management Agreements.

Other transactions

Investment in PFA Diversified Unit Trust

APGF holds 224,244 units (2010: 224,244) in the PFA Diversified Property Trust, an entity for which PFA acts as responsible entity and trustee. During the year ended 30 June 2012 APGF received distributions in respect of this investment totalling \$16,259 (2011: \$16,259). These units were sold subsequent to year end.

25. AUDITOR'S REMUNERATION

	Consolidated	
	2012 \$	2011 \$
The auditor of APGF is Ernst & Young. Amounts received or due and receivable by Ernst & Young for:		
- an audit or review of the financial report of the Fund and any other entity in the Fund	271,000	222,500
- other services in relation to the Fund and any other entity in the Fund		
- other audit services – AFSL audits	25,000	24,500
- taxation services	38,850	38,850
	<hr/> 334,850	<hr/> 285,850
Amounts received or due and receivable by other auditors for other services in relation to the Fund and any other entity in the Fund		
- other audit services – compliance plan audit	4,600	4,400
- other audit services – audit of outgoings	12,938	7,760
- other audit services – audit trust account	2,250	-
	<hr/> 19,788	<hr/> 12,160

26. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

An offer to sell 12 Creek Street, Brisbane has been accepted from Dexu for \$241.6 million. It is expected to settle at the end of October 2012, with proceeds used to reduce the Fund's current debt facilities and to make a payment to investors.

In August 2012, the trusteeship and the role of responsible entity for Austgrowth Property Syndicate 21 and Austgrowth Property Syndicate 24 transferred from APGF Management Limited to another external trustee and responsible entity.

The property funds management business is being wound down in a gradual and orderly manner. Properties in the individual funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Funds' investors. Management of the PFA Diversified Property Trust was sold to the Charter Hall Group for \$10 million in August 2012, comprising \$5.2 million paid at settlement and the remaining balance of \$4.8 million to be paid over six years from a share of the PFA Diversified Property Trust's asset disposal and performance fees.

Other than the above, 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.

27. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key Management Personnel ("KMP")

The KMP of APGM, the Trustee and Responsible Entity of APGT during the year and up to the date the financial report was authorised for issue, are:

Directors

N. E. Summerson	Chairman (non-executive)
G. M. McMahon	Managing Director
A. J. Cragolini	Director (executive)

Senior Executives

M. O'Reilly	Director, Asset Management (Resigned February 2012)
L. Garcia	Senior Funds Manager
M. S. Rundle	General Manager – Property Development

27. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

APGM, as the Responsible Entity of APGT, is considered to be included in KMP of APGT. There were no changes to the KMP after reporting date and before the date the financial report was authorised for issue.

The key management personnel of APGL, the entity stapled with APGT to form the group, during the year and up to the date the financial report was authorised for issue are as follows:

Directors

N. E. Summerson	Chairman (non-executive)
G. M. McMahon	Managing Director
R. Bryan	Director (non-executive)
S. E. Bryan	Director (non-executive)
K. R. Pickard	Director (non-executive)
S. Smith	Alternate for S. Bryan

Senior Executives

A. J. Cragnolini	Chief Financial Officer/Company Secretary
M. O'Reilly	Director of Property
L. Garcia	Senior Funds Manager
M. S. Rundle	General Manager - Property Development

(b) Compensation for KMP

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board and senior executive team.

For the Fund to attract, motivate and retain highly skilled KMP, it embodies the following in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link senior executive rewards to security holder value;
- have a significant portion of remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Non-executive Director Remuneration

The Fund seeks to aggregate remuneration at a level that provides the Fund with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to security holders.

At the General Meetings held on 20 December 2007 security holders approved an aggregate remuneration for non-executive Director remuneration of \$350,000 per year for the Fund. The non-executive Directors do not participate in any incentive programs and the only retirement benefits they receive is through superannuation contributions included in their fees derived during the period of their directorship.

The remuneration of non-executive Directors for the years ended 30 June 2012 and 30 June 2011 is detailed in Tables 1 and 2 below. The remuneration paid to Non-executive Directors includes their involvement in committees of the Fund.

Senior Executive Remuneration

The Fund aims to reward senior executives with a level and mix of remuneration commensurate with their position and responsibilities within the Fund so as to:

- reward senior executives for Fund, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of senior executives with those of security holders; and
- ensure total remuneration is competitive by market standards.

The Remuneration Committee has entered into a detailed contract of employment with the Managing Director and other senior executives. Details of these contracts are provided below.

27. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration
 - short term incentive ('STI'); and
 - long term incentive ('LTI').

The fixed and variable remuneration (potential short and long term incentives) for each senior executive is set out in Tables 1 and 2 below. While the amounts are based upon targets, the incentives represent no more than 20% of the fixed remuneration component. Non-monetary benefits are included in remuneration packages.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Fund, business unit and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Variable Remuneration – Short Term Incentive ('STI')

Actual STI payments granted to each senior executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of benchmarks and key performance indicators ('KPIs') covering both financial and non-financial, corporate and individual measures of performance. The targets can include measures such as contribution to net profit after tax, capital management strategies, risk management, business development and leadership/team contribution. The specific measures chosen represent the key drivers for the short term success of the Fund and provide a framework for delivering long term value.

The Remuneration Committee has determined that due to the difficult financial conditions there will be no STI amounts payable to KMP for the years ended 30 June 2012 and 30 June 2011.

Variable Remuneration – Long Term Incentive ('LTI')

There is currently no LTI plan established.

27. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation for KMP

Table 1: Remuneration of Key Management Personnel for the year ended 30 June 2012

	Short-term				Post-employment			Long-term		Termination Benefits	Share-based Payments	Total	Performance Related %
	Salary & Fees	Cash Incentive	Non-monetary Benefits	Other	Super	Other		Incentive Plans	Long Service Leave ^				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	Options	\$	
Nonexecutive Directors													
N. Summerson (Chairman)	100,917	0	0	0	9,083	0	0	0	0	0	0	110,000	
R. Bryan	55,000	0	0	0	0	0	0	0	0	0	0	55,000	
S. Bryan	50,000	0	0	0	5,000	0	0	0	0	0	0	55,000	
K. Pickard	54,996	0	0	0	0	0	0	0	0	0	0	54,996	
Subtotal – non-executive Directors	260,913	0	0	0	14,083	0	0	0	0	0	0	274,996	
Executive Directors													
G. McMahon (Managing Director)	678,258	0	6,015	0	15,727	0	0	0	18,536	0	0	718,536	0.00%
A. Cragolini (Chief Financial Officer)	251,172	0	1,204	0	22,624	0	0	0	0	0	0	275,000	0.00%
Other KMP													
M. O'Reilly (Director of Property)*	333,336	0	0	0	0	0	0	0	0	0	0	333,336	0.00%
L. Garcia (Senior Funds Manager)	252,294	0	-	0	22,706	0	0	0	5,680	0	0	280,680	0.00%
M. Rundle (General Manager – Property Development)	209,541	0	21,501	0	18,958	0	0	0	6,620	0	0	256,620	0.00%
Subtotal - executive KMP	1,724,601	0	28,720	0	80,015	0	0	0	30,836	0	0	1,864,172	
Total	1,985,514	0	28,720	0	94,098	0	0	0	30,836	0	0	2,139,168	

^ This is the movement in the KMP's long service leave entitlement during the year and these have not been paid at balance date.

*Resigned February 2012

27. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation for KMP

Table 2: Remuneration of Key Management Personnel for the year ended 30 June 2011

	Short-term				Postemployment		Long-term		Termination Benefits	Share-based Payments	Total	Performance Related %
	Salary & Fees	Cash Incentive	Non-monetary Benefits	Other	Super	Other	Incentive Plans	Long Service Leave ^				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	Options	\$	
Non-executive Directors												
N. Summerson (Chairman)	100,917	0	0	0	9,083	0	0	0	0	0	110,000	
R. Bryan	55,000	0	0	0	0	0	0	0	0	0	55,000	
S. Bryan	50,000	0	0	0	5,000	0	0	0	0	0	55,000	
K. Pickard	50,459	0	0	0	4,541	0	0	0	0	0	55,000	
Subtotal – non-executive Directors	256,376	0	0	0	18,624	0	0	0	0	0	275,000	
Executive Directors												
G. McMahon (Managing Director)	673,146	0	11,655	0	15,199	0	0	18,536	0	0	718,536	0.00%
A. Cragolini (Chief Financial Officer)	245,600	0	7,269	0	22,131	0	0	0	0	0	275,000	0.00%
Other KMP												
M. O'Reilly (Director of Property)	500,004	0	0	0	0	0	0	0	0	0	500,004	0.00%
L. Garcia (Senior Funds Manager)	251,132	0	1,266	0	22,602	0	0	5,680	0	0	280,680	0.00%
M. Rundle (General Manager – Property Development)	200,955	0	30,762	0	18,283	0	0	6,620	0	0	256,620	0.00%
Subtotal – executive KMP	1,870,837	0	50,952	0	78,215	0	0	30,836	0	0	2,030,840	
Total	2,127,213	0	50,952	0	96,839	0	0	30,836	0	0	2,305,840	

^ This is the movement in the KMP's long service leave entitlement during the year and these have not been paid at balance date.

27. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation for KMP (Continued)

Employment Contracts

The Managing Director and senior executives are employed under Executive Employment Agreements except for Michael O'Reilly who was employed under a Consultancy Agreement which ceased in February 2012. These agreements have no fixed period or termination date. The terms of the current agreements are summarised below:

	Position	Commencement Date	Fixed Remuneration (per annum)	Minimum Notice Required on Termination* to be given by:	
				Executive	Employer
G. McMahon	Managing Director	1 January 2008 **	\$700,000	3 months	12 months
A. Cragolini	Executive Director	1 January 2008 **	\$275,000	3 months	6 months
L. Garcia	Senior Funds Manager	21 June 2007	\$275,000	6 months	6 months
M. Rundle	General Manager Property Development	1 January 2008 **	\$250,000	3 months	6 months

* The minimum notice can be varied in the following circumstances:

- if either the employer or senior executive gives notice of termination to the other, the employer may terminate the employment of the senior executive immediately or at any time during the notice period and pay to the senior executive their fixed remuneration for the balance of the notice period,
- notwithstanding the notice periods disclosed above, the employer may terminate the contract at any time without notice or payment in lieu of notice if the senior executive:
 - is guilty of misconduct;
 - is charged with any offence that involves fraud or dishonesty or any other offence that is punishable by imprisonment, or any offence that in the employer's reasonable opinion, affects the senior executive's suitability for their position;
 - neglects their duties or is incompetent;
 - becomes bankrupt or compound with, or assigns their estate for the benefit of, one or more of the senior executive's creditors;
 - engages in conduct of a sort which, in the employer's reasonable opinion, may injure its reputation; or
 - breaches his obligations in respect of confidential information or protection of the employer's goodwill.

** Previously employed by an entity related to the external manager of the Fund at the time.

27. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(c) Securityholdings of KMP

Securities held in the Fund* (number)					
30 June 2012	Balance at 1 July 2011	Granted as Remuneration	On Exercise of Options	Other Net Change	Balance at 30 June 2012
Directors					
N. E. Summerson #	92,532,062	0	0	0	92,532,062
G. M. McMahon #	92,965,693	0	0	0	92,965,693
R. Bryan #	90,421,693	0	0	0	90,421,693
S. E. Bryan	77,666	0	0	0	77,666
K. R. Pickard	3,017,300	0	0	0	3,017,300
A. J. Cragnolini	9,434	0	0	0	9,434
Senior Executives					
M. O'Reilly	490,305	0	0	0	490,305
L. Garcia	0	0	0	0	0
M. S. Rundle	11,000	0	0	0	11,000
Total #	98,681,767	0	0	0	98,681,767
30 June 2011	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Other Net Change	Balance at 30 June 2011
Directors					
N. E. Summerson #	92,532,062	0	0	0	92,532,062
G. M. McMahon #	92,963,693	0	0	2,000	92,965,693
R. Bryan #	90,421,693	0	0	0	90,421,693
S. E. Bryan	77,666	0	0	0	77,666
K. R. Pickard	3,017,300	0	0	0	3,017,300
A. J. Cragnolini	9,434	0	0	0	9,434
Senior Executives					
M. O'Reilly	490,305	0	0	0	490,305
L. Garcia	0	0	0	0	0
M. S. Rundle	11,000	0	0	0	11,000
Total #	98,679,767	0	0	2,000	98,681,767

* Securities held in the Fund represent one unit issued in APGT stapled to one share issued in APGL. The stapled securities are treated as one security and cannot be traded or dealt with separately.

The holdings of N. E. Summerson, G. M. McMahon and R. Bryan each include the same securities held by the Leyshon Group of Companies. At 30 June 2012 this holding is 90,421,693 securities (2011: 90,421,693 securities). To avoid duplication, these have only been included once in the total number of securities held by KMP.

All equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Fund would have adopted if dealing at arm's length.

27. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(d) Loans to or from KMP and their related parties

The Fund entered into the following loan facilities with KMP or their related entities during the period:

- On 9 April 2010 the Fund borrowed \$10,000,000 from Bryan Family Foundation Limited atf The Bryan Foundation, an entity for which R. Bryan acts as Director. This loan expires on 30 November 2012. Interest is payable at the rate of 12% pa.
- On 30 June 2010 the Fund borrowed \$3,000,000 from Glendower Investments Pty Ltd atf Glendower Investments Superannuation Fund, an entity for which N.E. Summerson is a Director and beneficiary. This loan expires on 30 November 2012. Interest is payable at the rate of 12% pa.
- On 14 June 2011, the Fund borrowed \$1,000,000 from G & M Rees Investments Pty Ltd atf G & M Rees Investment Trust, an entity for which GM McMahon acts as Director and is a beneficiary. Interest was payable at the rate of 15% per annum. This loan was fully repaid in December 2011.
- On 20 June 2011, the Fund borrowed \$5,000,000 from R Bryan, Director. Interest was payable at the rate of 15% per annum. This loan was fully repaid in December 2011.
- The Fund borrowed \$1,000,000 from Glendower Investments Pty Ltd atf Glendower Investments Superannuation Fund, an entity for which NE Summerson is a Director and Beneficiary. Funds were provided as follows: \$970,000 on 29 June 2011 and \$30,000 on 1 August 2011. Interest was payable at the rate of 15% per annum. This loan was fully repaid in December 2011.

There were no other loans between the Fund and the KMP during the period.

(e) Other transactions and balances with KMP and their related parties

- (i) APGM, as the Responsible Entity of APGT, is considered to be included in the KMP of APGT. Compensation is paid to APGM in the form of fees which are disclosed in Note 24.
- (ii) The Fund entered into the following transactions with Leyshon Pty Ltd ('Leyshon') during the period:
 - a. Provision of accounting and support services and office accommodation by APGFA to Leyshon of \$272,000 (2011: \$272,000).

These transactions between the Fund and Leyshon result from normal dealings with those companies in accordance with the relevant Management Agreement and Asset Transfer and Services Agreement.

- (iii) The Fund also entered into the following transactions with Michael O'Reilly (Aus) Pty Ltd (formerly Collins O'Reilly) ('MOR') during the period:
 - a. Provision of executive assistant services by MOR to APGFA for the year ended 30 June 2012 of \$53,200 (2011: \$80,000).

These transactions between the Fund and MOR result from normal dealings with those companies in accordance with Agreements between those entities.

28. PARENT ENTITY INFORMATION

	Consolidated	
	2012 \$000	2011 \$000
The following information relates to APGT as an individual entity		
Current assets	36,245	109,501
Total assets	196,302	267,848
Current liabilities	70,388	61,693
Total liabilities	70,388	101,839
Issued capital	171,016	178,992
Undistributed earnings	(45,102)	(12,983)
Total members' interests	125,914	166,009
Net profit/(loss) from operating activities after income tax	(32,118)	11,712
Total comprehensive income for the period	(32,118)	11,712

Provision of Ongoing Financial Support to APGL

At 30 June 2012 APGT has agreed to provide ongoing financial support to APGL to ensure APGL continues to be able to pay its debts as and when they become due and payable. This financial support is through the provision of ongoing funding as required up to a maximum amount of \$45 million and APGT not requiring repayment of existing and future advances to APGL before 31 December 2013. The Directors do not expect the provision of this financial support to result in any liability or loss to APGT.

At 30 June 2012 APGT has not entered into any other guarantees in relation to debts of subsidiaries (2011: Nil).

Contingent Liabilities of APGT

The Directors are of the opinion that there are no contingent liabilities or assets as at balance date that are not already provided for or disclosed in the notes to the financial statements.

Capital Commitments of APGT

At 30 June 2012 outstanding contracted capital commitments for expenditure were \$Nil (2011: \$nil). These capital commitments are all due for settlement within 12 months of the balance sheet date.

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:

- (1) In the opinion of the Directors:
- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
 - (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

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, 21 September 2012

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



N. Summerson
Chairman
Brisbane, 21 September 2012



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Independent auditor's report to the security holders of Australian Property Growth Fund

Comprising the financial report of Australian Property Growth Trust and its controlled entities.

We have audited the accompanying 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 30 June 2012, the statement of comprehensive income, the statement of changes in security holders' interests and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The Fund, as the consolidated entity, comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the APGF Management Limited, the Responsible Entity of the Fund ("the directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Liability limited by a scheme approved
under Professional Standards Legislation



Independence

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

Opinion

In our opinion:

- a. the financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust and its controlled entities) is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

A stylized, handwritten signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Mark Hayward, written in a cursive script.

Mark Hayward
Partner
Brisbane
21 September 2012

SECURITY HOLDER INFORMATION

Additional Security holder information not shown elsewhere in this report is as follows, and is current as at 13 September 2012.

A. DISTRIBUTION OF SECURITY HOLDERS

Analysis of numbers of security holders by size of holding:

Holdings Range	Number of Holders	Total Securities	% of Issued Capital
1 – 1,000	1	1,000	0.00
1,001 – 5,000	43	155,056	0.07
5,001 – 10,000	14	107,386	0.05
10,001 – 100,000	21	1,073,453	0.47
100,001 and over	115	226,243,127	99.41
Total	194	227,580,022	100.00

There were no holders of less than a marketable parcel of 744 securities.

B. LARGEST TEN SECURITY HOLDERS OF ORDINARY FULLY PAID SECURITIES

Name of Security Holder	Number of Securities Held	Percentage of Issued Fully Paid Securities
1. Leyshon Investments (Australia) Pty Ltd ATF Leyshon Operations Unit Trust	50,264,012	22.09
2. Stirling Investments Pty Ltd ATF The Stirling Investment Trust	42,220,298	18.55
3. Leyshon Pty Ltd	20,363,058	8.95
4. Leyshon Operations Pty Ltd	19,794,623	8.70
5. Dr Steve Mokrzeki	6,000,000	2.64
6. Ashbar Constructions Pty Ltd	5,369,200	2.36
7. Troxfield Pty Ltd ATF Rosebery Super Fund	4,882,713	2.14
8. Trust Company Limited <ASIF A/c>	3,886,792	1.71
9. Bond Street Custodians Limited ACF Officium Property Fund	2,886,792	1.27
10. G & M Rees Investments Pty Ltd ATF G & M Rees Investments Trust	2,544,000	1.12
Total securities held by top 10 holders	158,211,488	69.53
Total ordinary fully paid securities	227,580,022	

C. SUBSTANTIAL SECURITYHOLDERS

Name of Security Holder	Number of Securities Held	Percentage of Issued Fully Paid Securities
Leyshon Group	94,939,062	41.72
Stirling Investments Pty Ltd ATF The Stirling Investment Trust	42,220,298	18.55
	137,159,360	60.27

D. VOTING RIGHTS

(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

E. UNQUOTED EQUITY SECURITIES AND RESTRICTED EQUITY SECURITIES

The Fund has no unquoted equity securities or restricted equity securities on issue.

F. APPENDIX 3

There are no material differences between the information in the Fund's Appendix 3 lodged on 13 September 2012 and the information in the financial documents in the Fund's Annual Report.

CORPORATE DIRECTORY

RESPONSIBLE ENTITY OF AUSTRALIAN PROPERTY GROWTH TRUST

APGF Management Limited

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AUSTRALIAN PROPERTY GROWTH FUND DIRECTORS

Neil Summerson (Chairman)

Geoff McMahon (Managing Director)

Bob Bryan

Scott Bryan

Ken Pickard

COMPANY SECRETARY

Geoff McMahon

Luis Garcia

STAPLED SECURITY HOLDER REGISTRY

APGF Management Limited

12 Creek Street, BRISBANE QLD 4000

AUDITORS

Ernst & Young

DISCLAIMER

Information in this report is provided without taking into consideration your objectives, financial situation or needs and is not intended as financial product advice or a recommendation. You should obtain independent financial advice before making any investment decision. Past performance is not indicative of future performance.

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