

Level 5, 12 Creek Street  
Brisbane Qld 4000  
GPO Box 3119  
Brisbane Qld 4001

**T:** 07 3004 1222

**F:** 07 3003 0122

**E:** [info@apgf.com.au](mailto:info@apgf.com.au)

**W:** [www.apgf.com.au](http://www.apgf.com.au)

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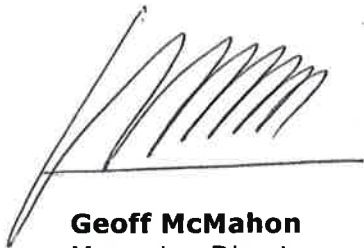
**AUSTRALIAN PROPERTY GROWTH FUND (ARSN 109 093 816)**  
**NSX CODE: APF**

Attached is a Prospectus which was lodged with ASIC on 27 March 2013 for the proposed issue of one Preference Share for each unit in Australian Property Growth Trust currently held by members at an issue price of 18 cents per Preference Share.

APGF is proposing the Preference Share Issue in conjunction with a Partial Off-market Buy Back as an opportunity to accelerate the return of some further funds to investors as part of the gradual winding down of APGF.

Due to timing restrictions, the Prospectus was required to be lodged at ASIC and NSX before the Notice of Meetings and Explanatory Memorandum (the documentation) were finalised. APGF investors will receive this documentation in the coming weeks and it will provide investors with full details of these proposed transactions. Investors will have the opportunity to vote on a number of resolutions at upcoming investors' meetings.

**APGF investors should take no action until they receive the documentation.**



**Geoff McMahon**  
Managing Director

## **Prospectus**

**For the proposed issue of one Preference Share for each Unit in the Australian Property Growth Trust currently held by Members at an issue price of 18 cents per Preference Share**

**Australian Property Growth Limited ACN 111 628 589**

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## IMPORTANT NOTICES

Some terms used in this Prospectus are defined in the Glossary.

This Prospectus is dated 27 March 2013. A copy of this Prospectus was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Preference Shares will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on 26 April 2014.

**The offer is only available to existing members of APGL.** The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus is not an offer in any place where, or to any person to whom, it would not be lawful to make the offer.

No person is authorised to give any information or make representations about the offer, which is not contained in this Prospectus. Information or representations not contained in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the offer.

This Prospectus provides information for Members to decide if they wish receive the Preference Shares. Members should read this document in its entirety. Examine the risk factors that could affect the financial performance of APGL. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The offer does not take into account the investment objectives, financial situation or needs of particular investors.

Applications for Preference Shares may only be made on the Application Form attached to this Prospectus.

**Members are not required to complete and return the Application Form. The Resolutions if approved authorise APGL Management Limited to complete and return applications on behalf of all Members.**

Under the Corporations Act APGL must not process Application Forms during the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for up to a further seven days. This exposure period enables the Prospectus to be examined by market participants. Application Forms received during the exposure period will not be processed until after the expiry of that period. No preference will be given to Application Forms received during the exposure period. The offer will only commence if the Resolutions are passed at the meetings.

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

## 1 Investment summary

### 1.1 Important information

The proposed Preference Share issue requires Member approval at meetings to be held in May/June 2013. Members are encouraged to read the Chairman and Managing Director's Letter as contained in the Explanatory Memorandum which will accompany the Notices of Meetings as it is an executive summary of the proposals.

The Preference Shares will only be offered and issued to Members who hold Units in Trust, provided all the Resolutions at the Meetings are passed.

<b>Issue Price per Preference Share</b>	18 cents (the Preference Shares are being issued as fully paid and Members are not required to pay any money to receive these Preference Shares)
<b>Number of Preference Shares issued</b>	There will be a total of 227,580,022 Preference Shares issued. For each Unit currently held by a Member, they will receive one Preference Share.
<b>Timing</b>	Immediately after the Meetings assuming all the Resolutions are passed.
<b>Terms</b>	<p><b>Dividends</b> - The holders of Preference Shares are entitled to receive all future dividends of the Company in preference to the holders of ordinary shares. There is no set dividend rate payable on the Preference Shares. As a result, the ordinary shares will have no commercial value.</p> <p><b>Priority</b> - The Preference Shares rank ahead of ordinary shares for dividends and repayment of capital.</p> <p><b>Voting</b> - The holders of Preference Shares are entitled to attend and vote at any meeting of the Company on the basis of one vote for each Preference Share held.</p> <p>Additional terms are set out in section 2.2.</p>

### 1.2 Important dates

<b>Event</b>	<b>Date</b>
Prospectus date	27 March 2013
Offer opens (the offer only opens if the Resolutions are all approved)	Immediately after the Meetings
Offer closes (Preference Shares will be issued to persons who are Members on the date the offer closes)	Seven days after the Meetings
Anticipated date of allotment	Immediately after the offer closes.
Shareholding statements expected to be dispatched	Within ten Business Days of the offer closing.

**All dates and times are subject to change and are indicative only. All times are AEST. Subject to the law, the Company reserves the right to vary these dates and times without prior notice.**

## 2 Description of the offer

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### 2.1 Introduction

APGF is now winding down and the Directors are conducting an orderly realisation of the assets of the Trust and Company.

When APGF was established the majority of the capital raised was represented by the issue of Units in the Trust. Over time, the Trust lent money to the Company so the Company could acquire and develop its property assets. The nature of the Trust assets allows income to flow through and be taxed in the hands of Members. The development nature of the Company's assets means profits are taxed in the Company and dividends paid to Members.

Because Members hold both Units in the Trust and ordinary shares in the Company, which are stapled, the Trust is able to lend money (as required) to the Company on non-commercial terms for the benefit of all Members.

With the orderly realisation of the assets of the Trust and Company it is appropriate to unwind these loan arrangements. The most effective way of unwinding the loan from the Trust to the Company is by the issue of Preference Shares to Members.

The loan balance as at 31 December 2012 was approximately \$88 million. APGF will write off approximately \$47 million owing to the Trust by the Company with the remaining approximately \$41 million converting to Preference Shares at an issue price of 18 cents per Preference Share and issued directly to Members of the Trust. The Preference Share issue will represent a non-cash distribution entitlement from the Trust to Members from the Blue Tower sale. No cash consideration is required to be paid by Members for the issue of the Preference Shares.

### 2.2 Preference Shares

Once the sale of 287 Collins Street Melbourne (**Collins Street**) is complete there will remain minimal assets in the Trust and once these assets are distributed, it is the intention of the Directors to wind up the Trust. Members will be advised of this at the appropriate time.

In the interim the loans made by the Trust to the Company must be dealt with. Ultimately the Members of the Trust are also shareholders of the Company so in effect the loans are owed by the Members to themselves. The loan balance results in the proposed Preference Share issue price of approximately 18 cents.

The most efficient mechanism for unwinding the loan arrangements is for the loans owed by the Company to the Trust to be effectively converted to Preference Shares and those Preference Shares be issued directly to the Members as Members of the Trust.

The terms of issue of the Preference Shares are:

- (a) **Issue price** - The issue price of each Preference Share is 18 cents (no cash consideration is required to be paid by Members). The 18 cents is calculated as the approximately \$41 million owing by the Company to the Trust divided by 227,580,022 Preference Shares;
- (b) **Number of Preference Shares Issued** - The number of Preference Shares to be issued are 227,580,022. This is equivalent to the number of Stapled Securities currently on issue. Therefore if a Member has 10,000 Stapled Securities (being 10,000 units in the Trust and 10,000 fully paid ordinary shares in the Company, stapled) the Member will receive 10,000 Preference Shares.
- (c) **Dividends** - The holders of Preference Shares are entitled to receive all future dividends of the Company in preference to the holders of ordinary shares. Therefore, no matter how many ordinary shares in the Company a Member holds after the issue of the Preference Shares the ordinary shares will no longer be entitled to receive any dividends

paid by the Company. As a result, the ordinary shares are unlikely to have any commercial value after the issue of the Preference Shares.

- (d) **Dividend Rate** - There is no set dividend rate payable on the Preference Shares.
- (e) **Priority** - The Company must not, without prior approval of a special resolution passed at a separate meeting of holders of Preference Shares:
  - (i) declare, determine to pay or pay a cash dividend or make any distribution on any share capital which ranks in priority to the Preference Shares for participation in profits; or
  - (ii) other than the current proposed Partial Off-market Buyback, redeem, reduce, cancel or buy back for any consideration any issued shares of the Company other than Preference Shares.
- (f) **Ranking** - The Preference Shares rank ahead of ordinary shares and any other classes of shares or classes of preference shares for the payment of any dividends and for a return of capital (not exceeding, as regards return of capital, the amount of the issue price) on a winding up of the Company. The Preference Shares rank behind all other creditors of the Company.
- (g) **Voting** - The holders of Preference Shares are entitled to notices of meetings of the Company, to attend and vote at any meeting of the Company. On a vote a Preference Share holder has one vote for each Preference Share held.
- (h) **Rights on a winding up of the Company**- Upon any return of capital on winding-up of the Company, the holders of Preference Shares are entitled to receive an amount up to the value of the issue price of the Preference Shares. Thereafter if there is any surplus in the Company the holders of Preference Shares are entitled to receive that surplus which is likely to be paid as franked dividends. For the avoidance of doubt, as a consequence of the issue of the Preference Shares the holders of ordinary shares are not entitled to any future dividends or for a return of their capital on a winding up of the Company and as a result the ordinary shares will have no commercial value.
- (i) **New issues** - No Preference Share confers any right to the holder thereof to participate in issues of new securities (including bonus issues, options or rights to the holder).
- (j) **Transferability** - The Preference Shares are only transferable if the transferee first has the prior written consent of all the Directors. The Preference Shares are not to be listed on NSX and are not stapled to the Stapled Securities.

## 2.3 Preference Share holding

The total number of Preference Shares to be issued is 227,580,022. The Preference Share holding of the top 10 Members on the issue of the Preference Shares will be the same as that disclosed for the current Stapled Security holding as contained in section 7.

## 2.4 Taxation considerations

Refer to section 6.

## 2.5 Other information

No Preference Shares will be issued on the basis of this document more than 13 months after the date of this document. A copy of this document has been lodged with ASIC. ASIC takes no responsibility for the content of this document.

## 2.6 Allocation of Preference Shares

Preference Shares will be allocated on the basis of one Preference Share for each Unit held by a Member on the date the offer closes.

## **2.7 Specific risks**

The Company faces a number of specific risks including:

- (a) dependence on key personnel;
- (b) changes in the property market;
- (c) planning risk;
- (d) development risk; and
- (e) time to realise its investments.

For further details please see section 5.

## **2.8 Underwriting**

The offer is not underwritten.

### 3 APGL - the business

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#### 3.1 Introduction

APGF is a stapled structure and comprises the following two entities and their controlled entities:

- Australian Property Growth Limited ACN 111 628 589 (**Company**); and
- Australian Property Growth Trust ARSN 109 093 816 (**Trust**).

APGF Management Limited ACN 090 257 480 (**Responsible Entity**) is the responsible entity of the Trust and is a wholly owned subsidiary of the Company.

The issued ordinary units of the Trust and the issued ordinary shares of the Company are stapled together and quoted jointly on the National Stock Exchange (**NSX**) and are referred to as Stapled Securities. As a result each ordinary unit and ordinary share cannot be traded separately.

The Trust 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 Meetings held on 20 December 2007 and 28 November 2008. On 19 September 2006, the Trust acquired a 99.99% ownership interest in Blue Tower Trust and the remaining 0.01% on 16 November 2012.

The Company was incorporated on 2 November 2004 and issued shares under a Prospectus and Product Disclosure Statements. The Company has a 100% ownership interest in:

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

APGF's Stapled Security structure allows Members to derive income from passive property ownership (Blue Tower (sold October 2012), Concord Campus (sold May 2012), Collins Street) supplemented by returns from property funds management and property development (Palm Beach, Ulladulla).

APGF 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.

#### 3.2 APGF operations

APGF's operations are now in an orderly wind down. Most of APGF's property funds management assets have been sold, there remains one commercial property (Collins Street) in the Trust and the residual property development business in the Company with property development assets at Palm Beach and Ulladulla.

#### 3.3 Palm Beach

Pavilions Palm Beach is Palm Beach's first major urban renewal development, combining the best of beachside apartment living with a quality dining and retail precinct below.

In May 2005, APGF's development company acquired the Palm Beach Plaza Shopping Centre for approximately \$11.1 million, comprising a 9,800 square metre development site bounded by the Gold Coast Highway, Fourth and Fifth Avenues and is just 100 metres from Palm Beach, Queensland.



Pavilions Palm Beach is set to become the newest cosmopolitan address at Palm Beach with approximately 200 apartments spread throughout two distinct towers together with a 5,000 square metre retail and recreational precinct.

Stage 1, comprising 104 residential apartments and the main part of the shopping centre is now complete, fully sold and leased as at the date of this Prospectus. The manager's apartment has been withheld from sale pending completion of Stage 2. In the retail centre on the ground level of Stage 1 is a full service Coles Supermarket, Liquorland, pharmacy, newsagent, baker, hair and beauty salon, dry cleaner, shoe repairer and European-style cafe.

Stage 2 of the project will include approximately 100 residential apartments along with a number of new retail shops designed with an alfresco dining component featuring indoor-outdoor restaurants and cafes. This boutique new shopping and dining precinct will be unique in the Palm Beach area and will cement Pavilions Palm Beach as the prestige destination of the southern Gold Coast. Construction of Stage 2 will commence once sufficient pre-sales and pre-leasing have been secured.

### **3.4 Springfield Meadows Ulladulla**

APGF owns a residential land subdivision project known as "Springfield Meadows" at Ulladulla which is on the South Coast of New South Wales, approximately three hours drive from Sydney.

The Springfield Meadows estate consists of a 13.8 hectare residential zoned land parcel. It has a current development approval for the subdivision of the land into 102 lots.

The 63 residential lots in Stage 1 of the subdivision have been constructed and completed and are currently being marketed for sale. As at the date of this Prospectus 17 lots have been sold and settled and a further 6 lots are under contract or expression of interest. Stage 2 of the project has been partially constructed and will be completed following the sale of the majority of the Stage 1 lots.

### **3.5 Dolphin Point Ulladulla**

APGF owns a residential land subdivision project known as "Dolphin Point" at Ulladulla which is on the South Coast of New South Wales.

The Dolphin Point estate consists of a 38.5 hectare land parcel. It has a current development approval for the subdivision of the land into approximately 225 lots. Zoning of the land is predominantly for residential use but also includes some commercial and business zonings.

The land, which was previously a dairy farm, is cleared and features a lake. It enjoys northeast to southeast views from its gently-sloping terrain.

Development of Stage 1 of the Dolphin Point land (approximately 12 lots) is scheduled to commence in late 2012.

### **3.6 APGF Directors**

The Directors of the Company are:

- Geoffrey Michael McMahon, Managing Director;
- Neil Edwin Summerson, Chairman, non-executive director;
- Robert Bryan, non-executive director;
- Scott Edward Bryan, non-executive director; and
- Kenneth Ross Pickard, non-executive director.

## 4 Financial information

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### 4.1 Overview

The impact of the Preference Share issue and the Partial Off-market Buyback (if both proceed) on APGF will be as follows. Assuming a total of 91,032,009 Stapled Securities at the buyback price of 9.36 cents per Stapled Security at a total cost to APGF of approximately \$8.5 million:

<b>NAV per Stapled Security</b>	The Partial Off-market Buyback will increase the Pro-forma NAV per Stapled Security from 10.40 cents to 11.06 cents, assuming 91,032,009 Stapled Securities are bought back.
<b>Cash reserves</b>	The Partial Off-market Buyback will have no material impact on APGF's forecast total cash holdings.
<b>Number of Stapled Securities on issue</b>	As at the date of this Prospectus APGF has 227,580,022 Stapled Securities on issue. Following completion of the Partial Off-market Buyback, APGF will have 136,548,013 Stapled Securities on issue, assuming the maximum 91,032,009 Stapled Securities are bought back. There will, in addition be 227,580,022 Preference Shares on issue following the passing of all the Resolutions and the issue of the Preference Shares.
<b>Finance Facility</b>	APGF's financier, has not objected to the issue of the Preference Shares and the Partial Off-market Buyback. Further, APGF's banking facilities do not expire until December 2015. APGF will ensure that, upon completion of the Partial Off-market Buyback, it continues to comply with its banking covenants.
<b>Business operations</b>	The Partial Off-market Buyback will not have any material impact on APGF's operations or assets.
<b>Franking credits</b>	The Partial Off-market Buyback will not result in any reduction of the Company's franking account.
<b>Loan from the Leyshon Group and the Directors</b>	<p>In order to maximise the size of the Partial Off-market Buyback available to all Members, the Leyshon Group and the Directors have agreed to provide an unsecured loan up to \$8.5 million to the Trust. The terms of the loan are:</p> <ul style="list-style-type: none"><li>• an interest rate of 10% per annum;</li><li>• interest may be capitalised at the option of the Responsible Entity;</li><li>• the loan is initially for a period of 12 months unless otherwise agreed by both parties; and</li><li>• the loan is unsecured.</li></ul> <p>The above terms have been assessed by the Directors as on commercial arms-length terms. The Trust could not obtain a \$8.5 million unsecured loan on more favourable terms. The Trust's current secured financier would not provide additional funding to the Trust and is currently being paid an interest rate of 5.6% per annum for its loan secured by registered first mortgages. The interest rate differential reflects the different security and ranking of the loans. There is also no upfront establishment fee payable on the loan from the Leyshon Group and the Directors.</p>

## 4.2 Pro forma Balance Sheet of APGF

Detailed below are the balance sheets of the Trust, Company and APGF Consolidated as at 31 December 2012 and after the issue of the Preference Shares and the Partial Off-market Buyback (pro forma).

	31 December 2012			Pro forma – Post Preference Share issue and Partial Off-market Buyback		
	Trust (\$,000)	Company (\$,000)	APGF Consolidated (\$,000)	Trust (\$,000)	Company (\$,000)	APGF Consolidated (\$,000)
<b>Assets</b>						
Cash	419	4,166	<b>4,585</b>	169	4,166	<b>4,335</b>
Prepayments	262	97	<b>359</b>	262	97	<b>359</b>
Blue Tower retention amounts	5,467	-	<b>5,467</b>	5,467	-	<b>5,467</b>
Receivables - APGL	3,693	-	-	-	-	-
Receivables - APGT & BTT	-	7,686	-	-	-	-
Other receivables	179	12,752	<b>12,931</b>	179	12,752	<b>12,931</b>
Palm Beach - inventory	-	19,399	<b>19,399</b>	-	19,399	<b>19,399</b>
Ulladulla - inventory	-	10,053	<b>10,053</b>	-	10,053	<b>10,053</b>
PPE	-	109	<b>109</b>	-	109	<b>109</b>
Management fee assets	-	2,884	<b>2,884</b>	-	2,884	<b>2,884</b>
Investments	-	12	<b>12</b>	-	12	<b>12</b>
APGT to APGL Loan	33,696	-	-	-	-	-
BTT to APGL Loan	58,601	-	-	-	-	-
Collins Street	30,303	-	<b>30,303</b>	30,303	-	<b>30,303</b>
Deferred tax asset	-	4,103	<b>4,103</b>	-	-	-
<b>Total Assets</b>	<b>132,620</b>	<b>61,261</b>	<b>90,205</b>	<b>36,380</b>	<b>49,472</b>	<b>85,852</b>
<b>Liabilities</b>						
Payables - APGL	(7,686)	-	-	-	-	-
Payables - APGT & BTT	-	(3,693)	-	-	-	-
Other payables	(868)	(3,093)	<b>(3,961)</b>	(868)	(3,093)	<b>(3,961)</b>
APGT to APGL Loan	-	(33,696)	-	-	-	-
BTT to APGL Loan	-	(58,601)	-	-	-	-
Loan for Collins Street	(10,700)	-	<b>(10,700)</b>	(10,700)	-	<b>(10,700)</b>
Loans for Palm Beach	-	(6,498)	<b>(6,498)</b>	-	(6,498)	<b>(6,498)</b>
Related party loans	(1,350)	-	<b>(1,350)</b>	(9,874)	-	<b>(9,874)</b>
Other	(34)	-	<b>(34)</b>	(34)	-	<b>(34)</b>
Leave provisions	-	(573)	<b>(573)</b>	-	(573)	<b>(573)</b>
<b>Total Liabilities</b>	<b>(20,638)</b>	<b>(106,154)</b>	<b>(23,116)</b>	<b>(21,476)</b>	<b>(10,164)</b>	<b>(31,640)</b>
<b>Net Assets</b>	<b>111,982</b>	<b>(44,893)</b>	<b>67,089</b>	<b>14,904</b>	<b>39,308</b>	<b>54,212</b>

## 4.3 Financial forecast

The Company is conducting an orderly realisation of its assets which includes Palm Beach and Ulladulla. The Directors are of the view (in the current uncertain property market) they are unable to provide any meaningful guidance on the likely financial performance of the Company in the near future.

It is the intention of the Directors that the Company reduce risks, minimise expenditure and only proceed to further develop (if at all) Palm Beach and Ulladulla when the property market improves. If the property market does not improve in the medium term, then Palm Beach and/or Ulladulla may be sold as is and the Company thereafter wound up.

#### **4.4 Incorporation by reference**

The following documents are or will be available (at the date this Prospectus is distributed to Members) from ASIC or the Company and are incorporated into and form part of this Prospectus:

- Notices of Meetings and Explanatory Memorandum for the Company and Trust for the proposed issue of Preference Shares and Partial Off-market Buyback;
- Interim Consolidated Financial Report for APGF for the Half Year ended 31 December 2012;
- 2012 AGM Chairman's Address;
- 2012 AGM Managing Director's Presentation; and
- 2011/12 Annual Report which includes the financial statements for APGF.

These documents are likely to be of interest to Members and their advisers.

## **5 Risk factors**

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### **5.1 Factors influencing success and risk**

#### **Introduction**

This section identifies the areas that the Directors believe to be the major risks associated with the issue of Preference Shares.

It should be noted that all Members are currently shareholders of APGL and are therefore well aware of the current risk factors associated with the Company.

The APGL business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these might affect the future operating performance of APGL and the value of an investment in the Company. There can be no guarantee that APGL will achieve its stated objectives. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on APGL's operating performance and profits, and the value of the Preference Shares.

Before voting on the Resolutions, Members should:

- (a) read the entire Prospectus; and
- (b) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser.

### **5.2 General investment risks**

#### **General economic conditions**

APGL's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

#### **Accounting Standards**

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the Directors' and APGL's control. Changes to the Australian Accounting Standards issued by AASB could materially adversely affect the financial performance and position reported in APGL's financial statements.

#### **Taxation risks**

A change to the current taxation regime in Australia or overseas may affect APGL and its Members. Personal tax liabilities are the responsibility of each individual investor. APGL is not responsible either for taxation or penalties incurred by Members.

### **5.3 Specific investment risks**

#### **Dependence upon key personnel**

APGL depends on the talent and experience of its personnel as its primary asset. Should any of its key personnel leave APGL, this may have a negative impact on APGL. It may be difficult to replace them, or to do so in a timely manner or at comparable expense.

In summary, APGL's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments and achieve forecast revenues. Additionally, increases in recruitment costs, wages and contractor costs may adversely impact upon the financial performance of the Company.

#### **Property**

As the Company's investments comprise property, Members should be aware that:

- (a) sale of real estate property developments and investments may take longer than expected and returns achieved may be lower than expected thus affecting the income of the Company;
- (b) investments the Company has made may decrease in value if the level of demand in these areas reduces. This will have a negative impact on the returns of the Company; and
- (c) a further downturn in the property market and/or a further downturn in the general Australian economy could affect the ability of tenants to pay rent and the value of real property investments.

#### **Developments**

As the Company's investments principally comprise property developments, Members should be aware that:

- (a) the development of apartments and land are always subject to the control and planning policies of the local council and the state government. These may change due to political processes and may adversely affect the future development of land;
- (b) apartments and land development are highly dependent on their realisation. Should the demand for apartments or land reduce, this may have a significant effect on the profitability of projects;
- (c) where a builder or contractor is used there is always a risk that there may be a defect in construction or that the builder may not have sufficient financial resources to complete the project;
- (d) there is a risk that construction and development costs for a project will exceed anticipated costs. If this occurs, it may have a significant effect on the profitability of the project;
- (e) there is a risk that the duration for the completion of construction and development of a project will exceed that anticipated which may have a negative effect on the profitability of the development; and
- (f) all development and construction projects require planning approval from the relevant authorities. There are risks that such approvals may not be granted in the form expected or not granted at all.

Each of these outcomes will have a negative effect on the profitability of a development project.

**Planning risk**

There is no guarantee that the approval conditions for any particular property investment made by the Company can be complied with, placing the property investment project at risk which may affect the value of the Company and the return to Members.

**Investment risk**

While the Directors endeavour to deliver a return to Members, the Company may fail to generate a return.

**Limited diversification**

The Company has only two remaining property development projects that are intended to provide a return. Such a lack of diversity exposes Members to increased risk by reason of a lack of this diversification.

**Sector volatility**

The Company operates in the property sector which is susceptible to volatility.

**Time to maturity and illiquidity of investments**

Practical limitations may inhibit the Company's ability to realise the remaining property development projects.

Property sales may also be limited by market conditions which may be unfavourable for sales. These limitations on the liquidity of the Company's investments may prevent a successful sale of its property development projects, result in the delay of any sale or reduce the amount of proceeds that might otherwise be realised.

## **6 Taxation**

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### **6.1 Preference Share issue**

The tax comments below are limited to Australian resident Members that hold their Stapled Securities on capital account. The comments are general in nature and are not intended to provide an exhaustive or definitive statement of the possible taxation consequences for Members.

The taxation consequences for particular Members will depend on their individual circumstances. Accordingly, Members should obtain their own professional advice on the taxation consequences of the issue of the Preference Shares.

#### **Taxation of Trust distribution set-off against issue price**

The issue price of 18 cents per Preference Share will be paid by Members through an offset of a corresponding part of their distribution entitlement from the Trust.

In this regard, the distribution entitlement of Members from the Trust for the year ended 30 June 2013 is expected to include both a taxable net capital gain component and a non-taxable capital gains tax (CGT) concession component, in respect of the Blue Tower sale. However, the quantum of that distribution entitlement and its components is not able to be determined until after 30 June 2013.

The basis on which the net capital gain component of the Trust distribution will be taxable to Members will depend on their particular circumstances (e.g. some Members may have capital losses, which can be applied to reduce the capital gain component of the Trust distribution).

Depending on the quantum of the particular components of that distribution that are determined for income tax purposes, it may include a tax deferred component. For Members who hold their Trust units on capital account, the receipt of a tax deferred distribution will result in a reduction of the CGT cost base of their Trust units to the extent that the distribution does not exceed that CGT cost base. To the extent that a Member receives a tax deferred distribution that exceeds the CGT cost base of their Trust units, a capital gain will arise.

APGF recommend that Members who hold their Stapled Securities as trading stock or otherwise hold their units on revenue account obtain their own independent tax advice regarding the tax treatment of the distribution.

#### **Tax cost for Preference Shares**

For Preference Share holders who will hold their Preference Shares on capital account, the 18 cents per Preference Share issue price will be the first element of their CGT cost base or reduced cost base for their Preference Shares. Preference Share holders should maintain a record of that CGT cost base (or reduced cost base) for use in calculating any future capital gains (or capital losses) in respect of the disposal or other CGT event in respect of their Preference Shares.

APGF recommends Preference Share holders who will hold their Preference Shares as trading stock or otherwise hold them on revenue account obtain their own independent tax advice regarding the calculation of any gains or losses in respect of their Preference Shares.

#### **Nature of the Preference Shares**

The Preference Shares should constitute an equity interest for income tax purposes. This is on the basis that the Company will not have an Effectively Non-Contingent Obligation (ENCO) to provide "financial



benefits" to the holders of the Preference Shares, as returns to the holders of the Preference Shares are contingent on the economic performance of the Company.

As an equity interest, distributions on the Preference Shares should generally be frankable.

### **Assessability of dividends**

Dividends received by the holders of the Preference Shares will need to be included in their assessable income.

#### **(i) Individuals**

An individual taxpayer that receives a franked dividend will be required to "gross-up" the amount of the dividend by an amount equal to the franking credit to take account of the tax already paid by the Company, and apply their marginal rate to the "grossed-up" dividend amount (i.e. including the franking credit). Individuals may be entitled to a tax offset up to the amount of the franking credit included in their assessable income.

In effect, if an individual's marginal rate of tax is greater than 30%, the individual will be required to pay "top up tax" on the grossed-up amount of any dividend at a rate equal to the difference between the individual's marginal rate and 30%. Alternatively, where an individual's marginal rate is less than 30%, they may receive a tax offset that will reduce tax payable on other income, or result in a refund of excess franking credits.

Where the dividend received is unfranked, there is no franking gross-up and the individual will be taxed at their marginal tax rate on the dividend received with no tax offset.

#### **(ii) Complying superannuation funds**

Similar to an individual taxpayer, a complying superannuation fund that receives a franked dividend will be required to "gross-up" the amount of the dividend by an amount equal to the franking credit to take account of the tax already paid by the Company, and apply the prevailing tax rate (i.e. 15% for complying superannuation funds) to the "grossed-up" dividend amount including the franking credit. Like individuals, complying superannuation funds should be entitled to a refundable tax offset.

#### **(iii) Companies**

A resident corporate taxpayer that receives a franked dividend will also be required to "gross-up" the amount of the dividend by an amount equal to the franking credit to take account of the tax already paid by the Company, and apply the company rate of tax to the "grossed-up" dividend amount.

A corporate Preference Share holder may be entitled to a franking offset equal to the amount of franking credits included in its assessable income. In certain circumstances, corporate taxpayers that have insufficient income tax liabilities to fully utilise franking offsets may convert those excess franking offsets into a tax loss, which may be carried forward to future income years.

In addition, corporate taxpayers will record a credit in their franking account to reflect the underlying tax paid by the Company in respect of the dividend (i.e. an amount equal to the franking credit attached to the dividend).

Where a dividend does not have a franking credit attached to it, a resident corporate Preference Share holder will include in its assessable income the amount of the dividend only and will not be entitled to a tax offset.

(iv) Trusts

The treatment of dividends received by a Preference Share holder in its capacity as the trustee of a trust will depend on which beneficiaries of the trust (if any) have been made presently entitled to the income of the trust for the income year in which the dividend is paid to the trust.

**Holding period rule**

The availability of any franking benefit (including an entitlement to a tax offset) to Preference Share holders will be subject to the "holding period rule". Broadly, this requires Preference Share holders to hold the Preference Shares "at risk" for a period of at least 90 days during the primary qualification period, which commences the day after the date of acquisition and ends 90 days after the day the Preference Shares become ex-dividend. Members are required to retain more than 30% of the risks and benefits associated with holding the Preference Shares for a continuous period of at least 90 days within the primary qualification period. This 90 day period does not include the day on which the Member acquired the Preference Shares and also does not include the day on which the Members disposes of the Preference Shares.

Individual Preference Share holders may qualify for the small shareholder exemption under the "holding period rule" where the sum of the franking offsets to which the individual would be entitled, from all sources, does not exceed \$5,000 in the income year. The small shareholder exemption will not apply if the individual Preference Share holder has made or is likely to make a "related payment" in respect of the dividend, or a distribution attributable to the dividend. A related payment is broadly a payment whereby the benefit of the dividend is passed on to another person or persons.

If a Member does not satisfy the holding period rule in relation to a dividend, the franking credit attached to the dividend will not be included in the Members' assessable income, and the Member will not be entitled to the tax offset in relation to the franking credit.

The comments above are a general summary of the holding period rule and it may apply differently, depending on each Preference Share holder's particular circumstances. In addition, where a Member or associate has made, or may make, a "related payment" in respect of the dividend, different rules may apply to that Member. APGF recommend Preference Share holders obtain their own advice on the potential application of the holding period rule and related payments rule.

## **7 Additional information about APGL**

### **7.1 Stapled Security price information – no liquidity**

The Stapled Securities are listed on the NSX. Other than an occasional off-market buy and sell between associated buyers and sellers there has been no on market trading in the Stapled Securities since 2006. The Preference Shares will not be listed on NSX or any other exchange and will not be stapled to the Stapled Securities.

### **7.2 Member spread**

APGF has 227,580,022 Stapled Securities on issue at the close of trading on the date of this Prospectus. Details of the relevant interests of Members with a substantial holding as at the date of this Prospectus are shown in the tables below.

The 10 largest Members as at the date of this Prospectus are shown in the table below.

<b>Member name</b>	<b>Number of Stapled Securities held</b>	<b>% of issued Stapled Securities</b>
Leyshon Investments (Australia) Pty Ltd ATF Leyshon Operations Unit Trust	50,264,012	22.09
Stirling Investments Pty Ltd ATF The Stirling Investment Trust	42,220,298	18.55
Leyshon Pty Ltd	20,363,058	8.95
Leyshon Operations Pty Ltd	19,794,623	8.70
Dr Steve Mokrzeki	6,000,000	2.64
Ashbar Constructions Pty Ltd	5,369,200	2.36
Troxfield Pty Ltd ATF Rosebery Super Fund	4,882,713	2.14
Trust Company Limited <ASIF A/c>	3,886,792	1.71
Bond Street Custodians Limited ACF Officium Property Fund	2,886,792	1.27
G & M Rees Investments Pty Ltd ATF G & M Rees Investments Trust	2,544,000	1.12
<b>Total – 10 largest Members</b>	<b>158,211,488</b>	<b>69.53</b>
<b>Total Stapled Securities on issue</b>	<b>227,580,022</b>	<b>100.00</b>

### Substantial Stapled Security holders

Member name	Number of Stapled Securities held	% of issued Stapled 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

### Directors' interests in APGF Stapled Securities

The relevant interest of each APGF Director in APGF Stapled Securities as at the date of this document as notified by the Directors to the NSX is:

Director	Number of APGF Stapled Securities
Geoffrey Michael McMahon#	92,965,693
Neil Edwin Summerson	2,110,369
Robert Bryan#	90,421,693
Scott Edward Bryan	77,666
Kenneth Ross Pickard	3,017,300

# The holdings of G. M. McMahon and R. Bryan each include the same Stapled Securities held by the Leyshon Group of Companies.

### 7.3 Recent NSX announcements by APGF (NSX Code: APF)

NSX announcements by APGF and APGF's most recent interim and full year financial reports are available from the NSX website [www.nsx.com.au](http://www.nsx.com.au) and APGF website [www.apgf.com.au](http://www.apgf.com.au).

## **8 Additional information**

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### **8.1 Are there any material agreements?**

Other than as otherwise disclosed in this Prospectus or previously advised to Members, there are no material agreements.

### **8.2 Documents available for inspection**

Copies of the following documents are available for inspection upon request during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- (a) the constitution of APGL; and
- (b) the consents to the issue of this Prospectus.

### **8.3 Litigation**

The Company is not involved in any material litigation as at the date of this Prospectus.

### **8.4 Consent and disclaimers of responsibility**

McCullough Robertson has not made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. McCullough Robertson to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with its consent as specified below.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

### **8.5 Interests of experts and advisers**

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- (a) has any interest or has had any interest during the last two years, in the formation or promotion of APGL, or in property acquired or proposed to be acquired by APGL in connection with its formation or promotion, or the offer of the Shares; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of APGL, or the offer of the Shares.

McCullough Robertson has acted as legal adviser to the Company in relation to the offer and has provided legal advice in relation to the offer. McCullough Robertson will be paid an amount of approximately \$10,000 in respect of these services.

## **8.6 Interests of Directors**

Other than set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of APGL has, or has had in the two years before lodgement of this Prospectus, any interest in the formation or promotion of APGL, or the offer of Shares, or in any property proposed to be acquired by APGL in connection with information or promotion of the offer of the Shares; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of APGL either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of APGL or the offer of Shares.

## **8.7 Expenses of the offer**

The total estimated expenses of the offer payable by the Company including ASIC fees, accounting fees, legal fees, printing costs, and other miscellaneous expenses are estimated to be approximately \$20,000.

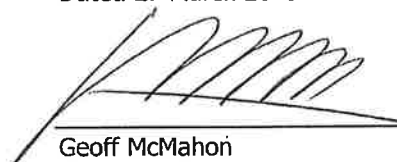
## **8.8 Privacy**

When applying for Shares in the Company, Applicants will be asked to provide personal information to APGL directly such as name, address, telephone and fax numbers, tax file number and account details. The Company collects, holds and uses that personal information to assess Applications, provide facilities and services to Members and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with such information under the *Privacy Act 1988* (Cth). Incomplete applications may not be processed. Under the *Privacy Act 1988* (Cth), Members may request access to their personal information held by or on behalf of the Company by contacting the Company.

## **8.9 Authorisation**

This Prospectus is issued by the Company. Each Director has consented to the issue and lodgement of the Prospectus with ASIC.

Dated 27 March 2013

  
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Geoff McMahon  
Managing Director

## 9 Glossary

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<b>AEST</b>	Australian Eastern Standard Time.
<b>APGF</b>	Australian Property Growth Fund, comprising the Company and Trust and, where applicable, their controlled entities.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Board</b>	means the board of directors of the Company and the Responsible Entity.
<b>BTT</b>	means Blue Tower Trust.
<b>Company or APGL</b>	means Australian Property Growth Limited ACN 111 628 589.
<b>Corporations Act</b>	means <i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	means the board of directors of the Company and the Responsible Entity.
<b>Leyshon Group</b>	means Leyshon Pty Ltd ACN 010 916 935 and its associates as defined under the Corporations Act.
<b>Meetings</b>	means the meetings of the Members of the Company and Trust to consider and if thought appropriate pass the Resolutions.
<b>Member</b>	means a person who holds a Stapled Security.
<b>NAV</b>	means net asset value.
<b>NSX</b>	means the securities exchange operated by NSX Limited.
<b>Partial Off-market Buyback</b>	the invitation to offer made by the Company and the Responsible Entity to buyback up to 91,032,009 Stapled Securities at 9.36 cents per Stapled Security, subject to the terms set out in the explanatory memorandum for the Meetings.
<b>Preference Shares or Share</b>	means the preference shares to be issued by the Company to Members the terms of which are set in section 2.2.
<b>Pro-forma NAV per Stapled Security</b>	means the pro-forma NAV per Stapled Security of 10.40 cents as at 31 December 2012 as per section 3.5 of the IER (after the issue of the Preference Shares).
<b>Register</b>	means APGF's register of Members.
<b>Resolutions</b>	means the resolutions to approve the issue of Preference Shares and the Partial Off-market Buyback.
<b>Responsible Entity</b>	means APGF Management Limited ACN 090 257 480.
<b>Stapled Security</b>	means a stapled security in APGF consisting of a fully paid ordinary share in the Company stapled to a Unit in the Trust.
<b>Trust or APGT</b>	Australian Property Growth Trust ARSN 111 389 596.
<b>Unit</b>	means a unit in the Trust.

**Australian Property Growth Limited ACN 111 628 589**

**PREFERENCE SHARE APPLICATION FORM**

An offer to apply for Preference Shares with an issue price of \$0.18 per Preference Share.

**Member's name(s)**

Title, Given Name(s) (no initials) and Surname or Company Name

**Member's address**

Number/Street

Suburb/Town

Number of Stapled Securities held by Member

**I/We agree to be bound by the Constitution of the Company**

**PLEASE SIGN HERE**

**Members should read the Prospectus carefully. Members are not required to complete and return the Application Form. The Resolutions if approved authorise APGF Management Limited to complete and return applications on behalf of all Members.**