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To: NSX Announcements

Document Date: 14 March 2013

Classification: Interim Financial Report - 31 December 2012

**AUSTRALIAN PROPERTY GROWTH FUND (ARSN 109 093 816)**  
**NSX CODE: APF**

Australian Property Growth Fund's interim consolidated Financial Report for the half year ended 31 December 2012 is attached.

The interim consolidated Financial Report has been reviewed by Ernst & Young who have expressed an unqualified opinion.

The key features for the period include:

- Loss after tax of \$5 million;
- Net asset value per stapled security of 29.5 cents (after payment of 18.5 cents to investors on 2 November 2012);
- Sale of Blue Tower for \$241.6 million on 31 October 2012; and
- Major items that contributed to accounting loss were costs on disposal of Blue Tower of approximately \$3 million and the write down of tax losses of \$1.3 million.

The Investors' Report for the first half of 2012/13 will be released in April.



**Geoff McMahon**  
Managing Director

# **Australian Property Growth Fund**

**Interim Consolidated Financial Report  
for the half year ended 31 December 2012**

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

## **Fund Information**

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

APGT has a 100% ownership interest in Blue Tower Trust ("BTT").

APGL has a 100% ownership interest in:

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

APGL has a 99% ownership interest in:

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

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

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

A description of the Fund's operations and of its principal activities is included in the review of operations and activities in the Director's Report on pages 3 to 7.

**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 5  
12 Creek Street  
Brisbane QLD 4000  
Phone 61 7 3004 1222

### **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 half year ended 31 December 2012.

### **DIRECTORS**

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

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

Neil Edwin Summerson	(Non-executive Chairman)
Geoffrey Michael McMahon	(Managing Director)
Adriano Julius Cragnolini	(Executive Director) Resigned 28 September 2012
Kenneth Ross Pickard	(Non-executive Director) Appointed 28 September 2012

#### **APGL:**

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

### **COMPANY SECRETARY**

Geoffrey Michael McMahon and Luis Garcia are the company secretaries for both APGM and APGL.

### **FUND INFORMATION**

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

The Fund was created by the stapling of units issued by APGT to shares issued by APGL on 21 December 2004. The stapled securities are treated as one security and are quoted and traded together on the National Stock Exchange of Australia ('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'). On 16 November 2012 APGT acquired the remaining 0.01% ownership interest in BTT.

## Directors' Report (continued)

### FUND INFORMATION (continued)

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

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

APGL has a 99% ownership interest in:

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

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

The Fund's stapled security structure allows equity investors to derive income from passive property ownership supplemented by profits from property funds management and property development.

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 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" (sold in 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 m<sup>2</sup> 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 and retail property sectors;
- Palm Beach Plaza, Gold Coast Highway, Palm Beach, Gold Coast. This site is being developed into an approximate 5,000m<sup>2</sup> retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is planned to be developed in two stages over 2007 – 2016 with construction of stage one completed in June 2009; and
- Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales.

## Directors' Report (continued)

### FUND INFORMATION (continued)

#### OPERATING AND FINANCIAL REVIEW

##### Review of Operations

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

APGT's investment strategy is to invest in a quality portfolio of properties that are supported by long term rental income. During the half year ended 31 December 2012, APGT owned the following properties:

- 12 Creek Street, Brisbane – this 37 level 32,000sqm iconic commercial office building in Brisbane's CBD was sold on 31 October 2012 to Dexus for \$241.6 million with the proceeds used to reduce the Fund's debt and to make a payment to the Fund's investors; and
- 287-301 Collins Street, Melbourne (Royal Bank Chambers building) – built around 1940 this 13 level Art-Deco style sandstone building is situated in one of the most traditional Collins Street locations in Melbourne's CBD. The building was fully occupied by ANZ Bank until 31 December 2009 when ANZ vacated the nine upper floors. The property is being repositioned through refurbishment and re-leasing of the vacant floors. As at 31 December 2012, three of the nine upper floors were fully refurbished and leased.

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

During the half year ended 31 December 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 9,819m<sup>2</sup>, is to be developed into an approximate 5,000m<sup>2</sup> retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is being developed in two stages over 2007 – 2016, with construction of stage one completed in June 2009. As at 31 December 2012, 103 of the 104 stage one residential units have settled. Marketing of stage two has been deferred until a more favourable environment exists, with construction to commence after sufficient stage two pre-sales are achieved. The pre-sale stage two contracts that were entered into approximately three years ago are likely to be rescinded during 2013 as their respective three year sunset expiry dates are reached; and
- The Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales are residential land subdivisions substantially impacted by the fallout from the global financial crisis and the resultant downturn in the property development sector. Land in stage one of Springfield Meadows is currently being marketed for sale.

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

The property funds management business had approximately \$161 million in funds under management as at 31 December 2012 (30 June 2012: \$1.1 billion). The properties under management are located across Australia (including Brisbane, Sydney, Melbourne, Perth, Gold Coast, and the Hunter Region of New South Wales) and encompass investments in commercial office, industrial, and retail properties.

## Directors' Report (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### Review of Operations (continued)

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

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

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 interests of the Fund's investors. Management of the PFA Diversified 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.

#### Results

The net operating result of the Fund is presented in the Statement of Comprehensive Income. The net loss attributable to the security holders for the half year ended 31 December 2012 was \$5,018,000 (2011: \$10,512,000 loss). A summary of results for the period by operating segment is set out below.

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

The net loss attributable to the security holders from the property investment operations for the half year ended 31 December 2012 was \$1,996,000 (2011: \$7,941,000 profit).

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

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders from the property development operations for the half year ended 31 December 2012 is \$2,120,000 (2011: \$6,882,000 loss).

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

The net loss attributable to the security holders from the property funds management operations for the half year ended 31 December 2012 was \$902,000 (2011: \$11,571,000 loss). Included in the 2011 result a write-down of the goodwill arising on acquisition of the property funds management business of \$13,355,000, at 31 December 2011, the Directors assessed the recoverability of goodwill acquired through business combinations and determined recognition of an impairment loss is warranted given current market conditions and a reassessment of the property funds management business. Accordingly, goodwill has been fully impaired.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

### ROUNDING

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

## **Directors' Report (continued)**

### **OPERATING AND FINANCIAL REVIEW (continued)**

#### **AUDITOR INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 22.

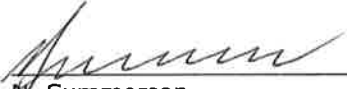
This statement is made in accordance with a resolution of the Directors of APGM as Trustee and Responsible Entity for APGT and the Directors of APGL.

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



G. McMahon  
Managing Director  
Brisbane, 14 March 2013

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



N. Summerson  
Chairman  
Brisbane, 14 March 2013



## Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

		Consolidated	
		31 December 2012 (\$000)	31 December 2011* (\$000)
Note			
	<b>Revenue</b>		
	Sales income	967	1,871
	Rental income	9,031	14,948
	Property funds management fee income	2,874	6,897
	Interest income	370	765
	Other income	38	440
	<b>Total Revenue</b>	<b>13,280</b>	<b>24,921</b>
	Revaluation increment/(decrement) on investment properties	(553)	4,847
	<b>Total Revenue and Revaluation Increment/(Decrement)</b>	<b>12,727</b>	<b>29,768</b>
	<b>Less Expenses</b>		
	Air conditioning expenses	232	323
	Audit fees	117	92
	Borrowing expenses	5,137	10,623
	Consultancy fees	853	724
	Derecognition of property funds management intangible assets	1,039	1,936
	Development costs expensed (incl cost of inventories sold)	1,419	2,998
	Electricity	193	161
	Goodwill impairment	-	13,355
	Impairment of property funds management intangible assets	79	48
	Insurance	174	125
	Land tax	316	385
	Leasing expenses	127	213
	Legal expenses	514	83
	Lift expenses	81	96
	Loss on disposal of assets	3,161	-
	Management fee expenses	994	597
	Personnel expenses	1,454	2,186
	Rates	457	626
	Recoverable outgoings	-	681
	Rent expenses	422	653
	Repairs and maintenance	134	194
	Other expenses	642	711
	<b>Total Expenses</b>	<b>17,545</b>	<b>36,810</b>
	(Loss)/Profit from operating activities before income tax	(4,818)	(7,042)
	<b>Income tax (expense)</b>	<b>(200)</b>	<b>(3,470)</b>
	<b>Net (Loss)/Profit from operating activities after income tax</b>	<b>(5,018)</b>	<b>(10,512)</b>
	<b>Total comprehensive income for the period</b>	<b>(5,018)</b>	<b>(10,512)</b>

\* Certain numbers shown here have been restated from the 2011 interim financial report (refer note 2(a)).

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

## Statement of Comprehensive Income (continued)

**FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

Note	Consolidated 31 December 2012 (\$000)	31 December 2011* (\$000)
<b>Profit/(Loss) after income tax attributable to security holders represents:</b>		
Earnings attributable to members of APGT	(4,139)	7,342
Loss attributable to members of APGL	(879)	(17,854)
Non-controlling interests		-
	<u>(5,018)</u>	<u>(10,512)</u>
<b>Total comprehensive income for the period represents:</b>		
Earnings attributable to members of APGT	(4,139)	7,342
Loss attributable to members of APGL	(879)	(17,854)
Non-controlling interests		-
	<u>(5,018)</u>	<u>(10,512)</u>
<b>Earnings per stapled security (cents)</b>		
- Basic earnings per stapled security	(2.2)	(4.6)
- Diluted earnings per stapled security	(2.2)	(4.6)

\* Certain numbers shown here have been restated from the 2011 interim financial report (refer note 2(a)).

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

## Statement of Financial Position

### AS AT 31 DECEMBER 2012

		<b>Consolidated</b>	
		<b>31 December 2012 (\$000)</b>	<b>30 June 2012 (\$000)</b>
<b>ASSETS</b>	<b>Note</b>		
<b>Current Assets</b>			
Cash and cash equivalents		4,584	6,911
Trade and other receivables		6,323	2,605
Inventory	9	1,200	602
Investment properties held directly	7	-	272,100
Other assets		360	199
<b>Total Current Assets</b>		<b>12,467</b>	<b>282,417</b>
<b>Non-Current Assets</b>			
Trade and other receivables		11,157	7,083
Inventory	9	28,252	29,817
Investment properties held directly	7	30,303	-
Plant and equipment		109	647
Investments		12	209
Property funds management intangible asset	10	2,884	12,806
Deferred tax asset		4,103	4,303
<b>Total Non-current Assets</b>		<b>76,820</b>	<b>54,865</b>
<b>TOTAL ASSETS</b>		<b>89,287</b>	<b>337,282</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		3,111	8,182
Borrowings and interest bearing loans	6	-	211,139
Provisions		531	699
<b>Total Current Liabilities</b>		<b>3,642</b>	<b>220,020</b>
<b>Non- Current Liabilities</b>			
Borrowings and interest bearing loans	6	15,514	-
Provisions		42	53
Other liabilities		3,000	3,000
<b>Total Non-current Liabilities</b>		<b>18,556</b>	<b>3,053</b>
<b>TOTAL LIABILITIES</b>		<b>22,198</b>	<b>223,073</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF</b>		<b>67,089</b>	<b>114,209</b>
<b>REPRESENTED BY:</b>			
<b>Attributable to members of APGL</b>			
Contributed equity	8	23,473	23,473
Accumulated losses		(55,720)	(54,841)
Total attributable to members of APGL		(32,247)	(31,368)
<b>Attributable to unitholders of APGT</b>			
Units on issue	8	128,914	171,016
Undistributed earnings		(29,578)	(25,449)
Total attributable to unitholders of APGT		99,336	145,567
Non-controlling interests		-	10
<b>TOTAL MEMBERS' INTERESTS</b>		<b>67,089</b>	<b>114,209</b>

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

## Statement of Changes in Security Holders' Interests

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Securities Issued (\$000)	Undistributed Income (\$000)	Other Reserves (\$000)	Non- controlling Interests (\$000)	Total (\$000)
<b>At 1 July 2011</b>	202,465	(54,106)	-	10	148,369
Loss for period	-	(10,512)	-	-	(10,512)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(10,512)	-	-	(10,512)
Distributions to security holders	(4,015)	-	-	-	(4,015)
<b>At 31 December 2011</b>	<b>198,450</b>	<b>(64,618)</b>	<b>-</b>	<b>10</b>	<b>133,842</b>
<b>At 1 July 2012</b>	194,489	(80,290)	-	10	114,209
Loss for period	-	(5,018)	-	-	(5,018)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(5,018)	-	-	(5,018)
Acquisition of non-controlling interest	-	10	-	(10)	-
Distributions to security holders	(42,102)	-	-	-	(42,102)
<b>At 31 December 2012</b>	<b>152,387</b>	<b>(85,298)</b>	<b>-</b>	<b>-</b>	<b>67,089</b>

	Note	Consolidated 31 December 2012	31 December 2011
<b>Capital Repayments/Distributions per stapled security (cents)</b>	5	18.5	1.8

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

## Statement of Cash Flows

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

		<b>Consolidated</b>	
		<b>31</b>	<b>31</b>
		<b>December</b>	<b>December</b>
		<b>2012</b>	<b>2011</b>
<b>Note</b>		<b>(\$000)</b>	<b>(\$000)</b>
<b>Cash flows from operating activities</b>			
		1,064	2,058
Receipt of sales income		6,445	8,030
Receipt of property funds management income		10,066	16,763
Receipt of rental income		(268)	(990)
Payment of Palm Beach Project development costs		(14,811)	(12,685)
Payments to other suppliers & employees		(5,562)	(10,691)
Interest and other Finance Costs Paid		3	46
Distributions Received		370	765
Interest received			
<b>Net cash flows from operating activities</b>		<b>(2,693)</b>	<b>3,296</b>
<b>Cash flows from investing activities</b>			
		5,000	-
Proceeds from sale of property funds management intangible asset		(32)	(89)
Payment for Property Plant and Equipment		-	(779)
Property additions to investment properties		235,312	-
Proceeds from sale of investment property		197	-
Proceeds from investments		(77)	1,422
(Payment)/repayment of advances to Syndicates			
<b>Net cash flows from investing activities</b>		<b>240,400</b>	<b>554</b>
<b>Cash flows from financing activities</b>			
		(44,083)	(3,994)
Capital Repayments/Distributions paid		(194,929)	(13,265)
Repayment of borrowings	6	10,700	(221)
Proceeds from/(repayment of) borrowings	6	1,350	15,500
Proceeds from borrowings - related parties	6	(13,000)	-
Repayment of borrowings - related parties	6	(72)	-
Payment of borrowing costs			
<b>Net cash flows used in financing activities</b>		<b>(240,034)</b>	<b>(1,980)</b>
Net (decrease)/increase in cash held		(2,327)	1,870
Cash and cash equivalents at beginning of the period		6,911	7,802
<b>Cash and cash equivalents at end of the period</b>		<b>4,584</b>	<b>9,672</b>

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

## Notes to the Financial Statements FOR THE HALF YEAR ENDED 31 DECEMBER 2012

### 1. CORPORATE INFORMATION

The Consolidated Financial Report of Australian Property Growth Fund ('APGF' or 'the Fund') for the half year ended 31 December 2012 was authorised for issue in accordance with a resolution of Directors on 5 March 2013.

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

This general purpose interim consolidated financial report for the half year ended 31 December 2012 has been prepared in accordance with the Trust's constitution, the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half year consolidated financial report has also been prepared on the basis of historical costs, except for investment properties and management fee assets which have been measured at fair value. The half year consolidated financial report is presented in Australian dollars. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

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

It is recommended that the half year consolidated financial report be read in conjunction with the annual report of the Fund for the year ended 30 June 2012 and considered together with any public announcements made by the Fund during the half year ended 31 December 2012 in accordance with the continuous disclosure obligations of the NSXA listing rules.

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

#### Change in accounting policy for recognition of Management Fee Asset

As at 30 June 2012, 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 impacted the statement of comprehensive income for the period ended 31 December 2011 by (\$567,000).

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(a) Basis of preparation (continued)**

Since 1 July 2012 the consolidated entity has adopted certain Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2012. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the consolidated entity. The Standards and Interpretations adopted are:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB1, 5, 7, 101, 112, 112, 120, 121, 132, 133, 134, 1039 & 1049]
- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]

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

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

#### 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.

<b>Operating Segments</b>	<b>Property Investment</b>	<b>Property Funds Mgmt</b>	<b>Property Development</b>	<b>Total</b>
<b>31 December 2012</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
<b>Revenue</b>				
Sales income	-	-	967	967
Rental income	8,270	-	761	9,031
Property funds management fee income	-	2,874	-	2,874
Interest income	74	170	126	370
Other income	-	38	-	38
<b>Total Revenue</b>	<b>8,344</b>	<b>3,082</b>	<b>1,854</b>	<b>13,280</b>
<b>Result</b>				
Segment result before impairment and interest expense	2,832	261	(1,103)	1,990
Less: Revaluation decrement on investment property	(553)	-	-	(553)
Less: Derecognition of intangible asset	-	(1,039)	-	(1,039)
Less: Impairment of intangible asset	-	(79)	-	(79)
Less: Interest expense	(4,275)	(420)	(442)	(5,137)
Segment result before income tax expense	(1,996)	(1,277)	(1,545)	(4,818)
Income tax expense/(benefit)	-	(375)	575	200
<b>Net Profit/(loss)</b>	<b>(1,996)</b>	<b>(902)</b>	<b>(2,120)</b>	<b>(5,018)</b>
<b>Assets</b>				
Segment assets as at 31 December 2012	39,405	12,506	37,376	89,287
<b>Total Assets</b>	<b>39,405</b>	<b>12,506</b>	<b>37,376</b>	<b>89,287</b>
<b>Liabilities</b>				
Segment liabilities as at 31 December 2012	12,014	3,200	6,984	22,198
<b>Total Liabilities</b>	<b>12,014</b>	<b>3,200</b>	<b>6,984</b>	<b>22,198</b>



## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

#### 3. OPERATING SEGMENTS (continued)

Operating Segments	Property Investment (\$000)	Property Funds Mgmt (\$000)	Property Development (\$000)	Total (\$000)
<b>31 December 2011</b>				
<b>Revenue</b>				
Sales income	-	-	1,871	1,871
Rental income	14,032	-	916	14,948
Property funds management fee income	-	6,897	-	6,897
Interest income	153	289	323	765
Other income	125	315	-	440
<b>Total Revenue</b>	<b>14,310</b>	<b>7,501</b>	<b>3,110</b>	<b>24,921</b>
<b>Result</b>				
Result before fair value movements, impairments and interest expense	11,767	6,293	(3,987)	14,073
Add: Revaluation increment on investment properties	4,847	-	-	4,847
Less: Derecognition of intangible asset	-	(1,936)	-	(1,936)
Less: impairment of intangible asset	-	(48)	-	(48)
Less: Goodwill expense	-	(13,355)	-	(13,355)
Less: Interest expense	(8,673)	(1,740)	(210)	(10,623)
Result before income tax expense	7,941	(10,786)	(4,197)	(7,042)
Income tax (expense)/benefit	-	(785)	(2,685)	(3,470)
<b>Net Profit/(loss)</b>	<b>7,941</b>	<b>(11,571)</b>	<b>(6,882)</b>	<b>(10,512)</b>
<b>Assets</b>				
Segment Assets as at 30 June 2012	281,610	17,298	38,374	337,282
<b>Total Assets</b>	<b>281,610</b>	<b>17,298</b>	<b>38,374</b>	<b>337,282</b>
<b>Liabilities</b>				
Segment Liabilities as at 30 June 2012	178,892	18,759	25,422	223,073
<b>Total Liabilities</b>	<b>178,892</b>	<b>18,759</b>	<b>25,422</b>	<b>223,073</b>

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

#### 4. EXPENSES

	Consolidated	
	2012 (\$'000)	2011 (\$'000)
Depreciation of plant and equipment	37	42
Loss on disposal of assets		
Loss on disposal of property plant and equipment	532	-
Gain on sale of property funds management asset	(509)	-
Loss on disposal of investment property	3,138	-
Total loss on disposal of assets	3,161	-
Borrowing expenses		
Interest and finance charges paid or payable to:		
Other parties	4,811	10,400
Amortisation of borrowing costs	326	223
Total borrowing expenses	5,137	10,623
Development costs expensed (incl cost of inventories sold)		
Palm Beach project		
Borrowing costs	-	355
Selling and marketing costs	268	184
Cost of inventories sold	602	1,747
Total Palm Beach Project	870	2,286
Other projects		
Springfield Meadows and Dolphin Point, Ulladulla properties	184	493
Cost of inventories sold	365	219
Total Other projects	549	712
Total development costs expensed (incl cost of inventories sold)	1,419	2,998
Impairment loss – goodwill *	-	13,355
Income tax expense **	200	3,470

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

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

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

5. CAPITAL REPAYMENTS/DISTRIBUTIONS/DIVIDENDS PAID OR PROPOSED	Consolidated	
	2012 (\$000)	2011 (\$000)
Distributions declared or paid during the half year by APGT totalling 18.5 cents (2011: 1.76 cents) per stapled security:		
(a) Capital repayment during the half year	42,102	2,008
(b) Distributions provided for during the half year	-	2,007
	<hr/>	<hr/>
	42,102	4,015

No dividends were paid or proposed during the period by APGL (2011: Nil).

### 6. BORROWINGS AND INTEREST-BEARING LOANS

APGF had the following significant transactions involving borrowings and interest bearing loans during the half year:

- Proceeds received from sales of residential units at the Palm Beach Project were used to partially repay the facility provided by St George Bank Limited in respect of that project (\$628,000). A repayment of \$3,820,000 upon the sale of Creek Street, and a further advance from St George of \$500,000 reduced the balance of the facility from \$7,448,000 at 30 June 2012 to \$3,500,000 at 31 December 2012. The expiry date of this facility was extended to 31 December 2015.
- St George Bank Limited loan in respect of the Springfield project was reduced by \$6,479,000 in October 2012 leaving a balance of \$Nil at 31 December 2012.
- Repayments of \$16,200,000 were made during the period on a facility provided by Suncorp Metway Limited reducing the facility's outstanding balance from \$16,200,000 at 30 June 2012 to \$Nil at 31 December 2012.
- The Collins Street facility with Suncorp Metway Limited was \$18,300,000 at 30 June 2012. This loan was fully repaid in December 2012. A new loan was established in December 2012 with St George Bank Limited for \$11,330,000 with an expiry date of 31 December 2015. A drawdown of \$10,700,000 was made in December 2012 with a capital works allowance of \$630,000 available for Drawdown as works are completed in 2013.
- The balance of the facility provided by ANZ Banking group was \$150,000,000 at 30 June 2012. The property was sold on 31 October 2012 and the loan was fully repaid with a \$Nil balance at 31 December 2012.
- The borrowing of \$10,000,000 from the Bryan Family Foundation Limited atf The Bryan Foundation was repaid in full on 31 October 2012.
- The borrowing of \$3,000,000 from Glendower Investments Pty Ltd atf Glendower Investments Superannuation Fund was repaid in full on 31 October 2012.
- An unsecured interest bearing loan of \$850,000 was provided by Leyshon Pty Ltd on 17 October 2012.
- An unsecured interest bearing loan of \$500,000 was provided by G & M Rees Investments Pty Ltd atf G & M Rees Investment Trust on 3 December 2012.

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

### 7. INVESTMENT PROPERTIES HELD DIRECTLY

	<b>Consolidated</b>	
	<b>31</b>	<b>30</b>
	<b>December</b>	<b>June</b>
	<b>2012</b>	<b>2012</b>
	<b>(\$000)</b>	<b>(\$000)</b>
Current	-	272,100
Non-current	30,303	-
Total	30,303	272,100

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

#### (a) Reconciliation of Carrying Amounts

	<b>Consolidated</b>	
	<b>Six</b>	<b>Twelve</b>
	<b>months to</b>	<b>months to</b>
	<b>31</b>	<b>30</b>
	<b>December</b>	<b>June</b>
	<b>2012</b>	<b>2012</b>
	<b>(\$000)</b>	<b>(\$000)</b>
Reconciliation of carrying amounts of property investments		
Opening balance at start of period/year	272,100	330,275
Additions	758	2,017
Disposals	(241,600)	(51,953)
Amortisation	(288)	(176)
Leasing fees expensed	(114)	(503)
Net gain/(loss) from fair value adjustments	(553)	(7,560)
Closing balance at end of period/year	30,303	272,100

The Fund sold the commercial office building on 12 Creek Street, Brisbane, which was settled on 31 October 2012, to Dexus for \$241.6 million. The proceeds included the escrow warranty provision of \$5 million, and management expects to receive \$4.8 million within 12 months from the settlement date with the residual balances to be released over the next two years. Accordingly, management recorded \$4.8 million as current receivable as at 31 December 2012. At the end of the escrow period (31 October 2015), the residual escrow funds will be released in accordance with the terms of the contract.

#### (b) Details of Property Valuations at 31 December 2012

				<b>Latest Independent Valuation*</b>	
<b>Property Description</b>	<b>Date Acquired</b>	<b>Cost and additions to 31 December 2012 (\$000)</b>	<b>Book value at 31 December 2012 (\$000)</b>	<b>Valuation (\$000)</b>	<b>Date of Valuation</b>
287-301 Collins Street, Melbourne	04/10/2007	\$37,351	\$30,303	** \$30,700	30/11/2012

\* Latest Independent Valuations were performed by Charter Keck Cramer and are based on fair values as assessed using a fair market value approach between a willing buyer and seller.

\*\* The Latest Independent Valuation of \$30,700,000 considers capital expenditure required on the investment property of \$750,000 of which \$353,000 has already been included.

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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

Fair value at 31 December 2012 as assessed by the APGM Directors in accordance with AASB 140 *Investment Property*. The Directors' valuations have been prepared with consideration given to market sentiment, the passing income and initial yield and fully leased yield basis after taking into account current market conditions and comparable sales evidence if available. The independent valuations as at 31 December 2012 are based on initial yields for Collins Street, Melbourne of 6.75% (30 June 2012: 6.50%).

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.

#### 8. ISSUED SECURITIES

	Consolidated		Consolidated	
	31 December 2012 Number	31 December 2012 (\$000)	30 June 2012 Number	30 June 2012 (\$000)
Units issued in APGT (i)	227,580,022	128,914	227,580,022	171,016
Shares issued in APGL (ii)	227,580,022	23,473	227,580,022	23,473
		152,387		194,489

(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 2011	227,580,022	178,992	227,580,022	23,473
Capital distributions during the period		(4,015)		-
At 31 December 2011	227,580,022	174,977	227,580,022	23,473
Capital distributions during the period		-		-
At 30 June 2012	227,580,022	171,016	227,580,022	23,473
Capital distributions during the period		(42,102)		-
At 31 December 2012	227,580,022	128,914	227,580,022	23,473

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

#### 9. INVENTORY

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

The Palm Beach Project is classified as a non-current asset as the sale of the remaining unit in Stage 1 of the project and the future development of Stage 2 of the Palm Beach project site is expected to occur over the longer term.

#### 10. PROPERTY FUNDS MANAGEMENT INTANGIBLE ASSET

	31 December 2012 (\$000)	30 June 2012 (\$000)
Current	-	-
Non-Current	2,884	12,806
Total	2,884	12,806
Opening balance	12,806	16,488
Impairment	(79)	(716)
Derecognised	(1,039)	(2,966)
Disposal*	(8,804)	-
Closing balance	2,884	12,806

- \* Management of the PFA Diversified 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. The gain on disposal of \$509,000 was recognised in the statement of comprehensive income for the half year ended 31 December 2012 (note 4). The receivable has been discounted by \$489,000 in accordance with the accounting standards and is disclosed as current (\$440,000) and non-current (\$3,871,000) based on estimated payment timing.

#### 11. CAPITAL COMMITMENTS AND CONTINGENCIES

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

- bank guarantees at 31 December 2012 are \$117,000 (30 June 2012: \$37,500). These guarantees are secured by cash accounts held with the bank.
- capital commitments for the remaining refurbishment costs of 287-301 Collins St, Melbourne 31 December 2012 are \$439,000 (30 June 2012: \$nil).
- rent guarantee provided to Dexu on the sale of 12 Creek St, Brisbane and not accrued for in the accounts of \$468,000 (30 June 2012: \$nil)

#### 12. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

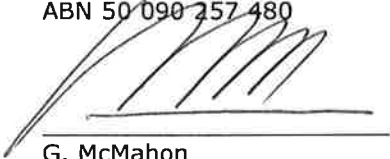
The Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

## Directors' Declaration

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

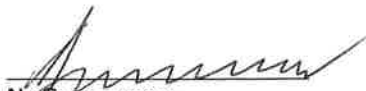
- (a) the financial statements and notes of the consolidated entity set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



G. McMahon  
Managing Director  
Brisbane, 14 March 2013

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



N. Summerson  
Chairman  
Brisbane 14 March 2013

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

In relation to our review of the financial report of APGF Management Limited for the half-year ended 31 December 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 blue ink signature of the Ernst & Young firm, written in a cursive style.

Ernst & Young

A blue ink signature of Mark Hayward, written in a cursive style.

Mark Hayward  
Partner

14 March 2013



To the security holders of APGF Management Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APGF Management Limited (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund"), which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in security holders' interests and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the half-year end or from time to time during the half-year.

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

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Property Growth Trust and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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

## Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

A handwritten signature in blue ink that reads 'Mark Hayward'.

Mark Hayward  
Partner  
Brisbane  
14 March 2013