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17 April 2013

Dear Member

PROPOSED PREFERENCE SHARE ISSUE AND PARTIAL OFF-MARKET BUYBACK OF STAPLED SECURITIES

Members are aware the Directors of APGF have determined an orderly sell down of the headstock property assets and the gradual winding down of the property funds management business as the optimum way to provide liquidity for Members. In line with this strategy, Blue Tower was sold on 31 October 2012 and an interim return of 18.5 cents per Stapled Security was paid to Members on 2 November 2012.

The Directors are aware the majority of Members wish to liquidate their investment as soon as possible. With this in mind, the Directors are proposing a Partial Off-market Buyback of Stapled Securities as an opportunity to accelerate the return of some further funds to Members. The Directors are also proposing a Preference Share issue which will occur prior to the Partial Off-market Buyback.

Both transactions are directed at delivering the highest after-tax return to Members as part of the gradual wind-down process. The Preference Share issue is a mechanism for closely aligning Members' interests in their Stapled Securities to the value of the underlying assets, as well as satisfying Members' distribution entitlements from the Blue Tower sale. Part of the proceeds from the Blue Tower sale are represented by loans from Australian Property Growth Trust (Trust) to Australian Property Growth Limited (Company). The issue of the Preference Shares distributes some of this loan to Members as equity in the Company allowing for a shorter wind down process of the Trust. The Partial Off-market Buyback will give Members a choice to receive a return of some of their capital invested in the Trust prior to the receipt of deferred consideration from the sale of assets.

Proposed Preference Share Issue

When APGF was established, the majority of capital raised was represented by the issue of Units in the Trust. Over time, the Trust advanced money to the Company so it could acquire and develop its property assets. As a result of this structure, Members indirectly hold (via the Trust) an interest in the Trust's loan to the Company.

With the orderly realisation of the assets of the Trust underway, it is an appropriate time to unwind these loan arrangements. As the Company is not currently in a position to repay the loan, the most efficient mechanism for unwinding these loan arrangements is to forgive some of the loan with the balance effectively converted to Preference Shares which will be issued directly to Members of the Trust.

The loan balance as at 31 December 2012 was approximately \$88 million. APGF will forgive approximately \$47 million owing to the Trust by the Company with the remaining balance of approximately \$41 million effectively converted 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 also 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 Preference Shares.

The principal terms of the proposed Preference Share issue are:

- a Member will receive a Preference Share for each Unit they currently hold in the Trust;
- the issue price of each Preference Share is 18 cents. The 18 cents is calculated as the approximate loan balance of \$41 million owing by the Company to the Trust (after the forgiveness of \$47 million) divided by 227,580,022 Preference Shares (no cash consideration is required to be paid by Members);
- the holders of Preference Shares are entitled to receive all future dividends and returns of capital of the Company in preference to the holders of ordinary shares. As a result the ordinary shares are unlikely to have any future commercial value;
- neither future dividends nor returns of capital will be paid on the ordinary shares;
- there is no set or fixed dividend rate payable on the Preference Shares; and
- the holders of Preference Shares are entitled to receive notices of meetings, attend and vote at any meeting of the Company on the basis of one vote for each Preference Share held.

Full details of the proposed Preference Share issue are contained within the enclosed Explanatory Memorandum and Prospectus.

Proposed Partial Off-market Buyback of Stapled Securities

To address the liquidity needs of Members, the Directors are proposing a Partial Off-market Buyback, where APGF will purchase off-market a portion of Stapled Securities from Members at a pre-determined price. The Partial Off-market Buyback presents Members with a partial liquidity opportunity in a more timely and tax effective manner than in a traditional wind-down process, and also assists in achieving an orderly realisation of the assets of APGF.

The principal terms of the proposed Partial Off-market Buyback are:

- the Partial Off-market Buyback is to be implemented following the proposed issue of Preference Shares (detailed above);
- up to 40% of issued Stapled Securities will be bought back;
- the Buyback Price is 9.36 cents per Stapled Security (after the issue of the Preference Shares at 18 cents per Preference Share);
- the Buyback Price was determined after considering the Independent Expert's Report prepared by PricewaterhouseCoopers Securities Ltd (at Annexure C of the enclosed Explanatory Memorandum). The Independent Expert estimates the non-controlling value of a Stapled Security is in the range from 7.79 cents to 8.31 cents;
- \$8.5 million is the maximum total buyback commitment; and
- the Partial Off-market Buyback is to be funded by unsecured loans from the Directors and Leyshon Pty Ltd at an interest rate of 10% per annum.

The advantages and disadvantages of the proposed Partial Off-market Buyback are outlined in Section 9 of the enclosed Explanatory Memorandum.

What does this mean for Members?

Outlined below are the details of your current and future holdings in APGF, assuming the proposals are approved at the upcoming Members' Meetings, and you elect to participate in full in the Partial Off-market Buyback:

Current Number of Stapled Securities Held (a)	Number of Preference Shares to be issued (b)	Minimum Number of Stapled Securities to be bought back* (c)	Buyback amount to be received (9.36 cents per Stapled Security)* (d)	Future holdings in APGF	
				Number of Stapled Securities* (e)	Number of Preference Shares (f)
[200,000]	[200,000]	[80,000]	[\$7,488.00]	[120,000]	[200,000]

*Assumes 40% of your current holding of Stapled Securities are bought back on the basis all Members participate in full in the Partial Off-market Buyback.

The value of your current holding in APGF (a) will approximately equal the total of: the cash you will receive from the Partial Off-market Buyback (d); your future holdings of Stapled Securities (e); and Preference Shares (f).

What alternative proposals were considered by the Directors?

The Directors considered a range of alternative proposals but none were considered by the Directors to be in the best interests of Members. See Section 7.4 of the enclosed Explanatory Memorandum for further details.

Next Steps for Members

Members will have the opportunity to vote on a number of Resolutions to facilitate the proposed Preference Share issue and Partial Off-market Buyback of Stapled Securities at the Meetings of Members to be held at 10am AEST on Tuesday 21 May 2013 at the Stanley Room, Stamford Plaza Hotel, Corner Edward and Margaret Streets, Brisbane.

The enclosed Notices of Meetings (including Proxy Form), Explanatory Memorandum and Prospectus contain complete details and disclosures regarding the proposed transactions to enable Members to make a fully informed decision.

The Directors unanimously recommend the proposed Resolutions and encourage Members to vote **"FOR"** the Resolutions. **Please return the enclosed Proxy Form by no later than 10am AEST on 19 May 2013.** As some of the Resolutions will only be passed if at least 75% of the total votes received are voted in favour, it is important that you vote and return the Proxy Form or attend the Meetings.

If the proposed Resolutions are approved by Members at the upcoming Meetings, Preference Shares will be issued to all Members and a Buyback Booklet will be distributed to enable Members to individually accept or reject the proposed Partial Off-market Buyback.

Should you require further information or would like to discuss this proposal, please contact Makala Ffrench, Investor Relations Manager, on **1300 668 698** or by email to info@apgf.com.au.

Yours faithfully
APGF Management Limited
Australian Property Growth Limited



NEIL SUMMERSON
Chairman



GEOFF McMAHON
Managing Director

PROXY FORM

Australian Property Growth Trust ARSN 109 093 816 (Trust)
Australian Property Growth Limited ACN 111 628 589 (Company)

Stapled Security holder/s name/s and address/es

Name/s: _____

Address/es: _____

I/we appoint as my/our proxy the person named below at the Meetings of the Trust and Company to be held at 10AM AEST on 21 May 2013 at the Stanley Room, Stamford Plaza Hotel, Brisbane and at any adjournment thereof.

Appointment of Proxy

Box A

☐

I/we appoint _____

as my/our proxy or, failing him/her, the Chairman to exercise my/our votes for me/us on my/our behalf.

OR

Appointment of Chairman

Box B

☐

I/we appoint the Chairman to exercise all of my/our votes for me/us on my/our behalf

The Chairman intends to vote in favour of the Resolutions with respect to all undirected proxies given to him.

Directing a proxy how to vote

I/we direct my/our proxy to vote in the following manner:

Please mark the appropriate box to indicate how the proxy should vote. If no boxes are marked, the proxy will be entitled to vote on the Resolutions at their discretion.

No.*	Resolution	For	Against	Abstain
1	<i>'For the purpose of section 254A(2) of the Corporations Act 2001 (C'th) approval is granted for the Company to issue the Preference Shares with the terms of issue and rights as set out in Annexure B to the Explanatory Memorandum accompanying this Notice of Meeting.'</i>			
2	<i>'That the Company and the Responsible Entity of the Trust be authorised to buyback up to 91,032,009 Stapled Securities (being 40% of the Stapled Securities on issue) at a price of 9.36 cents per Stapled Security, on the terms set out in the Explanatory Memorandum'.</i>			
3	<i>'That the Trust Deed be amended in the manner set out in Annexure B and the Manager (being the Responsible Entity) is authorised to make any other incidental amendments to the Trust Deed to give effect to the Partial Off-market Buyback and Preference Share issue.'</i>			

**The Resolutions are numbered as in the Notices of Meetings.*

Individuals to sign

Execution by attorney

Executed by: _____

(insert name of attorney)

(attorney to sign here)

as attorney for

(insert name of individual or company)

in accordance with the company's constitution and the Corporations Act 2001. The authority or a certified copy of the authority under which the appointment is signed must be attached.

Companies to sign

Executed in accordance with the company's constitution:

director

director/secretary OR

sole director and sole company secretary

Affix seal if required

DATED...../...../.....

NOTES FOR COMPLETION OF PROXY FORM FOR MEETINGS

Australian Property Growth Trust ARSN 109 093 816 (Trust)
Australian Property Growth Limited ACN 111 628 589 (Company)

Appointment of proxy

(see Proxy Form)

- (a) **To appoint a single proxy** - tick **BOX A**, complete name of proxy and sign Proxy Form; **OR**
- (b) **To appoint the Chairman only** - tick **BOX B** and sign Proxy Form.
- (c) A proxy appointed to attend and vote for a Member has the same rights as the Stapled Security holder to vote (to the extent allowed by this appointment) and to join in the demand for a poll.
- (d) If a Member marks the abstention box for a particular item, the Member is directing their proxy not to vote on a show of hands or on a poll and the Member's Stapled Securities will not be counted in computing the required majority on a poll.
- (e) Note that the Proxy Form sets out the manner in which the Chairman has indicated he will vote any undirected proxies granted to him i.e proxies that do not indicate the manner in which such votes are to be cast.
- (f) To appoint 2 proxies to exercise a specified proportion of the Member's votes - see below
Note: If a Member appoints 2 proxies and does not specify the number or proportion of votes each proxy may exercise, then each will be entitled to exercise half of the Member's votes (with fractions being disregarded).

How to sign Proxy Form

- (a) The Proxy Form must be signed by the Member or by the Member's attorney. If a joint holding then either Member may sign.
- (b) If the proxy is signed by a person who is not the Member, then the relevant authority or a certified copy should either have been exhibited previously to APGF or be enclosed with this proxy. If sent by fax then the authority must be certified.
- (c) If the Member is a corporation, the Proxy Form must be signed in accordance with its constitution and the *Corporations Act 2001*, or under the hand of an authorised officer or attorney who has not received any notice of revocation.

Deadline for receipt of proxies

This Proxy Form must be lodged with APGF **before 10AM AEST on 19 May 2013** i.e not less than 48 hours before holding the Meetings by:

- (a) mailing proxies to APGF GPO Box 3119, Brisbane Qld 4001; **OR**
- (b) depositing proxies with APGF at its registered office at Level 5, 12 Creek Street, Brisbane Qld 4000; **OR**
- (c) faxing proxies to 07 3003 0122.

Please bring this letter to the meeting to enable APGF to process registrations efficiently.
Registration will commence 30 minutes before the start of the Meetings.

Appointment of 2 proxies

(If a Member is entitled to cast 2 or more votes at the Meetings, the Member may appoint 2 proxies instead of a single proxy)

If the Member wishes to appoint 2 proxies then complete below and not details for Appointment of Proxy on Proxy Form

I/We appoint: _____
(insert name of first proxy)

to exercise (state number or proportion) _____
of my/our votes for me/us at the Meetings **AND**

I/We appoint: _____
(insert name of second proxy)

to exercise (state number or proportion) _____
of my/our votes for me/us at the Meetings **OR**

failing one or both of my 1st and 2nd proxies, then the Chairman to exercise my/our votes for me/us in respect of the number or proportion of my/our votes allocated to the absent proxy/s, as set out above.



NOTICES OF MEETINGS AND EXPLANATORY MEMORANDUM

AUSTRALIAN PROPERTY GROWTH LIMITED ACN 111 628 589 (COMPANY)

AUSTRALIAN PROPERTY GROWTH TRUST ARSN 109 093 816 (TRUST)

APRIL 2013



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OVERVIEW

This document contains important information relating to a proposed issue of Preference Shares by the Company and a Partial Off-market Buyback of Stapled Securities. The Preference Share issue by the Company is being made to all Members in proportion to their Unit holding in the Trust – immediately before the Partial Off-market Buyback proceeds.

The Preference Share issue and Partial Off-market Buyback are capital management initiatives to enable the Directors to continue to execute APGF's previously announced strategy of an orderly realisation of assets and to accelerate the payment of returns to Members.

The proposed Preference Share issue and Partial Off-market Buyback require Member approval at Meetings to be held on 21 May 2013.

Members are encouraged to read the enclosed Chairman and Managing Director's Letter which is an executive summary of the proposals and includes a personalised summary of how the proposals will impact Members' current and future holdings in APGF.

Set out below is a brief overview.

Preference Shares

Preference Shares Structure	Details
Price	The Preference Shares will be issued fully paid at 18 cents per Preference Share.
Number of Preference Shares issued	For each Unit currently held by a Member, they will receive one Preference Share. A total of 227,580,022 Preference Shares will be issued.
Timing	Immediately after the Meetings assuming all the Resolutions are passed.
Terms	<p>Dividends - The holders of Preference Shares are entitled to receive all future dividends of the Company in preference to the holders of ordinary shares.</p> <p>As a result the ordinary shares will have no future commercial value after the issue of the Preference Shares.</p> <p>There is no set dividend rate payable on the Preference Shares.</p> <p>Priority - The Preference Shares rank ahead of ordinary shares for dividends and repayment of capital.</p> <p>Voting - 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>The full terms of the Preference Shares are set out in Annexure B.</p>

Partial Off-market Buyback

Partial Off-market Buyback Structure	Details
Buyback Price	9.36 cents per Stapled Security*.
Percentage of issued capital sought to be bought back	up to 40%
Maximum total buyback commitment	approximately \$8.5 million.
Timing	Immediately after the Meetings assuming all the Resolutions are passed. Refer Section 12.3.
Source of funding	A loan facility from Leyshon Pty Ltd and the Directors. Refer Section 10.1.

*Buyback Price

The Partial Off-Market Buyback will proceed after the issue of the Preference Shares. The Directors have determined the Buyback Price after having considered the Value per Stapled Security on a non-controlling basis as assessed by the Independent Expert, PricewaterhouseCoopers Securities Ltd. The Buyback Price excludes the value of the Preference Shares.

Other Relevant Valuation Metrics

The information in the table below has been sourced from the Independent Expert's Report, contained in Annexure C.

Valuation metric (Section of the IER)	Value per Stapled Security (cents)
Non-controlling value range (Section 5.4)	7.79 cents to 8.31 cents
Orderly realisation value (Section 5.2)	8.81 cents to 9.49 cents
Adjusted NAV per Stapled Security (Section 5.3)	10.17 cents to 10.22 cents
Controlling value range (Section 5.3)	8.81 cents to 10.22 cents

Directors' Recommendation

The Directors believe all Members will benefit from the issue of the Preference Shares and the Partial Off-market Buyback.

The Directors unanimously recommend Members approve the issue of the Preference Shares and the Partial Off-market Buyback by voting 'FOR' the Resolutions.

Voting 'FOR' the Resolutions does not mean a Member has to participate in the Partial Off-market Buyback, but if the Resolutions are passed the Member will participate in the Preference Share issue.

If a Member does not wish to be issued Preference Shares and for the Partial Off-market Buyback to proceed then the Member should vote 'AGAINST' the Resolutions.

NOTICES OF MEETINGS

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

Notice is given that a Meeting of the Company and a Meeting of Members of the Trust will be held concurrently at the Stanley Room, Stamford Plaza Hotel, Corner Edward and Margaret Streets, Brisbane on 21 May 2013 at 10am (AEST).

Clause 11.12 of the Company constitution and clause 26.7 of the Trust Deed provide that joint meetings of Members of the Company and Trust may be held while the stapling of Units in the Trust to shares in the Company applies. Accordingly, where applicable, the Meeting will be a meeting of both the Company and the Trust (collectively APGF).

This notice is issued by the Company and by APGF Management Limited ACN 090 257 480 (Responsible Entity) as the responsible entity of the Trust.

Special Business

1 Preference Share issue (Resolution 1)

To consider and, if thought fit, to pass the following as a special resolution, subject to and conditional upon the passing of Resolutions 2 and 3:

'For the purpose of section 254A(2) of the Corporations Act 2001 (C'th) approval is granted for the Company to issue the Preference Shares with the terms of issue and rights as set out in Annexure B to the Explanatory Memorandum accompanying this Notice of Meeting.'

2 Partial Off-market Buyback (Resolution 2)

To consider and, if thought fit, to pass the following as an ordinary resolution, subject to and conditional upon the passing of Resolutions 1 and 3:

'That the Company and the Responsible Entity of the Trust be authorised to buyback up to 91,032,009 Stapled Securities (being 40% of the Stapled Securities on issue) at a price of 9.36 cents per Stapled Security, on the terms set out in the Explanatory Memorandum.'

3 Trust Deed amendments (Resolution 3)

To consider and, if thought fit, to pass the following as a special resolution, subject to and conditional upon the passing of Resolutions 1 and 2:

'That the Trust Deed be amended in the manner set out in Annexure B and the Manager (being the Responsible Entity) is authorised to make any other incidental amendments to the Trust Deed to give effect to the Partial Off-market Buyback and Preference Share issue.'

DATED this 17 April 2013

By Order of the Board



Geoff McMahon
Company Secretary

Notes to the Notices of Meetings

- (a) A Member who is entitled to attend and cast a vote at the Meetings is entitled to appoint a proxy.
- (b) The proxy need not be a Member. A Member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If a Member wishes to appoint a proxy and is entitled to do so, then the Member must complete and return the enclosed Proxy Form. Lodgement details are shown on the Proxy Form.
- (d) A corporation may elect to appoint a representative, rather than appoint a proxy, in accordance with the *Corporations Act 2001* in which case APGF will require written proof of the representative's appointment which must be lodged with or presented to APGF before the Meeting.
- (e) The Company and Responsible Entity have determined in accordance with Regulation 7.11.37 *Corporations Regulation 2001* that for the purpose of voting at the Meeting or adjourned meeting, Stapled Securities will be taken to be held by those persons recorded in the register of Members as at 5pm (AEST) on 20 May 2013.
- (f) If a Member has any queries on how to cast their votes at the Meeting then contact Makala Ffrench, (Investor Relations Manager) on 1300 668 698 during business hours or email info@apgf.com.au.

EXPLANATORY MEMORANDUM

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

1 Introduction

In 2012 the Directors announced they had undertaken a detailed review of the operations of APGF given the current and likely near future economic and property market outlook.

The Directors have determined the optimal way of maximising value and achieving liquidity for Members is for an orderly wind down of the operations of APGF. This wind down includes a sale of the assets of the Trust and the gradual sale/ wind down of the remaining assets of the Company.

In line with this strategy, Blue Tower was sold for \$241.6 million, with settlement on 31 October 2012.

The refurbishment of the Royal Bank Chambers at 287 Collins Street, Melbourne has recently been completed. The focus remains on securing further leasing in the building prior to marketing the property for sale, which is anticipated in 2014.

Following the sale of Collins Street, the principal residual assets of APGF will comprise Pavilions Palm Beach and the two Ulladulla land subdivisions.

A distribution of 18.5 cents per Stapled Security was paid to Members on 2 November 2012, however further distributions are unlikely in the immediate future. It is anticipated a future distribution will be made to Members following the sale of Collins Street. A further distribution to Members is likely on the completion of Stage 2 of Pavilions Palm Beach which is expected to occur within the next few years.

Accordingly, the Directors in recognition of the various liquidity needs of Members, their wish to liquidate their investment as soon as possible and the uncertain economic outlook, have given consideration as to how to most appropriately provide returns to Members. In particular, an equal access buy-back of Stapled Securities was considered the most appropriate process of accelerating the return of further funds to Members.

2 Purpose of the Explanatory Memorandum

This Explanatory Memorandum contains information relating to the proposed issue of Preference Shares and Partial Off-market Buyback of Stapled Securities.

Member approval is required in order for APGF to proceed with the issue of Preference Shares and the Partial Off-market Buyback. Meetings of Members have been called so Members can vote on the proposed issue of Preference Shares and Partial Off-market Buyback.

This Explanatory Memorandum is designed to help Members understand, and assist Members in deciding whether to vote for or against the Resolutions to be considered at the Meetings.

3 Member approval information

3.1 Why is Member approval required?

In order for the Preference Share issue to proceed, the Company is required by the Corporations Act to obtain Member approval by way of a special resolution (Resolution 1). To facilitate the issue of the Preference Shares to Members of the Trust, a special resolution of Members of the Trust is required (Resolution 3).

In order for the Partial Off-market Buyback to occur, the Company is required by the Corporations Act to obtain Member approval by way of an ordinary resolution to conduct the Partial Off-market Buyback (Resolution 2).

3.2 Required majorities for the Resolutions to be passed

For the special Resolutions to be approved, more than 75% of the votes cast by Members must be in favour of the Resolutions (either in person, by proxy or by attorney).

For the ordinary Resolution to be approved, more than 50% of the votes cast by Members must be in favour of the Resolution (either in person, by proxy or by attorney).

3.3 If a Member votes for the Resolutions, does the Member then have to receive the Preference Shares?

If all the Resolutions are approved, all Members will receive Preference Shares equivalent to the number of Units in the Trust they currently hold.

3.4 If a Member votes for the Resolutions, does the Member then have to participate in the Partial Off-market Buyback?

By voting for the Resolutions, a Member does **not** have to participate in the Partial Off-market Buyback, however the Directors strongly encourage all Members to participate to the fullest extent possible.

Participation in the Partial Off-market Buyback is voluntary and at the discretion of all Members, assuming Members approve the Resolutions. Further information in relation to participation in the Partial Off-market Buyback is contained in Section 12.

3.5 Why are the Resolutions interdependent?

The Resolutions are interdependent because:

- (a) the combined Preference Share issue and Partial Off-market Buyback are intended to maximise the after-tax return to Members; and
- (b) the value of the Stapled Securities being bought back as disclosed in this Explanatory Memorandum assumes the Preference Shares have been issued.

Note: All the Resolutions are interdependent, therefore the Directors strongly recommend all Members vote in favour of all Resolutions.

3.6 What is the effect of the Resolutions?

The effect of the Preference Share issue and Partial Off-market Buyback for each Member is detailed in the Chairman and Managing Director's Letter and for APGF in the Pro-forma Balance Sheet in Section 10.2.

4 Action required by Members

Step 1 – Read the Notices of Meetings and this Explanatory Memorandum

Members should read the Notices of Meetings and this Explanatory Memorandum in full before voting on the Resolutions. The Notices of Meetings contain the Resolutions to be put to Members at the Meetings.

Step 2 – Consider and consult

Members should consider the advantages, disadvantages and other information provided in relation to the issue of the Preference Shares and the Partial Off-market Buyback, in light of their own investment objectives and circumstances. Members should seek independent professional advice if required.

Step 3 – Vote on the Resolutions

To enable the Directors to execute APGF's strategy of an orderly realisation of assets and to accelerate the payment of returns to Members, it is important that Members vote '**FOR**' the Resolutions contained in the Notices of Meetings, whether or not Members intend to participate in the Partial Off-market Buyback.

Members may vote by attending the Meetings or they may vote by attorney, by corporate representative, or by completing and returning the **attached** Proxy Form. Please refer to the Notes to the Notices of Meetings for further details.

IMPORTANT INFORMATION

Each Member's vote is important.

The Directors believe all Members will benefit from the issue of the Preference Shares and the Partial Off-market Buyback.

The Directors unanimously recommend Members approve the issue of the Preference Shares and the Partial Off-market Buyback by voting 'FOR' the Resolutions.

Voting 'FOR' the Resolutions does not mean a Member has to participate in the Partial Off-market Buyback, but if the Resolutions are passed the Member will participate in the Preference Share issue.

If a Member does not wish to be issued Preference Shares and for the Partial Off-market Buyback to proceed then the Member should vote 'AGAINST' the Resolutions.

Further information in relation to:

- (a) the Preference Share issue is contained in Section 7; and
- (b) the Partial Off-market Buyback is contained in Section 8.

5 Key dates for voting

A detailed timetable is set out in Section 12. However, the key dates for Members in relation to voting at the Meetings are as follows:

Event	Time and Date
Proxy Forms for the meetings to be lodged	10am AEST on 19 May 2013
Record date for voting purposes	5pm AEST on 20 May 2013
Meeting date	10am AEST on 21 May 2013

The above dates are indicative only and subject to change. APGF reserves the right to vary these dates without prior notice including, subject to the law, to extend the deadline for lodgement of Proxy Forms or delay the Meetings.

6 About APGF

6.1 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 Unit holders 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% was acquired 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 (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 (APGFM)	31 December 2007
Domaine Property Funds Limited (DPF)	13 March 2009
Property Funds Australia Limited (PFA)	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.

6.2 APGF operations

APGF's operations are now in an orderly wind down. Most 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.

6.3 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.

The directors of the Responsible Entity are:

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

7 The issue of Preference Shares

7.1 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 underway, 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 of the Trust.

The Directors are satisfied there will be no change to the level of dividends pre and post the Preference Share Issue or Partial Off-market Buyback other than any dividends payable by the Company will only be paid to the holders of Preference Shares.

7.2 Preference Shares

Once the sale of Collins Street is complete there will remain only cash in the Trust and after these funds are distributed, it is the intention of the Directors to dissolve 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 addressed. Ultimately the Members of the Trust are also Members of the Company so in effect the loans are owed by the Members to themselves.

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 issued directly to Members of the Trust.

The loan balance as at 31 December 2012 was approximately \$88 million. APGF will forgive approximately \$47 million owing to the Trust by the Company with the remaining balance of approximately \$41 million effectively converted 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 Preference Shares.

The terms of issue and the rights attaching to 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).
- (b) **Number of Preference Shares Issued** - The number of Preference Shares to be issued is 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 they will no longer be entitled to receive any dividends paid by the Company.
- (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 receive 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 future 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 the Directors. The Preference Shares are not to be listed on NSX and are not stapled to the Stapled Securities.

7.3 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 14.

7.4 What alternative proposals to a preference share issue were considered?

The Directors considered a number of alternative proposals which are outlined below.

The Trust distributing the loans to Members

Whilst a transfer of the loans from the Trust to Members would achieve the intended realignment of Members' interests in APGF with the underlying assets, its implementation would also involve significant impediments. These relate to the fact the debt would be classified as a debenture and would need to be held by a trustee for the benefit of the Members. This would lead to additional compliance costs.

A conversion of the debt into ordinary equity and then distributing this to the Members was also considered. However, this would create income tax complexities for the Trust (i.e. being subject to tax as a company).

The Trust forgiving all the loans owed by the Company to the Trust

This was rejected because this would have created profits in the Company that, in the near term, might only be able to be distributed to Members as unfranked dividends, thereby reducing the after-tax return to Members, including the possibility of effectively taxing capital that Members had contributed via the Trust.

Retaining the loans until the Company was wound up

The final significant asset in the Trust is the Collins Street property. This property is being readied for sale and APGF considers it is likely to be sold within the next 12 to 18 months. Once the sale is complete it is the intention of APGF to distribute any final money in the Trust to Members and thereafter dissolve the Trust. The ending of the Trust will significantly reduce ongoing operational and compliance costs of APGF. Should the loans remain in the Trust, this will delay dissolving the Trust and increase compliance costs.

The Company repaying the loans

As at 31 December 2012, the net asset position of the Company is approximately negative \$45 million. Repaying the loans was not adopted as the Company is incapable of repaying the loans (in full) from its cash reserves of approximately \$4 million. Following the issue of the Preference Shares and the Partial Off-market Buyback the Company will have net assets of approximately \$40 million.

7.5 What are the advantages and disadvantages of the Preference Share issue applicable to Members of the Company?

Advantages

- More closely aligning Members' interests in their Stapled Securities to the value of the underlying assets.
- Members will be issued with Preference Shares of an equivalent number to the number of Units in the Trust held by the Member.
- As a Member of the Trust the exchange of approximately half the debt owed by the Company to the Trust for Preference Shares, allows Members to receive the benefit of this conversion through an offset of a corresponding part of their distribution entitlement from the Trust.
- Members are not required to pay cash for the issue of the Preference Shares.
- The Preference Shares will not be stapled to the Stapled Securities and therefore can be sold independent of the Stapled Securities.
- The effective transfer of the debt owed by the Company to the Trust by way of the Preference Share issue will facilitate the timely wind up of the Trust following the expected sale of its Collins Street property in the next 12 to 18 months.

Disadvantages

- Following the issue of Preference Shares, the ordinary shares held by Members are unlikely to be of any commercial value as all future dividends will be paid to Preference Share holders.
- The ordinary shares will not pay any future dividend, a return of capital or any surplus on a winding up of the Company.
- The Preference Shares will not be listed on the NSX and will only be transferrable with the consent of the Directors of the Company.
- The expenses of the issue of the Preference Shares and Partial Off-market Buyback are approximately \$250,000.

7.6 Taxation considerations

Refer to Section 13.

8 Details of the Partial Off-market Buyback

8.1 Summary of the Partial Off-market Buyback

The Partial Off-market Buyback is part of the strategy of the Directors to create a liquidity event for Members and to achieve an orderly realisation of the assets of APGF.

To enable APGF to return funds to Members, the Partial Off-market Buyback requires Member approval.

If approved, the Partial Off-market Buyback will enable APGF to buy back a maximum 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. The Partial Off-market Buyback represents approximately 40% of APGF's issued capital.

8.2 Is the Partial Off-market Buyback subject to any conditions?

Yes. The Partial Off-market Buyback is subject to Member approval of all the Resolutions.

In addition, the Partial Off-market Buyback is subject to there being no detrimental change to the financial position of APGF from the date of this Explanatory Memorandum until completion of the Partial Off-market Buyback.

Even if the Resolutions are approved, APGF may determine not to proceed with the Partial Off-market Buyback or, if APGF decides to proceed with the Partial Off-market Buyback, it may amend or terminate the buyback at any time prior to completion by making an announcement to that effect to the NSX. The Directors consider it is highly unlikely if the Resolutions are approved that the Preference Share issue and Partial Off-market Buyback will not proceed.

The Company has obtained relief from ASIC to modify the operation of the Corporations Act. The Partial Off-market Buyback will comply with the conditions of the relief obtained (refer Annexure A for further information).

8.3 When will the Partial Off-market Buyback take place?

If the Resolutions are approved, APGF intends to implement the Partial Off-market Buyback in accordance with the proposed timetable set out in Section 12.3.

8.4 What is the Buyback Price?

The price at which the Partial Off-market Buyback will be offered is 9.36 cents per Stapled Security.

8.5 How was the Buyback Price determined?

The Buyback Price has been determined by the Directors having considered the Value per Stapled Security on a non-controlling basis, assessed by the Independent Expert, PricewaterhouseCoopers Securities Ltd.

As shown in the Independent Expert's Report (**IER**) accompanying these Notices of Meetings and Explanatory Memorandum the Buyback Price is:

- (a) higher than the Value per Stapled Security range of 7.79 to 8.31 cents on a non-controlling basis (refer Section 5.4 of the IER); and
- (b) between the Independent Expert's assessment of the orderly realisation value of APGF Stapled Securities if properties were sold as part of an orderly realisation at their market value without a discount (8.81 cents to 9.49 cents per Stapled Security) (refer Section 5.2 of the IER).

8.6 How will the Partial Off-market Buyback be funded?

The Partial Off-market Buyback will be funded from an unsecured loan from Leyshon Pty Ltd and the Directors. Leyshon Group holds 41.72% of the Stapled Securities on issue. Further details of the loan are contained in Section 10.

8.7 How do Members participate in the Partial Off-market Buyback?

Further information in relation to participation in the Partial Off-market Buyback, including whether Members will be eligible to participate, is contained in Section 12.

IMPORTANT INFORMATION

Each Member's vote is important.

The Directors believe all Members will benefit from the issue of the Preference Shares and the Partial Off-market Buyback.

The Directors unanimously recommend Members approve the issue of the Preference Shares and the Partial Off-market Buyback by voting 'FOR' the Resolutions.

Voting 'FOR' the Resolutions does not mean a Member has to participate in the Partial Off-market Buyback, but if the Resolutions are passed the Member will participate in the Preference Share issue.

If a Member does not wish to be issued Preference Shares and for the Partial Off-market Buyback to proceed then the Member should vote 'AGAINST' the Resolutions.

9 Directors' report on the Partial Off-market Buyback

9.1 Directors' recommendation

The Directors believe that Members who participate in the Partial Off-market Buyback will benefit from the Partial Off-market Buyback.

In particular, the Directors believe that the strategy for the orderly realisation of APGF assets is consistent with the Partial Off-market Buyback.

The Directors believe the Partial Off-market Buyback is the most efficient method of partially returning funds to Members and therefore recommend all Members vote in favour of the Resolutions and fully participate in the Partial Off-market Buyback.

9.2 APGF strategy

As outlined in Section 1, the Directors last year determined the optimal strategy for APGF was an orderly realisation of assets of the Trust and the Company. The issue of the Preference Shares and Partial Off-market Buyback is (in the opinion of the Directors) the most efficient method of partially returning funds to Members and progressing the wind down of APGF.

9.3 What other strategic options were considered by the Directors?

During their strategic review, the Directors analysed several strategic options for APGF. During the review the Directors focussed on each option's implementation risk and timeframe, total return and forecast Member value.

These options included:

- (a) the chosen strategy of an orderly realisation of assets;
- (b) pursuing a fresh growth strategy through the acquisition of additional property funds management businesses;
- (c) continuing the current operations of APGF including additional capital raisings; and
- (d) sale of the APGF business in one line.

In the current continuing uncertain economic climate, the Directors considered any expansion of the business would require additional capital. This capital in the view of the Directors is not currently available, or if available, would need to be issued at a significant discount to the current NAV, significantly diluting the value of Members funds.

Therefore the Directors considered the most appropriate course of action was an orderly sale of the remaining assets of the business and a return of funds to Members.

The key advantages of the chosen strategy (when compared with other options) include:

- (a) maximising Member value;
- (b) accelerated liquidity to Members wishing to reduce their investment; and
- (c) the Members on receipt of their funds can choose where to invest.

The issue of the Preference Shares and Partial Off-market Buyback is (in the opinion of the Directors) the most efficient method of partially returning funds to Members and progressing the wind down of APGF.

9.4 Rationale for Directors' recommendation

The Directors have concluded the Partial Off-market Buyback is in the best interests of Members given the following advantages:

- (a) the Directors consider Members will obtain benefits from the Partial Off-market Buyback, however the Directors acknowledge that Members have different investment objectives and timeframes;
- (b) participation in the Partial Off-market Buyback is at the discretion of each Member which enables Members to tailor their participation to suit their own investment objectives including:
 - (i) whether to offer their Stapled Securities; and
 - (ii) how many Stapled Securities to offer (if any); and
- (c) the Partial Off-market Buyback provides an efficient and timely return of funds to those Members who seek an exit strategy for their investment.

9.5 Advantages and disadvantages of the Partial Off-market Buyback

The Directors consider the Partial Off-market Buyback offers the advantages outlined above and poses no significant disadvantages for Members.

In making their decision to vote, Members should consider the following factors, as well as the information provided in this Explanatory Memorandum and the IER.

9.6 What are the advantages and disadvantages applicable to all Members?

Advantages

- The Partial Off-market Buyback is subject to Member approval.
- Participation is discretionary and enables Members to tailor their participation, including the number of Stapled Securities they wish to sell (if any).
- The Buyback Price is above the Value per Stapled Security range which has been assessed by the Independent Expert to be 7.79 cents to 8.31 cents on a non-controlling basis.
- All Members have an equal opportunity to participate in the Partial Off-market Buyback.
- Members, including those with a material number of Stapled Securities, will be able to sell a significant volume of Stapled Securities.
- Combined with the Preference Share issue, the Partial Off-market Buyback will maximise after tax return to Members.

Disadvantages

- APGF will incur transaction costs of approximately \$250,000 when implementing the Partial Off-market Buyback (such as the Independent Expert's fees, valuation fees and legal and professional fees).
- The Partial Off-market Buyback will result in a small reduction of APGF's cash holdings. However, upon completion of the Partial Off-market Buyback, APGF will ensure it continues to hold sufficient cash for operational purposes during the wind down phase.
- The level of gearing as compared to tangible assets will increase due to borrowings being used to complete the Partial Off-market Buyback. Assuming the full amount of funds available are used to fund the Partial Off-market Buyback the gearing level for the Trust will increase from 33% to 57%.
- The loans from Leyshon Pty Ltd and the Directors rank ahead (for repayment) before Members entitlements.
- The Buyback Price is at a discount to the pro forma NAV per Stapled Security. Therefore the Buyback will increase the NAV per Stapled Security for the remaining Stapled Securities.
- In relation to the Stapled Securities bought back, participating Members will not benefit from any possible future increase in the market price of APGF Stapled Securities or distributions (if any payable), or participate in any future value enhancement (if it should occur) for the Stapled Securities that are bought back.

9.7 What are the advantages and disadvantages specifically applicable to Participating Members?

Advantages

- Participation is discretionary and enables Members to tailor their participation, including the number of Stapled Securities they wish to sell (if any).
- The Partial Off-market Buyback provides Members the opportunity to sell all or some of their Stapled Securities without incurring transaction costs.
- The Buyback Price is between the Independent Expert's assessment of the orderly realisation value of Stapled Securities following an orderly realisation value if properties were sold at their market value without a discount (8.81 cents to 9.49 cents per Stapled Security) (refer Section 5.2 of the IER).
- The Buyback Price represents value that can be realised upon completion of the Partial Off-market Buyback rather than over an extended period of time in an orderly realisation.
- No brokerage fee is payable and there is no need to appoint a stockbroker in order to participate in the Partial Off-market Buyback.
- The Partial Off-market Buyback provides liquidity to Members through an ability to sell some of their Stapled Securities other than on NSX.
- Members will receive funds for all their Stapled Securities bought back with potentially more funds available than in the case of a capital return which would be paid to all Members.

Disadvantages

- Participating Members are likely to have their offer scaled back as the Partial Off-market Buyback is expected to be over-subscribed and so Members may continue to hold a lesser number of Stapled Securities.
- The Buyback Price is at a discount to the pro forma NAV per Stapled Security. Therefore the Buyback will increase the NAV per Stapled Security for the remaining Stapled Securities. Based on the pro forma NAV per Stapled Security of 10.4 cents at 31 December 2012 this amount would potentially increase to 11.06 cents after the Partial Off-market Buyback assuming the maximum number of Stapled Securities participate in the Partial Off-market Buyback.
- Participating Members will not benefit from any possible future increase in the market price of Stapled Securities or distributions (if any payable), or participate in any future value enhancement (if it should occur), in relation to the Stapled Securities bought back. Participating Members should note the only remaining property asset in the Trust is Collins Street. Any future distributions from the Company will be paid to the holders of Preference Shares. All Members will (following the issue of the Preference Shares) hold an equivalent number of Preference Shares to the number of ordinary shares in the Company they hold at the Record Date. Participating in the Partial Off-market Buyback will have no effect on a Member's eligibility to receive distributions from the Company.
- The level of gearing as compared to assets will increase due to borrowings being used to complete the Partial Off-market Buyback. Assuming the full amount of funds available are used to fund the Partial Off-market Buyback, the gearing level for the Trust will increase from approximately 33% to 57%.

9.8 What are the advantages and disadvantages specifically applicable to Members who do not participate?

Advantages

- Potential increase in market price of Stapled Securities. This will only occur if Collins Street is sold at a price higher than its current value.
- The Buyback Price is at a discount to the pro forma NAV per Stapled Security. Therefore the Buyback will increase the NAV per Stapled Security for the remaining Stapled Securities. Based on the pro forma NAV per Stapled Security of 10.40 cents at 31 December 2012 this amount would potentially increase to 11.06 cents after the Partial Off-market Buyback assuming the maximum number of Stapled Securities participate in the Partial Off-market Buyback.
- Participation is discretionary and enables Members to tailor their participation, including the number of Stapled Securities they wish to sell (if any).

Disadvantages

- The Partial Off-market Buyback will result in a small reduction of APGF's cash holdings. However, upon completion of the Partial Off-market Buyback, APGF will ensure it continues to hold sufficient cash for operational purposes during the wind down phase.
- There is unlikely to be any further liquidity events or distributions in the immediate future.
- There is a risk the value of Collins Street will decrease in value resulting in a decrease in the value of the Stapled Securities.
- The level of gearing as compared to assets will increase due to borrowings being used to complete the Partial Off-market Buyback. Assuming the full amount of funds available are used to fund the Partial Off-market Buyback the gearing level for the Trust will increase from approximately 33% to 57%.
- The Partial Off-market Buyback may have an impact on the earnings per Unit in the Trust. The Directors are unable to quantify this impact (if any) however this issue is discussed in Section 6.4.2 of the Independent Expert Report.

9.9 Directors' voting and participation decision

Entities associated with the Directors intend to vote '**FOR**' the Resolutions.

Entities associated with the Directors who are Members intend to participate to the maximum possible extent in the Partial Off-market Buyback.

For details of the Stapled Securities held by the Directors and their associates, please refer to Sections 11 and 14.

The Directors recommend that Members vote 'FOR' the Resolutions.

IMPORTANT INFORMATION

Each Member's vote is important.

The Directors believe all Members will benefit from the issue of the Preference Shares and the Partial Off-market Buyback.

The Directors unanimously recommend Members approve the issue of the Preference Shares and the Partial Off-market Buyback by voting 'FOR' the Resolutions.

Voting 'FOR' the Resolutions does not mean a Member has to participate in the Partial Off-market Buyback, but if the Resolutions are passed the Member will participate in the Preference Share issue.

If a Member does not wish to be issued Preference Shares and for the Partial Off-market Buyback to proceed then the Member should vote 'AGAINST' the Resolutions.

10 Impact of the proposals on APGF

10.1 Summary

The impact of the proposed Preference Share issue and Partial Off-market Buyback on APGF will be as follows:

NAV per Stapled Security	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.
Cash reserves	The Partial Off-market Buyback will have no material impact on APGF's forecast total cash holdings.
Number of Stapled Securities on issue	As at the date of this document 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.
Finance Facility	APGF's financier, has not objected to the proposed Preference Share issue and Partial Off-market Buyback. Further, APGF's banking facilities do not expire until December 2015. APGF will ensure that, upon completion of the proposed Preference Share issue and Partial Off-market Buyback, it continues to comply with its banking covenants.
Business operations	The proposed Preference Share issue and Partial Off-market Buyback will not have any material impact on APGF's operations or assets.
Franking credits	The proposed Preference Share issue and Partial Off-market Buyback will not result in any reduction of the Company's franking account.
Loans from Leyshon Pty Ltd and the Directors	<p>In order to facilitate the Partial Off-market Buyback, Leyshon Pty Ltd 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">• an interest rate of 10% per annum;• interest may be capitalised at the option of the Responsible Entity;• the loan is initially for a period of 12 months unless otherwise agreed by both parties; and• the loan is unsecured. <p>The above terms have been assessed by the Directors as on commercial arms-length terms. The Trust could not obtain an \$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 Leyshon Pty Ltd and the Directors.</p>

10.2 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)
Assets						
Cash	419	4,166	4,585	169	4,166	4,335
Prepayments	262	97	359	262	97	359
Blue Tower retention amounts	5,467	-	5,467	5,467	-	5,467
Receivables - APGL	3,693	-	-	-	-	-
Receivables - APGT & BTT	-	7,686	-	-	-	-
Other receivables	179	12,752	12,931	179	12,752	12,931
Palm Beach - inventory	-	19,399	19,399	-	19,399	19,399
Ulladulla - inventory	-	10,053	10,053	-	10,053	10,053
Property, plant and equipment	-	109	109	-	109	109
Management fee assets	-	2,884	2,884	-	2,884	2,884
Investments	-	12	12	-	12	12
APGT to APGL Loan	33,696	-	-	-	-	-
BTT to APGL Loan	58,601	-	-	-	-	-
Collins Street	30,303	-	30,303	30,303	-	30,303
Deferred tax asset	-	4,103	4,103	-	-	-
Total Assets	132,620	61,261	90,205	36,380	49,472	85,852
Liabilities						
Payables - APGL	(7,686)	-	-	-	-	-
Payables - APGT & BTT	-	(3,693)	-	-	-	-
Other payables	(868)	(3,093)	(3,961)	(868)	(3,093)	(3,961)
APGT to APGL Loan	-	(33,696)	-	-	-	-
BTT to APGL Loan	-	(58,601)	-	-	-	-
Loan for Collins Street	(10,700)	-	(10,700)	(10,700)	-	(10,700)
Loans for Palm Beach	-	(6,498)	(6,498)	-	(6,498)	(6,498)
Related party loans	(1,350)	-	(1,350)	(9,874)	-	(9,874)
Other	(34)	-	(34)	(34)	-	(34)
Leave provisions	-	(573)	(573)	-	(573)	(573)
Total Liabilities	(20,638)	(106,154)	(23,116)	(21,476)	(10,164)	(31,640)
Net Assets	111,982	(44,893)	67,089	14,904	39,308	54,212

11 Effect on control of APGF

The Partial Off-market Buyback will result in APGF buying back approximately 40% of its issued Stapled Securities.

The two largest holders of Stapled Securities, Leyshon Group and Stirling Investments Pty Ltd have advised they will be participating to the maximum extent possible in the Partial Off-market Buyback. On this basis there will be no material impact on the control of APGF.

The Preference Share issue and Partial Off-market Buyback will result in the level of gearing as compared to tangible assets increasing due to borrowings being used to complete the Partial Off-market Buyback. Assuming the full amount of funds available are used to fund the Partial Off-market Buyback the gearing level for the Trust will increase from approximately 33% to 57%. This includes a loan from Leyshon Pty Ltd and Directors to the Trust of approximately \$8.5 million which will (for the purpose of repayment) rank ahead of Members of the Trust.

12 Participating in the Partial Off-market Buyback

12.1 Who can participate?

Who will be entitled to participate in the Partial Off-market Buyback?

If all the Resolutions are approved, Members who are recorded on APGF's Register on the Record Date will be eligible to participate in the Partial Off-market Buyback. Eligible Members will be entitled to offer Stapled Securities which are registered in their name on the Record Date. The Record Date for the Partial Off-market Buyback is anticipated to be 31 May 2013.

Does a Member have to participate in the Partial Off-market Buyback?

No. Participation in the Partial Off-market Buyback is voluntary. However the Directors strongly recommend each Member participates by offering their full entitlement.

12.2 Buyback documentation

Detailed information on the Partial Off-market Buyback, including the offer process, will be provided in the Partial Off-market Buyback documentation (**Buyback Booklet**) which will be sent to Members immediately after the Meetings and the issue of the Preference Shares, assuming Members approve all the Resolutions. A summary of this information is set out below. The Buyback Booklet will be sent to Members who hold Stapled Securities on the Record Date.

12.3 Timing

If Members approve the Resolutions, the Partial Off-market Buyback is expected to open on 3 June 2013 and close at 5pm AEST on 24 June 2013 (**Offer Period**) as shown in the indicative timetable below.

Event	Date
Members' meetings to approve the issue of Preference Shares and Partial Off-market Buyback	21 May 2013
Stapled Securities trade ex-entitlement to participate in the Preference Share issue and the Partial Off-market Buyback	27 May 2013
Record Date for determination of Members' entitlement to participate in the Preference Shares issue and Partial Off-market Buyback	31 May 2013
Issue of Preference Shares	3 June 2013
Buyback Booklet sent to Members for the Partial Off-market Buyback	3 June 2013
Partial Off-market Buyback Offer Period opens	3 June 2013
Partial Off-market Buyback Offer Period closes (acceptances due by 5pm AEST)	24 June 2013
Partial Off-market Buyback date and announcement of scale-back	26 June 2013
Payment of buyback proceeds to Members	26 June 2013

Whilst APGF does not currently anticipate changing any of the dates and times set out above, it reserves the right to do so. Any changes to the indicative timetable will be announced to the NSX.

Can the Partial Off-market Buyback be cancelled?

Even if all the Resolutions are approved, APGF may determine not to proceed with the Partial Off-market Buyback or, if APGF decides to proceed with the Partial Off-market Buyback, it may terminate the buyback at any time prior to completion by making an announcement to that effect to the NSX. The Directors are not aware of any circumstances which would (if all the Resolutions are passed) cause the Partial Off-market Buyback not to proceed.

12.4 The offer process

How will the offer process work for the Partial Off-market Buyback?

If a Member is eligible and wishes to participate in the Partial Off-market Buyback, the Member is required to submit an offer on the specified form which will be included in the Buyback Booklet. The offer may be for some or all of the Stapled Securities the Member holds as at the Record Date. The Directors recommend each Member offers all their Stapled Securities as this will maximise the number of the Member's Stapled Securities which can be bought back.

What is the minimum number of Stapled Securities that can be offered?

If a Member is eligible and wishes to participate, the Member may offer any number of Stapled Securities. The Directors recommend each Member offers all their Stapled Securities as this will maximise the number of the Member's Stapled Securities which can be bought back.

How will successful offers be determined?

If offers are received for Stapled Securities representing less than or equal to the maximum number of Stapled Securities which may be bought back under the Partial Off-market Buyback, then all Stapled Securities offered will be bought back at the Buyback Price.

The two largest Members, Leyshon Group and Stirling Investments Pty Ltd have indicated they intend to participate to the maximum extent possible in the Partial Off-market Buyback. It is therefore expected offers will be received for Stapled Securities representing more than the maximum number of Stapled Securities which may be bought back under the Partial Off-market Buyback. In this case, offers will be scaled back on a pro-rata basis. Therefore if a Member wishes to maximise the number of their Stapled Securities to be bought back the Member must offer their full entitlement.

Can a Member trade their Stapled Securities after submitting an offer?

Once a Member has submitted an offer, the Member cannot sell or otherwise transfer those Stapled Securities until the Partial Off-market Buyback has concluded and the Member has been advised how many of their Stapled Securities are being bought back.

12.5 Voting and distribution rights

Will participation in the Partial Off-market Buyback affect voting rights?

The voting rights attaching to Units and shares remain unchanged, however those Members whose Stapled Securities are bought back under the Partial Off-market Buyback will have less Stapled Securities than they previously held and therefore will be able to cast less votes than they previously held.

Will participation in the Partial Off-market Buyback affect distribution rights?

The distribution rights attaching to Units in the Trust remain unchanged, however those Members whose Units are bought back under the Partial Off-market Buyback will have less Units in the Trust and therefore will be entitled to a smaller level of any distributions paid from the Trust because they will have less Units than they previously held.

The issue of the Preference Shares will result in the ordinary shares (no matter how many are held by a Member) having no future commercial value.

APGF does not expect to pay any distribution prior to completion of the Partial Off-market Buyback and APGF considers any future distributions in the immediate future are unlikely. It is anticipated a distribution will be made to Members of the Trust following the sale of Collins Street which is likely to be in 2014 and a further distribution is likely on the completion of Stage 2 of Pavilions Palm Beach which is expected in the new few years.

The Directors are satisfied there will be no change to the level of dividends pre and post the Preference Share Issue or Partial Off-market Buyback other than any dividends payable by the Company will only be paid to the holders of Preference Shares.

12.6 Stamp duty and GST

There will be no stamp duty or GST payable in relation to the Partial Off-market Buyback by Participating Members for either the offering or the selling of their Stapled Securities.

13 Taxation

13.1 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 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 Stapled Security holders 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.

The Directors recommend 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 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.

The Directors recommend Preference Share holders who 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 dispose 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. The Directors recommend that Preference Share holders obtain their own advice on the potential application of the holding period rule and related payments rule.

13.2 Partial Off-market Buyback

While the taxation consequences will vary depending on the personal taxation and financial circumstances of each Member, Members who are Australian tax residents (**Resident Members**) and who hold their Stapled Securities on capital account may make a capital gain or capital loss on the completion of the Partial Off-market Buyback if they participate. Members who are non-residents of Australia for tax purposes should seek independent taxation advice.

If the Buyback Price exceeds the tax cost base of the Stapled Securities, Resident Members will make a capital gain which may crystallise a tax liability. However, if the Buyback Price is less than the tax reduced cost base of their Stapled Securities, Resident Members will make a capital loss.

Resident Members will need to separately calculate the capital gain or capital loss on the disposal of their shares in the Company and their Units in the Trust, as they are treated as two separate assets for tax purposes. It is noted the Independent Expert's Report has stated that the value of the Stapled Securities is only reflected in the assets of the Trust. On this basis the allocation of the Partial Off-market Buy-back proceeds between the shares in the Company and the Units in the Trust would be allocated entirely to the Units.

No component of the Buyback Price will give rise to an assessable dividend for income tax purposes.

The Australian tax consequences of the Partial Off-market Buyback for Members will depend on the personal taxation and financial circumstances of each Member, and Members should consult their own taxation advisers about the Australian taxation consequences for them before making any decision on whether to participate in the Partial Off-market Buyback.

This general information is not tax advice, does not take into account individual circumstances of Members and may not identify all potential tax consequences for Members in relation to the Partial Off-market Buyback. It does not replace the need for Members to obtain their own tax advice having regard to their own circumstances.

14 Additional information about APGF

14.1 Stapled Security price information – no liquidity

The Stapled Securities are listed on the NSX. Other than an occasional off-market transfer between associated buyers and sellers there has been no trading in the Stapled Securities since 2006.

14.2 Member spread

APGF has 227,580,022 Stapled Securities on issue as at 17 April 2013. Details of the relevant interests of Members with a substantial holding as at this date are shown in the tables in Section 11.

The 10 largest Members as at 17 April 2013 are shown in the table below.

Member Name	Number of Stapled Securities Held	% of Issued Stapled Securities
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
Total – 10 largest Members	158,211,488	69.53
Total Stapled Securities on issue	227,580,022	100.00

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
Total	137,159,360	60.27

Directors' interests in Stapled Securities

The relevant interest of each Director in Stapled Securities as at 17 April 2013 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.

14.3 Consents

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of its Independent Expert's Report in these Notices of Meetings and Explanatory Memorandum on the terms and conditions, and subject to the limitations, stated in Section 1.4 of the IER. PricewaterhouseCoopers Securities Ltd is not otherwise responsible for any other part of these Notices of Meetings and Explanatory Memorandum.

McCullough Robertson Lawyers has consented to be named in this Explanatory Memorandum in the form and content in which McCullough Robertson is named. McCullough Robertson Lawyers is not responsible for any part of these Notices of Meetings and Explanatory Memorandum.

Thomson Maloney & Partners Pty Ltd trading as Charter Keck Cramer (**Charter Keck Cramer**) has consented to the use of its valuation in the IER. Charter Keck Cramer is not responsible for any part of these Notices of Meetings and Explanatory Memorandum.

14.4 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 and APGF's website www.apgf.com.au.

15 Glossary

Term	Definition
APGF	Australian Property Growth Fund, comprising the Company and Trust and, where applicable, their controlled entities.
ASIC	Australian Securities and Investments Commission.
Board	means the board of directors of the Company and the Responsible Entity.
Buyback Booklet	the booklet which will contain the offer form for participation in the Partial Off-market Buyback.
Buyback Price	9.36 cents per Stapled Security.
Company	means Australian Property Growth Limited ACN 111 628 589.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of the Company and the Responsible Entity.
IER	means the Independent Expert's Report prepared by the Independent Expert and contained in Annexure C of the Notices of Meetings and Explanatory Memorandum.
Independent Expert	PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617.
Leyshon Group	means Leyshon Pty Ltd ACN 010 916 935 and its associates as defined under the Corporations Act.
Meetings	means the meetings of Members of the Company and Trust to consider and if thought appropriate pass the Resolutions.
Member	means a person who holds a Stapled Security.
NAV	means net asset value.
NSX	means the securities exchange operated by NSX Limited.
Offer Period	the period for which the Partial Off-market Buyback is open.
Partial Off-market Buyback	the 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.
Participating Member	means a Member who participates in the Partial Off-market Buyback by offering either all or part of their Stapled Security holding.
Preference Shares	means the preference shares to be issued by the Company to Members, the terms of which are set in Section 7.
Pro-forma NAV per Stapled Security	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).
Record Date	means the date for determining a Member's entitlement to participate in the Preference Share issue and Partial Off-market Buyback as set out in Section 12.3, or such other date as APGF determines in accordance with the Corporations Act and NSX listing rules.
Register	means APGF's register of Members.
Resolutions	means the resolutions to approve the issue of Preference Shares and the Partial Off-market Buyback.
Responsible Entity	means APGF Management Limited ACN 090 257 480.
Stapled Security	means a stapled security in APGF consisting of a fully paid ordinary share in the Company stapled to a unit in the Trust.
Trust	means Australian Property Growth Trust ARSN 109 093 816 .
Unit	means a unit in the Trust.
Value per Stapled Security	the value per Stapled Security as assessed by the Independent Expert.

Annexure A – ASIC Relief

Australian Securities and Investments Commission

Corporations Act 2001 – Paragraph 655A(I)(b) - Declaration

Enabling Legislation

1. The Australian Securities and Investments Commission (**ASIC**) makes this instrument under paragraph 655A(I)(b) of the *Corporations Act 2001 (Act)*.

Title

2. This instrument is ASIC Instrument 23-0458.

Commencement

3. This instrument commences on 16 April 2013.

Declaration

4. Chapter 6 of the Act applies to APGF Management Limited ACN 090 257 480 (**APGF Management**) in its capacity as responsible entity of the Australian Property Growth Trust ARSN 109 093 816 (**APG Trust**) as if section 609 of the Act as modified or varied by ASIC Class Order [CO 03/634] was further modified or varied by replacing subsection (4) with:
'(4) A person does not have a relevant interest in a company's shares if the relevant interest would arise merely because a company has entered into an agreement to buy-back the shares or a responsible entity of a managed investment scheme has entered into an agreement to buy-back interests in the managed investment scheme where the shares in the company and the interests in the managed investment scheme are stapled securities.
(4A) For the purposes of subsection (4), **stapled security** means two or more financial products including at least one interest in a registered scheme where:
(a) under the terms on which each of the products are to be traded, they must be transferred together; and
(b) there are no financial products in the same class as those financial products which may be transferred separately.'
5. Chapter 6 of the Act applies to Australian Property Growth Limited ACN 111 628 589 (**APGF**) and APGF Management as if section 609 of the Act as modified or varied by ASIC Class Order [CO 03/634] and this instrument was further modified or varied by inserting after subsection (13):
'(14) A person does not have a relevant interest in interests of a managed investment scheme if the relevant interest would arise merely because the responsible entity of the scheme has entered into an agreement to buy-back interests in the scheme in accordance with Part 5C.6 or a company has entered into an agreement to buy-back shares in the company where the shares in the company, and the interests in the managed investment scheme, are stapled securities.
(15) For the purposes of subsection (14), **stapled security** means two or more financial products including at least one interest in a registered scheme where:
(a) under the terms on which each of the products are to be traded, they must be transferred together; and
(b) there are no financial products in the same class as those financial products which may be transferred separately.'
6. Chapter 6 of the Act applies to a Stapled Security Holder and APGF Management as if section 611 of the Act as modified or varied by ASIC Class Order [CO 07/422] were further modified or varied by inserting after item 19A:
'(19B) An acquisition that results from the responsible entity of a registered scheme buying interests in the scheme in accordance with Part 5C.6.'

Where this instrument applies

7. APGF and APGF Management Limited in its capacity as responsible entity of the APG Trust each make an invitation to Stapled Security Holders to offer to sell Shares to APGF and to sell Interests to APGF Management (as applicable) (**Buy-Back Invitations**) which:
(a) are substantially in the terms contemplated by the draft notice of meeting provided to ASIC on or about 27 March 2013;
(b) are approved, before they are extended, by a resolution passed at a general meeting of APGF and the APG Trust on or about 31 May 2013 (**GM**):
(i) for which the notice of meeting contains independent advice on the value of the APGF Stapled Securities and the advantages and disadvantages of the proposal under which APGF Stapled Securities will be bought back; and
(ii) at which no APGF Entity voted any Shares or Interests which it held in a personal or principal capacity; and

- (c) in relation to the invitation made by APGF, complies with the conditions in subsection 257B(2) of the Act, subject to subsection 257B(3) of the Act, except that:
- (i) APGF does not comply with paragraph (a) of subsection 257B(2) of the Act but rather the Buy-Back Invitations made by APGF relate only to Shares;
 - (ii) APGF does not comply with paragraph (b) of subsection 257B(2) of the Act but rather invites all holders of APGF Stapled Securities as at the Record Date to offer for sale to APGF some or all of their Shares in accordance with the terms of the Buy-Back Invitations;
 - (iii) APGF does not comply with paragraph (c) of subsection 257B(2) of the Act, but rather all persons who hold Stapled Securities have a reasonable opportunity to offer for sale some or all of their Shares to APGF in accordance with the terms of the Buy-Back Invitations;
 - (iv) APGF does not comply with paragraph (d) of subsection 257B(2) of the Act but rather the Buy-Back Agreements are not entered into until the Tender Period has closed; and
 - (v) APGF does not comply with paragraph (e) of subsection 257B(2) of the Act but rather the Buy-Back Invitations are to be made by APGF to every Stapled Security Holder for those holders of APGF Stapled Securities to sell their Shares to APGF for APGF to buy-back those Shares on the same terms subject to:
 - i. each holder having the ability to nominate a maximum number of APGF Stapled Securities, comprising Shares and Interests, which they wish to offer for sale to APGF; and
 - ii. a Scale Back Mechanism operating to ensure that APGF does not exceed the Buy-Back Amount.

Interpretation

APGF Entity means APGF and its related bodies corporate.

APGF Group means the APGF, APGF Management and the APG Trust.

APGF Stapled Security means an Interest and a Share which under the terms upon which each of the products may be traded, must only be transferred together.

Buy-Back means an acquisition of APGF Stapled Securities by the APGF Group in accordance with a resolution of Stapled Security Holders made during May 2013.

Buy-Back Agreement means an agreement between the APGF Group and a Stapled Security Holder to acquire an agreed number of APGF Stapled Securities.

Buy-Back Amount means the amount obtained by multiplying the Buy-Back Price by the number of APGF Stapled Securities determined by APGF to be bought back in accordance with the Buy-Back Execution Rules.

Buy-Back Execution Rules means if, prior to expiry of the Tender Period, the APGF Group receives offers to sell APGF Stapled Securities that in aggregate amount are:

- (a) more than the Buy-Back Amount, then offers to sell must be bought back by APGF Group at the Buy-Back Price, subject to a reduction in the number of APGF Stapled Securities participating in the Buy-Back under the Scale Back Mechanism; or
- (b) equal to or less than the Buy-Back Amount, then all offers to sell must be bought back by the APGF Group at the Buy-Back Price.

Buy-Back Price means \$0.0936, being the price at which the APGF Group has invited Stapled Security Holders to sell each Stapled Security under the Buy-Back.

Interest means an interest in the APG Trust.

Record date means on or about 31 May 2013.

Scale Back Mechanism means a pro rata reduction in the number of Stapled Securities bought back under the Buy-Back, being the proportion needed to ensure that no more than the Buy-Back Amount is bought back.

Share means a fully paid ordinary share in the capital of the APGF.

Stapled Security Holder means the holder of an APGF Stapled Security.

Tender Period means the period during which offers to sell 'Play be made by Stapled Security Holders under the Buy-Back.

Dated 16th day of April 2013

Signed by Benjamin Phillips
as a delegate of the Australian Securities and Investments Commission

Australian Securities and Investments Commission
Corporations Act 2001 - Subsection 257D(4) - Exemption
Enabling Legislation

1. The Australian Securities and Investments Commission (**ASIC**) makes this instrument under subsection 257D(4) of the *Corporations Act 2001* (**Act**).

Title

2. This instrument is ASIC Instrument 13-0459.

Commencement

3. This instrument commences on 16 April 2013.

Exemptions

4. ASIC exempts Australian Property Growth Limited ACN 111 628 589 (**APGF**) from compliance with subsections 257D(1), 257D(2) and 257D(3) of the Act.

Where this instrument applies

5. APGF and APGF Management Limited ACN 090 257 480 (**APGF Management**) in its capacity as responsible entity of the Australian Property Growth Trust ARSN 109 093 816 (**APG Trust**) each make an invitation to Stapled Security Holders to offer to sell Shares to APGF and to sell Interests to APGF Management (as applicable) (**Buy-Back Invitations**) which:
 - (a) are substantially in the terms contemplated by the draft notice of meeting provided to ASIC on or about 27 March 2013;
 - (b) are approved, before they are extended, by a resolution passed at a general meeting of APGF and the APG Trust on or about 21 May 2013 (**GM**):
 - (i) for which the notice of meeting contains independent advice on the value of the APGF Stapled Securities and the advantages and disadvantages of the proposal under which APGF Stapled Securities will be bought back; and
 - (ii) at which no APGF Entity voted any Shares or Interests which it held in a personal or principal capacity; and
 - (c) in relation to the invitation made by APGF, complies with the conditions in subsection 257B(2) of the Act, subject to subsection 257B(3) of the Act, except that:
 - (i) APGF does not comply with paragraph (a) of subsection 257B(2) of the Act but rather the Buy-Back Invitations made by APGF relate only to Shares;
 - (ii) APGF does not comply with paragraph (b) of subsection 257B(2) of the Act but rather invites all holders of APGF Stapled Securities as at the Record Date to offer for sale to APGF some or all of their Shares in accordance with the terms of the Buy-Back Invitations;
 - (iii) APGF does not comply with paragraph (c) of subsection 257B(2) of the Act, but rather all persons who hold Stapled Securities have a reasonable opportunity to offer for sale some or all of their Shares to APGF in accordance with the terms of the Buy-Back Invitations;
 - (iv) APGF does not comply with paragraph (d) of subsection 257B(2) of the Act but rather the Buy-Back Agreements are not entered into until the Tender Period has closed; and
 - (v) APGF does not comply with paragraph (e) of subsection 257B(2) of the Act but rather the Buy-Back Invitations are to be made by APGF to every Stapled Security Holder for those holders of APGF Stapled Securities to sell their Shares to APGF for APGF to buy-back those Shares on the same terms subject to:
 - i. each holder having the ability to nominate a maximum number of APGF Stapled Securities, comprising Shares and Interests, which they wish to offer for sale to APGF; and
 - ii. a Scale Back Mechanism operating to ensure that APGF does not exceed the Buy-Back Amount.

Conditions

6. APGF must:

- (a) satisfy the offers to sell by Stapled Security Holders under the Buy-Back by complying with the Buy-Back Execution Rules and the terms of the Buy-Back Invitations;
- (b) not enter into any Buy-Back Agreement pursuant to the Buy-Back until after the Tender Period;
- (c) include disclosure in any document sent to Stapled Security Holders under subsection 257C(2) of the Act, to the effect that holders of APGF Stapled Securities are entitled to vote (in accordance with the voting rights attached to their Shares) at the GM and any other meeting that is held before the Tender Period ends; and
- (d) ensure that APGF Stapled Securities that are offered for sale, that are not accepted under the Buy-Back, will be released from restrictions on trading as soon as practicable after the Tender Period, and in any event no later than prior to the opening of trading on the second trading day after the Tender Period.

Interpretation

APGF Entity means APGF and its related bodies corporate.

APGF Group means the APGF, APGF Management and the APG Trust.

APGF Stapled Security means an Interest and a Share which under the terms upon which each of the products may be traded, must only be transferred together.

Buy-Back means an acquisition of APGF Stapled Securities by the APGF Group in accordance with a resolution of Stapled Security Holders made during May 2013.

Buy-Back Agreement means an agreement between the APGF Group and a Stapled Security Holder to acquire an agreed number of APGF Stapled Securities.

Buy-Back Amount means the amount obtained by multiplying the Buy-Back Price by the number of APGF Stapled Securities determined by APGF to be bought back in accordance with the Buy-Back Execution Rules.

Buy-Back Execution Rules means if, prior to expiry of the Tender Period, the APGF Group receives offers to sell APGF Stapled Securities that in aggregate amount are:

- (a) more than the Buy-Back Amount, then offers to sell must be bought back by APGF Group at the Buy-Back Price, subject to a reduction in the number of APGF Stapled Securities participating in the Buy-Back under the Scale Back Mechanism; or
- (b) equal to or less than the Buy-Back Amount, then all offers to sell must be bought back by the APGF Group at the Buy-Back Price.

Buy-Back Price means \$0.0936, being the price at which the APGF Group has invited Stapled Security Holders to sell each Stapled Security under the Buy-Back.

Interest means an interest in the APG Trust.

Record date means on or about 31 May 2013.

Scale Back Mechanism means a pro rata reduction in the number of Stapled Securities bought back under the Buy-Back, being the proportion needed to ensure that no more than the Buy-Back Amount is bought back.

Share means a fully paid ordinary share in the capital of the APGF.

Stapled Security Holder means the holder of an APGF Stapled Security.

Tender Period means the period during which offers to sell may be made by Stapled Security Holders under the Buy-Back.

Dated this 16th day of April 2013

Signed by Benjamin Phillips
as a delegate of the Australian Securities and Investments Commission

Annexure B - Company Resolution and Trust Deed Amendments

Company Resolution

Resolution 1 – Terms and rights of Preference Share issue

The terms and rights of issue of the Preference Shares are:

- (d) **Issue price** - The issue price of each Preference Share is 18 cents (no cash consideration is required to be paid by Members).
- (e) **Number of Preference Shares Issued** - The number of Preference Shares to be issued is 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.
- (f) **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 they will no longer be entitled to receive any dividends paid by the Company.
- (g) **Dividend Rate** - There is no set dividend rate payable on the Preference Shares.
- (h) **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.
- (i) **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.
- (j) **Voting** - The holders of Preference Shares are entitled to receive 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.
- (k) **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 future commercial value.
- (l) **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).
- (m) **Transferability** - The Preference Shares are only transferable if the transferee first has the prior written consent of the Directors. The Preference Shares are not to be listed on NSX and are not stapled to the Stapled Securities.

Trust Deed Amendments

Resolution 3 – Trust Deed amendments

Clause 12 of the Trust Deed is amended by deleting clause 12.4 and inserting the following additional clauses:

- 12.4 *Redemption Amount*
Where the Manager makes a Withdrawal Offer under this clause the Redemption Amount will be fixed at 9.36 cents per Unit.
- 12.6 *Funding of redemption*
To fund the Redemption Amount, the Manager may:
- (a) apply or realise part of the Assets;
 - (b) obtain financial accommodation,
- or a combination of both.
- 12.7 *Time for payment of Redemption Amount*
The Manager must pay the Redemption Amount for any redeemed Units within the period required by the law.
- 12.8 *Cancellation of Units*
Units which have been redeemed must be cancelled and the Manager must record the cancellation in the Register.
- 12.9 *Cancelling the Withdrawal Offer*
The Manager may cancel a Withdrawal Offer by:
- (a) publishing a notice of cancellation by any means (for example, including, without limitation on the internet page of the Manager); or
 - (b) notice in writing to the Unitholders to whom the Withdrawal Offer was made.

The following clause 12A is inserted into the Trust Deed

- 12A *Preference Shares*
- (a) Whilst Units in the Trust remain Stapled to Shares in the Company, the Manager may agree for the benefit of Unitholders to forgive some or all of any debts owed by the Company to the Trust.
 - (b) The Manager may as agent and attorney of the Unitholders subscribe for or agree to receive Preference Shares in the Company as part of any debt forgiveness provided:
 - (i) at the time the Preference Shares are issued, Shares remain Stapled to Units;
 - (ii) Unitholders are not required to pay any money in order to receive the Preference Shares; and
 - (iii) each Unitholder receives one Preference Share for each Unit they hold in the Trust.
6. In order to facilitate the Preference Share issue, each Unitholder irrevocably appoints the Manager as the agent and attorney of each Unitholder to execute all documents and do all things which the Manager reasonably considers necessary or desirable to be executed or done on behalf of Unitholders to effect the issue of the Preference Shares to each Unitholder.
- (d) The Manager is authorised to execute these documents and do these things without needing further authority or approval from any Unitholder.
 - (e) The Manager is irrevocably appointed agent and attorney for each Unitholder to apply on behalf of each Unitholder for Preference Shares.
 - (f) In this clause, Preference Shares means the preference shares to be issued by the Company as approved at the meeting of Shareholders on the same date these amendments to the Trust Deed were approved.
 - (g) The Manager may make such other changes to the Trust Deed of and incidental to give effect to the partial off-market buyback and Preference Share issue.

Annexure C - Independent Expert's Report

Australian Property Growth Fund

Independent Expert's Report

15 April 2013





The Directors
Australian Property Growth Fund Administration Pty Ltd
Level 5, 12 Creek Street
Brisbane QLD 4000

15 April 2013

Dear Directors,

Independent expert's report in relation to the proposed off market equal access buyback of securities of Australian Property Growth Limited (the Company) and Australian Property Growth Trust (the Trust) and together, APGF

Introduction

In 2012 the Directors of Australian Property Growth Fund (APGF or 'the Group') announced that they had undertaken a detailed review of the operations of APGF. The Directors have recognised that currently there are different liquidity needs for different Members and APGF is operating in an uncertain economic climate. As a result the Directors have determined the optimal way of maximising value and achieving liquidity for Members would be through an orderly realisation of APGF. APGF propose that to progress this strategy and in order to provide returns to Members the most efficient approach would be to conduct an equal-access off-market buyback of securities (the Buyback Offer). The Buyback will be financed from a combination of existing cash reserves and an unsecured loan from the APGF Directors and Leyshon Group.

The proposed off-market Buyback is subject to:

- Member approval for the issuance of preference shares
- Member approval of amendments to the Trust constitution
- Member approval of the off-market Buyback
- there being no detrimental change to the financial position of the APGF from the date of the Explanatory Memorandum to completion of the Buyback.

The proposed price for the Buyback Offer has been set at 9.36 cents. It is proposed that the Buyback will buyback a maximum of 91,032,009 stapled securities which represents approximately 40% of the stapled securities on issue.

To assist the APGF Members in their determination as to whether they should vote in favour of, or against the Buyback Offer PricewaterhouseCoopers Securities Ltd (PwC Securities) has been retained to prepare an independent expert's report which sets out:

PricewaterhouseCoopers Securities Ltd ACN 003 31 1 617 ABN54 003 311 617
Riverside Centre, 123 Eagle Street, GPO BOX 150, BRISBANE QLD 4001
DX 77 Brisbane, Australia
T +617 3257 5000, F +617 3257 5999, www.pwc.com.au

Holder of Australian Financial Services Licence No. 244572



- a valuation of APGF's stapled securities as at the date of this IER and prior to the implementation of the Buyback Offer, if approved;
- a discussion of the advantages and disadvantages of the Buyback Offer.

Members are also being asked to vote on a proposed issue of Preference Shares. The proposed Preference Shares that will be issued are a mechanism for unwinding the loans owed by the Company to the Trust. The terms and conditions of the preference shares will result in Members no longer receiving distributions from the operations of the Company from their stapled security. All future distributions from the Company will be received through the Preference Shares that will be issued. As a result the value of the APGF stapled security will only reflect the operations of and value of property held in the Trust.

The off-market Buyback is subject to the Preference Share issue being approved by Members by way of a special resolution. Therefore the off-market Buyback will only occur under circumstances where the Preference Shares have been issued and the Preference Shares will not be stapled to the units in the Trust. For this reason PwC Securities has assessed the value of an APGF stapled security as being only the value of the assets/operations of the Trust.

This letter contains PwC Securities' valuation conclusion, which is based on the approach and analysis set out in the accompanying independent expert's report. It also contains a summary of the advantages and disadvantages of the Buyback Offer.

Valuation Summary

The table below summarises our assessed values of an APGF stapled security after the Preference Share issue.

APGF Stapled Securities Valuation Overview	Low	High
Non- controlling value per stapled security (cents) (Section 5.4)	7.79	8.31
<i>Discount to pro-forma NAV/NTA</i>	<i>(25.0%)</i>	<i>(20.0%)</i>
For reasons outlined below we have also considered a controlling value per stapled security:		
Value per stapled security resulting from orderly realisation (cents) (Section 5.2)	8.81	9.49
Adjusted Net Asset value per stapled security (cents) (Section 5.3)	10.17	10.22
Controlling value per stapled security	8.81	10.22

Source: PwC Securities Analysis

We have estimated the non-controlling value of a stapled security based on a discount to NTA for an interest in the Trust. This provides a range of 7.79 cents to 8.31 cents per stapled security. The



proposed Buyback price of 9.36 cents per stapled security is above our estimate of the non-controlling value of a stapled security.

PwC Securities has valued 100% of the equity in the Trust on a control basis in the range of \$20.0 million to \$23.3 million, which corresponds to a value of 8.81 cents to 10.22 cents per stapled security. This value was assessed using a combination of the orderly realisation and adjusted NTA approach. The assessed value represents the underlying value of Members' interest in the Trust assuming that 100% of the Trust was to be acquired (inclusive of a control premium).

Even at the high end of the controlling value range our valuation represents a discount to NTA. This largely reflects the fact there is a single asset which must be managed, at a cost. There is no other source of revenues which to offset the value impact of costs incurred in the trust structure.

We have considered the value of an APGF stapled security on both a controlling and non-controlling basis. Members participating in the Buyback Offer will be disposing of a non-controlling interest (other than Leyshon Group) and no single Member is expected to obtain majority control of APGF as a result of the Buyback. Therefore, it is a non-controlling value which is most consistent with these circumstances. However, as there has been an announcement that APGF is undertaking an orderly realisation process Members may reasonably expect to share in realisation of the asset values in the next 1 to 2 years, therefore a controlling value is also relevant. It is also relevant that a Member who participates in the Buyback offer does forego the opportunity to share in a control premium in the future if a takeover offer was received.

Advantages and Disadvantages

PwC Securities has also considered the advantages and disadvantages and other matters relevant to APGF Members if they vote in favour of, or against, the Buyback Offer. These are set out below.

Where relevant, we have specifically identified whether the advantage or disadvantage is from the perspective of a Member participating in the Buyback Offer or a Member not participating in the Buyback Offer. This recognises that even if Members approve the Buyback offer they will still have a choice as to whether they participate in the Buyback or not. Given the confirmation by the two largest security holders of their participation in the Buyback, Members should be aware that even if Members participate in the Buyback Offer it is expected that they will only be able to dispose of a portion of their investment in this manner and so will continue to be a Member in APGF.

Members' economic interest in the Company going forward will be held through the Preference Shares to be issued. Participating in the Buyback offer will have no direct impact on a Member's eligibility to receive distributions from the Company. Therefore in considering the advantages and disadvantages of the Buyback offer we have solely focused on the impacts on the Trust.

The advantages and disadvantages identified are:

Advantages	Disadvantages
All Members will have an equal opportunity to participate in the Buyback and sell securities, recognising there has otherwise been no liquidity in APGF stapled securities. (Section 6.1.1)	APGF will incur transaction costs during the process of the Buyback (Section 6.2.1).
The Buyback price is above the price securities would be expected to trade at if there was any trading in securities. (Section 6.1.2)	For Members who do not participate in the Buyback, there will be a reduction in the size of the Trust. If the Buyback was completed the reduction in NTA would be 36% (\$23.7 million to \$15.1 million) (Section 6.2.2).
For Members who do not participate in the Buyback, the Buyback will increase NTA per stapled security in the Trust. Based on a buyback price of 9.36 cents the Pro-forma NTA per stapled security in the Trust could increase from 10.4 cents to 11.1 cents after the Buyback (Section 6.1.3).	For Members who do not participate in the Buyback, there will be an increase in gearing levels, based on net debt (including related party loans) as a percentage of tangible assets less cash as the Buyback is to be funded with cash and an unsecured loan. After the Buyback, pro-forma gearing increases from 33% to 57% (Section 6.2.3).
Members participating in the Buyback can sell a portion of their holdings without paying brokerage or appointing a stockbroker (Section 6.1.4).	For Members who do not participate in the Buyback, the cash levels for APGF will be reduced to the point where there is little surplus cash in the Trust (Section 6.2.4).
Members have a choice as to whether they participate in the Buyback (Section 6.1.5).	Members participating in the Buyback forego the opportunity to participate in a control premium or the value enhancement that could be achieved for the Trust in the future (Section 6.2.5).
For Members participating in the Buyback, the Buyback Offer Consideration represents value that can be realised within the next 4 months, rather than over an extended period of time (Section 6.1.6).	

These advantages and disadvantages are discussed in more detail in Section 6.



Other impacts

Other impacts on Members include:

Potential impact on Earnings per Security

The potential impact on Earnings per Security (EPS) varies depending on a number of factors including the base EPS. As the EPS for APGF has been very volatile in the last three years it is difficult to quantify an impact on EPS. A range of outcomes for various base EPS amounts is set out in Section 6.4.2. In the circumstances that the EPS is positive, the impact on the EPS post Buyback is positive. The analysis assumes that if the Buyback Offer was not approved the cash otherwise used in the Buyback would be used to retire debt. We note the EPS for the financial year ending 30 June 2012 was negative 11.5 cents.

Summary

If the Buyback Offer is approved, the decision for Members is essentially between participating in the Buyback Offer at a premium to the assessed non-controlling value of a stapled security but at a discount to the value assessed if the orderly realisation strategy occurs. While an orderly realisation strategy may deliver additional value for the Members, this will be subject to APGF's ability to sell the Collins Street property held within the Trust at a premium to the current valuation. Uncertain market conditions in the short term could impact the orderly realisation and delay any capital distributions to Members as APGF will seek to sell the Collins Street property at a satisfactory price with acceptable contractual terms.

Other matters

An individual Member's decision in relation to the Buyback Offer will be influenced by his or her particular circumstances. In undertaking this assessment, PwC Securities has considered the Buyback Offer from the perspective of APGF's Members as a whole. PwC Securities has not considered the effect of the Buyback Offer on the particular circumstances of individual APGF Members, nor has it considered their individual objectives, financial situation or needs. Individual APGF Members will have varying financial and tax circumstances and it is not practical or possible to consider the implications of the Buyback Offer on individual APGF Members as their respective financial circumstances are not known to PwC Securities. Due to particular circumstances, individual Members may place different emphasis on various aspects of the Buyback Offer from that adopted in this report. Individual APGF Members should seek their own financial advice.

PwC Securities has not been appointed to provide tax advice in relation to the Buyback Offer. The Explanatory Memorandum accompanying the Notice of Meeting provides general guidance as to the Australian tax considerations for Members who participate in the Buyback Offer.

PwC Securities has prepared a Financial Services Guide as required by the Corporations Act 2001. This is included as Appendix A to the independent expert's report attached.



This letter is a summary of PwC Securities' valuation. The independent expert's report from which this summary letter has been extracted is attached and should be read in conjunction with this letter.

PwC Securities' valuation is as at the date of this summary letter and reflects the circumstances and conditions as at that date.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A. Wellington'.

Andrew Wellington
Authorised Representative
PricewaterhouseCoopers Securities Ltd.

A handwritten signature in black ink, appearing to read 'K.D. Reeves'.

Kevin Reeves
Authorised Representative
PricewaterhouseCoopers Securities Ltd.

Independent Expert's Report

Prepared in relation to the proposed equal access off-market buyback of APGF securities.

15 April 2013

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1 Introduction and purpose of report

1.1 Outline of the Buyback Offer

At the 2012 annual general meeting for the Australian Property Growth Fund (APGF or ‘the Group’) the directors announced that they have undertaken a detailed review of the operations of APGF. The Directors have recognised that currently there are different liquidity needs for different Members and APGF is operating in an uncertain economic climate. As a result the Directors have determined the optimal way of maximising value and achieving liquidity for Members would be through an orderly realisation of APGF. APGF propose that in order to provide returns to Members the most efficient approach would be to conduct an equal-access off-market buyback of securities (the Buyback Offer). The Buyback will be financed from a combination of existing cash reserves and an unsecured loan from the APGF Directors and the Leyshon Group.

The proposed off-market Buyback is subject to:

- Member approval for the issuance of preference shares
- Member approval of amendments to the Trust constitution
- Member approval of the off-market Buyback
- there being no detrimental change to the financial position of the APGF from the date of the Explanatory Memorandum to completion of the Buyback.

The proposed price for the Buyback Offer has been set at 9.36 cents. If all buyback entitlements were taken up, it would result in a buyback of approximately 40% of the APGF securities on issue.

1.2 Purpose of report

APGF has appointed PricewaterhouseCoopers Securities Ltd (PwC Securities) to prepare an independent expert’s report to assist the APGF Members in their determination as to whether they should vote in favour of, or against the approval of the Buyback Offer.

The Buyback Offer is governed by section 257C(1) of the Corporations Act which provides that where the company proposes to buyback more than 10.0% of its issued capital in any twelve month period, before it is entered into, the terms of the buyback agreement must be approved by a resolution passed at a general meeting of the company. Section 257C(2) requires the company to include with the notices of meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution.

Although we understand that there is no legal requirement under either the NSX Listing Rules or the Corporations Act for APGF to provide an IER, ASIC Regulatory Guide 110 – Share buy-backs (RG110) states in paragraph 110.18 that “if a company proposes to buyback a significant percentage of shares or the holdings of a major shareholder, it should consider providing an independent expert’s report with a valuation of the shares.”

In this context APGF has appointed PwC Securities to prepare a report setting out:

- a. a valuation of APGF’s securities as at the date of this IER and prior to the implementation of the Buyback Offer, if approved
- b. an analysis of the advantages and disadvantages of the proposed Buyback Offer.

In preparing this report PwC Securities has also given due consideration to relevant matters in other ASIC guidelines, including RG 112 (Independence of experts).

1.3 Basis of evaluation

This report has been prepared by PwC Securities to accompany the Notice of Meeting and Explanatory Memorandum to be sent to APGF Members seeking approval for the Buyback Offer. The Explanatory Memorandum contains details regarding the specific offer considerations, including the buyback price, the timetable for the offer and the total amount available for buying back securities in conjunction with the Buyback Offer.

In addition, Regulatory Guide 111 - Content of expert reports (RG 111) provides discussion regarding the information that should be provided to Members within an independent expert's report. While RG 111 does not provide definitive guidance on the preparation of an IER in the context of an equal access buyback, our report includes:

- the assessed value of APGF stapled securities
- the advantages and disadvantages of the off-market buyback offer
- any other issues we believe are relevant.

RG 111 does not specify the basis of evaluation for an equal access buyback, however in determining the basis of evaluation the expert must consider the substance of the transaction and not the form. In this case the Buyback Offer is not expected to result in a Change of Control transaction where a single Member or a group of Members will obtain majority control of APGF. We have been provided with written declarations that the two Members with the most significant holdings will participate in the Buyback. We have therefore provided our opinion as to the non-controlling value of a stapled security given the parcels of stapled securities being sold under the Buyback Offer represent non-controlling interests. Notwithstanding this, we have also valued the stapled securities on a control basis as those Members participating in the Buyback Offer are forgoing the opportunity to share in a control premium in the future and APGF have announced their intention to pursue an orderly realisation strategy which means, in the case of the Trust, Members may be able to realise their pro-rata interest in the underlying net assets of the Trust within the next 1 to 2 years. Therefore the controlling value of a stapled security under such conditions is also relevant.

RG 111 refers to different valuation methodologies that are appropriate for an independent expert to consider (RG 111.69). Each of these methodologies may be applicable in different circumstances. In selecting the appropriate methodology for valuing APGF securities, we have considered the business activities performed, the nature of assets held and the financial information available by APGF. A more detailed discussion of the approaches adopted can be found in Section 4 of this report.

Members are also being asked to vote on a proposed issue of Preference Shares. The proposed Preference Shares that will be issued are a mechanism for unwinding the loans owed by the Company to the Trust. The terms and conditions of the preference shares will result in Members holding the existing stapled security no longer receiving distributions from the operations of the Company. All distributions from the Company will be received through the Preference Shares that will be issued. As a result the value of the APGF stapled security will only reflect the operations of and value of property held in the Trust.

The off-market Buyback is subject to the Preference Share issue being approved by Members by way of a special resolution. Therefore the off-market Buyback will only occur under circumstances where the Preference Shares have been issued and the Preference Shares will not be stapled to the units in the Trust. For this reason PwC Securities has assessed the value of APGF stapled security as being only the value of the assets/operations of the Trust.

1.4 Limitations and reliance on information

In preparing this report, PwC Securities has had regard to public and non-public information. A listing of this information is detailed in Appendix B. PwC Securities has used and relied on the information set out in Appendix B and representations made to it by and on behalf of APGF.

PwC Securities has conducted such checks, enquiries and analysis on the information provided which it regards as appropriate for the purposes of this report; however such information and representations are not always capable of external verification or validation. Based on this evaluation, PwC Securities believes that the information used in forming the opinions in this report is reliable, complete and not misleading and is not aware of any reason to believe that material facts have been withheld. Preparation of this report does not in any way imply that PwC Securities has audited the financial statements or any other records of APGF. It has been assumed that the accounting information provided was prepared in accordance with generally accepted accounting principles.

To assist in our valuation of APGF stapled securities, the Directors of APGF engaged Charter Keck Cramer (CKC) to independently value the property held by the Trust. CKC valued the property at 28 February 2013. The instructions to CKC specified that the valuations were required by and to be relied upon by PwC Securities in the context of preparing an Independent Expert Report. PwC Securities has therefore relied on the Property Valuation Report prepared by CKC in forming our valuation assessment. Unless there are indications to the contrary, PwC Securities has assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. We have reviewed the valuation report prepared by CKC in accordance with RG 112 “Independence of experts”.

We are satisfied that:

- CKC have appropriate qualifications, industry experience and competence
- the methodologies they have adopted are consistent with generally accepted industry practice
- their report contains sufficient information to support their conclusions

In addition CKC have confirmed their independence.

APGF’s Members can review the full valuation report prepared by CKC for the property assets at the registered office of Australian Property Growth Trust and Australian Property Growth Limited.

PwC Securities’ assessment has been made as at the date of this report. Economic conditions, market factors and performance changes may result in the report and our valuation becoming outdated. PwC Securities reserves the right, but is under no obligation to review its assessments, and, if it considers it necessary to issue an addendum to this report in the light of any relevant material information which subsequently becomes known to PwC Securities prior to the General Meeting of Members to be held on 21 May 2013.

This report has been prepared solely for the purpose of assisting the Members of APGF in considering whether to approve the Buyback Offer or not. This report has not been prepared to provide information to other parties considering the purchase or sale of any securities in APGF. Accordingly, PwC Securities does not assume any responsibility or liability for any losses suffered as a result of the use of this report contrary to the provisions of this paragraph.

All value amounts in the report are denominated in Australian dollars (\$) unless otherwise stated.

1.5 *Investors should seek personal advice*

An individual Member's decision in relation to the Buyback Offer may be influenced by his or her particular circumstances. In undertaking the assessment, PwC Securities has considered the Buyback Offer from the perspective of APGF Members as a whole. PwC Securities has not considered the effect of the Buyback Offer on the particular circumstances of individual APGF Members, nor has it considered their individual objectives, financial situation or needs.

Individual APGF Members will have varying financial and tax circumstances and it is not practical or possible to consider the implications of the Buyback Offer on individual APGF Members as their respective financial circumstances are not known to PwC Securities. Due to particular circumstances, individual Members may place different emphasis on various aspects of the Buyback Offer from that adopted in this report. Individual APGF Members should seek their own financial advice.

2 Industry overview

APGF's primary activity is the investment in commercial and future residential properties in Australia. The Collins Street Property owned by the Trust is a thirteen level retail/commercial office building located on Collins Street in the Melbourne central business district. Australian REITs have recovered from the lows experienced in 2009 with the S&P/ASX 300 A-REIT Index and the S&P/ASX 300 A-REIT accumulation Index trading approximately 97% and 153% up respectively from the lowest point in 2009 to 12 April 2013.

The last financial year has been a positive one for the stapled A-REIT market with 20 out of the 22 trading stapled A-REITs examined reaching a positive cumulative price return in the 12 months to 31 December 2012.

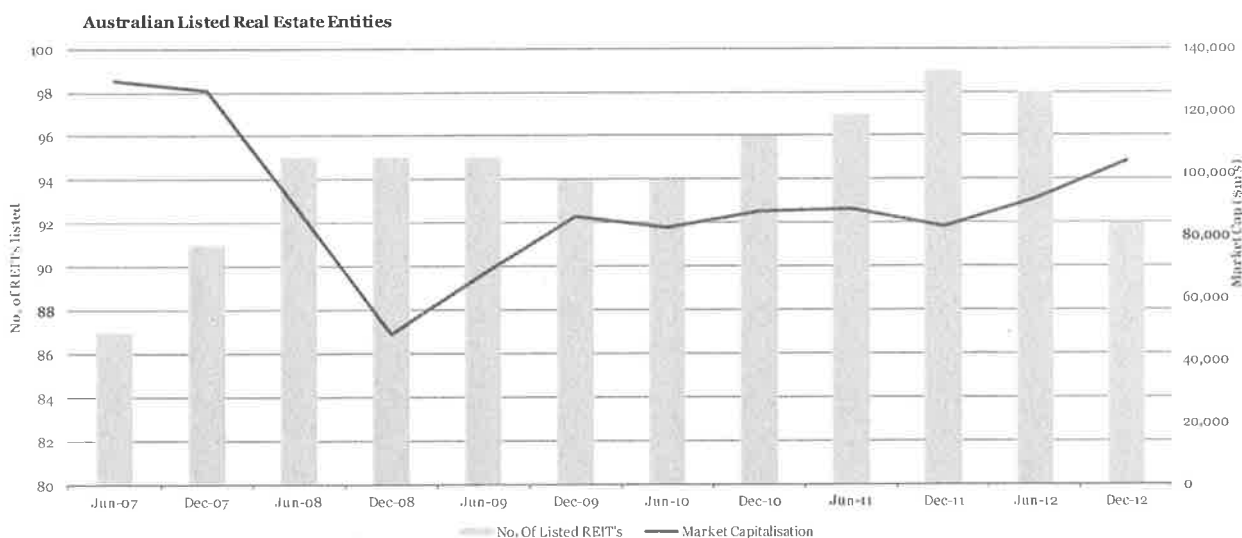
2.1 Overview of the Australian REIT market

2.1.1 Real Estate

Australian real estate values remain resilient, supported by domestic GDP growth and low unemployment, though the long term future direction of property values remains uncertain. A sideways trend is anticipated for the sector in the short to medium term with the retail property sector likely to continue to feel the squeeze of tightening retail margins and the residential property sector continues to be constrained by low housing affordability.

2.1.2 A-REITs

As at 31 December 2012, there were 92 listed real estate entities on the ASX with a combined market capitalisation of approximately \$103.6 billion. This data set includes entities listed under the industries of REITs, real estate management and development and real estate. The number of listed real estate companies on the ASX from 30 June 2007 to 31 December 2012 is presented below:



Source: DatAnalysis, PwC Securities Analysis

Market capitalisation suffered a steady decline through to June 2009 as the repercussions of the "Global Financial Crisis" (GFC) negatively impacted underlying asset values and residual equity values. REITs were struck particularly hard as the combination of uncertainty around asset values in addition to the high gearing of REIT players resulted in heavy discounting of the sector.

Exogenous factors such as European capital management and short to medium term global growth concerns continue to linger with investors and are expected to be at the forefront of both global and domestic investor perceptions in the medium term. Funding for property investment remains a key challenge for the sector as higher risk premiums continue to be passed onto borrowers and alternate funding sources, such as RMBS and CMBS markets, remain thin. Domestic banks continue to take a conservative approach toward speculative developments with required pre-commitment levels significantly higher than at pre GFC times. Larger developers however are able to secure lower cost funding and lower pre-commitment requirements giving rise to a funding competitive advantage in the current climate. Strong relationships with fund providers will remain a strategic advantage amongst REIT participants.

Basel 3, implemented on 1 January 2013, is a global regulatory standard imposed on banks regarding capital adequacy, stress testing and market liquidity risk which will be introduced in phases through to 2018. Presumably the potential impact of Basel 3 on financial institutions is unable to be entirely quantified and represents additional uncertainty for REIT funding. REITs are active users of bank facilities including bridge facilities to make acquisitions and provide working capital whilst construction or refurbishment projects are undertaken and medium term funding through bond issuance. Basel 3 requires banks to increase capital reserves and impose a new liquidity regime which could potentially force REITs to pay more for debt due to the reduced availability of bank funding.

In response to a reduced risk appetite for debt-funded growth, sector participants generally have made progress in strengthening their capital position with significant de-leveraging observed and more conservative financial policies adopted. This has contributed to stronger performance from REITs more recently as the sector gradually regains favour amongst equity investors as a defensive option. Notwithstanding the improved profile of REITs amongst investors, real estate assets continue to face lingering risks of limited upside potential, macroeconomic uncertainty and slow sale progress.

2.2 Sectoral and regional overview

2.2.1 Office

Performance of the office sector remains mixed within the Australian real estate market with prime office property performing solidly, underpinned by falling vacancy rates and declining incentives. Lower grade office property however faces less promising prospects with anticipated expensive refits required in order to re-let. Upward pressure on effective rents is expected to persist throughout 2013 in the Melbourne CBD market as new additions to office stock are predicted to be below long term averages. Anticipated head count reduction amongst the major banks is presumed to effect outer suburban processing centres with a minimal impact on CBD occupancy requirements.

Melbourne Metropolitan

Office vacancy within the Melbourne CBD rose significantly to 6.9% in the six months to January 2013, albeit slightly up on the figure 12 months earlier at 5.2%. Nevertheless, there remained positive net absorption in the last 6 months, albeit only 5,340 square metres, which is an indication of the low level of market activity currently being experienced due to occupiers taking a cautious approach as a result of general economic sentiment. The *Civic* precinct, in which the Collins Street property is located, has a slightly lower vacancy at 4.7%, which decreased over the previous 6 months from 4.9%. Overall, the *Civic* precinct remains a popular Melbourne office precinct with historically low levels of vacancy. (Source: Charter Keck Cramer)

Further consultation with leasing agents indicates, that looking forward, low levels of market activity with few new leaseings taking place is expected, which is creating pressure on effective rental levels as lessors are required to offer greater levels of incentives to secure new tenants. Moving forward it is not anticipated that there will be significant rental growth over the next 12 months as a result of a lack of current market activity and overall vacancy within this precinct and the Melbourne CBD as a whole. (Source: Charter Keck Cramer)

2.2.2 Retail

The Australian retail sector is expected to continue to recover slowly on the back of subdued retail spending over the course of 2013, as a result of ongoing household deleveraging, increased household caution and falling house prices. Increased retail spending will eventually improve retail space demand and occupancy trends, as well as support asset prices and yields, particularly in more volatile segments of the retail market. Given the progressive renewals of retail leases, the impact on rental rates will be more muted and drawn out, with some near-term negative rental reversions likely in weaker market segments. Despite the modestly rising trend for retail spending, it is plausible to see further near-term weakness from retailers through store closures and pressure on rents at lease renewal as the sector works through the tail-end of the cycle. The ongoing effect of structural pressures on domestic retailer margins, such as the increased focus towards online retailing and global pricing, will also continue to put pressure on the medium term outlook for retail rental growth.

Melbourne Metropolitan

Despite the level of uncertainty and negativity currently being felt in the retail market, Melbourne's CBD retail core has remained particularly resilient over recent times, largely as a result of international retailer demand. International retailers have been attracted to Melbourne's CBD by low employment levels and strong population growth together with generally more positive economic confidence than seen elsewhere. Nevertheless, retail vacancy within Melbourne's CBD has risen over recent times, although marginally. In accordance with research undertaken by Knight Frank, vacancy for Melbourne's CBD retail core was at 2.5% in December 2012 up slightly from 2.13% in December 2011. The increase however, was primarily driven off the back of fashion based retailers vacating, particularly within inferior secondary locations, which have felt the greatest impact from weakened retail trade conditions, discretionary spending and the increasing trend of online retailing. The Collin Street asset however is positioned in a strong retail location with no current vacancies and is anticipated to receive a strong level of interest. (Source: Charter Keck Cramer)

3 Profile of APGF

3.1 History of the business

APGF is a stapled property fund comprising a property trust, (Australian Property Growth Trust) which invested in long-term passive property investments, and a property funds management and development company (Australian Property Growth Limited). APGF was formed by the stapling of units issued by the Trust to shares issued by the Company on the 21st December 2004, following the merger of Blue Tower Trust and Leyshon Property Fund No. 3. The Blue Tower Trust is now 100% owned by the Trust. APGF specialises in property funds management, investment and development, and listed on the Bendigo Stock Exchange (which was later acquired by the NSX) on 23 December 2004. The fund's primary Responsible Entity company, APGF Management Limited (wholly owned subsidiary of Australian Property Growth Limited), holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission (AFSL 229287), enabling external investors to participate in its property projects.

3.2 Business description

The Trust owns one asset being a retail/commercial office building in Collins Street Melbourne. The Company owns three properties in Queensland and New South Wales. It is only the Trust which is the subject of this valuation.

Australian Property Growth Trust

287-301 Collins Street, Melbourne, Victoria (Collins Street)

The Collins Street retail/commercial office building asset is situated on the south-eastern corner of the intersection of Collins and Elizabeth Street, within the heart of Melbourne's CBD. With a Net Lettable Area of approximately 5,370 square metres, the Art Deco-style building encompasses two basement floors, a large ground floor and mezzanine level in addition to nine upper floors. As at 28 February 2013 the property was approximately 50% occupied by area with a weighted average lease expiry (WALE) of 25 months. The asset was offered to the market by means of expression of interest in the latter stages of 2011, however despite receiving a range of offers, the property has not sold.

Australian Property Growth Limited

Palm Beach, Gold Coast, Queensland

Pavillions Palm Beach is a mixed use development which is being undertaken over 2 stages around an existing retail centre. Upon completion the development will comprise approximately 200 residential apartments, approximately 5,000 square metres of ground level retail accommodation and two levels of basement car parking.

Springfield Meadows, Ulladulla, NSW

In June 2007 APGF acquired a residential land subdivision project known as Springfield Meadows. 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. Stage 2 of the project has been partially constructed and will be completed following the sale of Stage 1 lots.

Dolphin Point, Ulladulla, NSW

In June 2007 APGF also acquired another residential land subdivision known as Dolphin Point. The Dolphin Point estate consists of a 38.5 hectare land parcel. It currently has a 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.

Recently Realised

Creek Street (Blue Tower), Brisbane, Queensland

Located in the heart of Brisbane's 'Golden triangle', the 32,000 square metre Blue Tower commercial office tower in Creek Street, Brisbane, was APGF's flagship property. Situated 150 metres from the GPO, it provided close proximity to the financial and retail sectors of the Brisbane CBD. The property consists of a 37-level commercial office building and a separate two-level annexe building. The main office tower has 32 levels of offices, ground floor lobby and retail, and four levels of basement car parking comprising approximately 308 car parks. The net lettable area of the property is approximately 32,200 square metres.

APGF delivered the most significant capital expenditure program in the Blue Tower's 23 year history. An \$8 million services upgrade was completed in May 2011, which saw the ground floor foyer refurbished together with new air-conditioning chillers, controls and lifts installed as part of the modernisation program.

The sale of the property settled on 31 October 2012 to Dexu Property Group for \$241.6 million.

7 King Street, Concord West, Sydney

The Westpac Concord Campus is a commercial/business park development comprising approximately 16,500 square metres of office accommodation with onsite childcare facilities, café, gymnasium and 485 car parks situated at 7 King Street, Concord West, Sydney. The property has one of the largest floor plates of any building in Sydney as its office component is on a single level. The building area comprised around 15,000 square metres of office space, 458 square metres for childcare and a lower ground area of approximately 1,400 square metres including the café and gym.

APGF sold this property in May 2012 for \$52 million.

3.3 Capital structure and ownership

As at 15 April 2013, APGF had 227,580,022 securities on issue. APGF's securities are predominantly held by domestic investors. An analysis showed that more than 75% of the securities on issue are held by the top 20 Members. A list of the top 20 Members and their holdings as at 15 April 2013 is shown below:

APGF Major Members as at 15 April 2013	Number of securities	%
Leyshon Investments (Australia) Pty Ltd atf Leyshon Operations Unit Trust	50,264,012	22.1%
Stirling Investments Pty Ltd atf The Stirling Investment Trust	42,220,298	18.6%
Leyshon Pty Ltd	20,363,058	8.9%
Leyshon Operations Pty Ltd	19,794,623	8.7%
Dr Steve Mokrzeki	6,000,000	2.6%
Ashbar Contructions Pty Ltd	5,369,200	2.4%
Troxfield Pty Ltd atf Rosebery Super Fund	4,882,713	2.1%
Trust Company Limited <ASIF A/c>	3,886,792	1.7%
JP Morgan Nominees Australia Ltd ACF Mosaic Property Fund	2,886,792	1.3%
G&M Rees Investments Pty Ltd atf G&M Rees Investment Trust	2,544,000	1.1%
Currabulla Pty Ltd	2,184,600	1.0%
Peter Charles Crowley	2,184,600	1.0%
Glendower Investments Pty Ltd atf Glendower Superannuation Fund	2,110,369	0.9%
Gary Kemp	2,000,000	0.9%
Johnson Hotels Pty Ltd atf Johnson Family Trust	2,000,000	0.9%
Perpetual Corporate Trust Limited as Custodian for Wellington Property Trust	1,886,792	0.8%
Mr Desmond John Fissore	1,750,000	0.8%
David & Susan Goldsworthy as Trustees for the Goldsworthy Unit Trust	1,592,300	0.7%
Flora Keats	1,592,300	0.7%
Ralph & Barbara Douglas	1,592,300	0.7%
Total Major securityholders	177,104,749	77.8%
Other investors	50,475,273	22.2%
Total all securityholders	227,580,022	100.0%

Source: APGF

The substantial Members consist of the Leyshon Group (and related parties) and Stirling Investments. The number of securities and percentage of securities is set out below:

APGF Substantial Members as at 15 April 2013	Number of securities	%
Leyshon Group	94,939,062	41.72%
Stirling Investments Pty Ltd atf The Stirling Investment Trust	42,220,298	18.55%
Total substantial securityholders	137,159,360	60.27%
Total all securityholders	227,580,022	100.0%

Source: APGF

3.4 Financial performance

As described in Section 1.3, our valuation is focused on the value of the Trust. Historically APGF have not prepared separate financial statements for the Trust as it has been included as part of the stapled Group. In addition, with the significant disposals of assets in recent years the historical performance of the Trust or Group is of limited relevance to its potential future performance or value. However for informational purposes we have provided an overview of APGF's historical financial performance as a whole.

APGF's audited financial performance for the financial years ended 30 June 2010 to 30 June 2012 and half year 31 December 2012 are presented below.

APGF P&L (YTD ending) S'ooo	FY 10 30 June 2010 Audited	FY 11 30 June 2011 Audited	FY12 30 June 2012 Audited	HY13 31 December 2012 Reviewed
Revenue	73,532	47,406	44,401	12,872
Other revenue	854	527	548	38
Total revenue	74,386	47,933	44,949	12,909
Expenses from continuing activities	(51,011)	(25,278)	(21,775)	(11,290)
Value movements in balance sheet items	(8,537)	(684)	(26,097)	(1,671)
Profit/(Loss) from continuing activities before interest and taxes	14,838	21,971	(2,923)	(52)
Finance income/(cost)	(16,486)	(20,302)	(20,472)	(4,766)
Write down of deferred tax assets	-	-	(4,792)	-
Income tax Benefit / (expense)	2,341	1,824	2,003	(200)
Profit/(Loss) from continuing activities	693	3,493	(26,184)	(5,018)
Profit/(Loss) from discontinued operations	-	-	-	-
Net profit/(loss)	693	3,493	(26,184)	(5,018)
Total comprehensive profit/(loss)	693	3,493	(26,184)	(5,018)

Source: APGF, PwC Securities Analysis

APGF realised an accounting statutory loss after tax of \$26.2 million in FY12. This result was largely driven by the impairment of goodwill, property revaluations and a write-down of deferred tax assets, which in aggregate approximated \$30.9 million in total.

In consideration of market conditions at the time and a reassessment of the property funds management business, the directors fully impaired goodwill of \$13.4 million in 2012. Intangible assets representing management fee assets were also impaired and derecognised to the value of \$3.7 million through the profit and loss statement. APGF wrote down their deferred tax assets by \$4.8 million recognising that their full benefit is unlikely to be realised.

In FY11 APGF realised profit after tax of \$3.5 million. The \$2.8 million increase on FY10 was mainly attributable to increased property valuations for the Blue Tower and Collins Street properties, which experienced an incremental fair value movement of \$10 million and \$1 million respectively. The property fair value increases however, were to some extent reduced by net losses on property developments and fair value decrements in management fee assets. The Ulladulla and Palm Beach development properties experienced a net realisable value decrement of \$3.8 million and management fee assets realised a fair value decrease of \$3.4 million.

The value movements in balance sheet items during the period 1 July 2009 to 31 December 2012 are summarised in the table below:

APGF	FY 10	FY 11	FY12	HY13
Value movements in balance sheet items (YTD ending)	30 June 2010	30 June 2011	30 June 2012	31 December 2012
S'000	Audited	Audited	Audited	Reviewed
Pre-Tax movements				
Fair value movements in investment properties held directly	(3,434)	6,496	(7,560)	(553)
Write down of inventory to net realisable value	(1,965)	(3,773)	(1,500)	-
Impairment/derecognition of intangibles representing management fee assets	(1,107)	(3,407)	(3,682)	(1,118)
Impairment of goodwill	-	-	(13,355)	-
Impairment loss loans receivable	(2,031)	-	-	-
Pre-Tax Total	(8,537)	(684)	(26,097)	(1,671)
Post-Tax movements				
Write down of deferred tax assets	-	-	(4,792)	-
Post-Tax Total	-	-	(4,792)	-
Total	(8,537)	(684)	(30,889)	(1,671)

Source: APGF, PwC Securities Analysis

Revenues reduced from FY10 to FY11 mainly due to lower sales income from the property development operating segment. This trend continued into FY12 albeit to a lesser extent. Expenses from continuing activities increased in FY11 as a direct result of higher costs of inventories sold associated with the property development sales. Finance costs however are relatively unchanged due to higher average interest rates charged on debt over the 2011/12 financial year (8.66% compared to 8.32%) and the proximity of the debt reduction to the end of financial year.

In summary, the FY12 result was significantly affected by the impairment of goodwill, property revaluations and a write-down of tax losses, while FY11 results reflected improved property market conditions and a recovery in asset values. Revenues in FY10 and FY11 were driven by increases in sales income for the property development assets and expenses reflected the associated costs of inventories sold.

The half year result to 31 December 2012, which is shown for completeness, is significantly impacted by the sale of the Blue Tower in October 2012.

3.5 The Trust net asset position

We have been provided with the details of the assets and liabilities that relate solely to the Trust as 31 December 2012. In addition, APGF have provided details regarding the adjustments that will occur if the issuance of the Preference Shares is approved. The table below sets out the net assets as at 31 December 2012 and the resulting adjusted net assets.

The adjustments to the balance sheet below reflect the proposed offset of existing payables to the Company, debt forgiveness and Preference Share Issues to Members. Although the 31 December 2012 balance sheet before adjustments shows net assets of \$112 million, this includes \$92.3 million in assets for loans owing from the Company. At 31 December 2012 the reviewed balance sheet for the Company had net liabilities of \$44.9 million. As it is not considered that the Company holds assets which have market values significantly above their carrying in the balance sheet, it is unlikely the Company can repay these loans.

The Preference Share issue reflects the issue of 227,580,022 Preference Shares at an issue amount of 18 cents each. The debt forgiveness then reflects the forgiveness of the balance of the loans owing by the Company to the Trust, which is considered to be the amount of loans that the Company is unable to repay.

In substance the adjusted Net Assets reflect the net assets in the Trust after any value in the loans owed by the Company has been converted into a Preference Share issued by the Company.

The Trust Balance sheet \$'000	31 December 2012	Offset	Adjustments Debt Forgiveness	Preference Shares Issue	Adjusted Net Assets	Net Assets After Buyback
Assets						
Cash	419				419	169
Prepayment & trade debtors	262				262	262
Collins St Property	30,303				30,303	30,900
<i>Other</i>						
- Blue Tower retention amounts	5,467				5,467	5,467
- Other receivables	179				179	179
- Receivables/payables APGL	3,693	(3,693)			-	
- APGT to APGL Loan	33,696	(3,993)	1,656	(31,359)	-	-
- BTT to APGL loan/note	58,601		(48,996)	(9,605)	-	
Total Assets	132,620	(7,686)	(47,340)	(40,964)	36,630	36,977
Liabilities						
Other payables	868				868	868
Payables APGL	7,686	(7,686)			-	
Related party loans	1,350				1,350	9,874
Other loans	34				34	34
Loan relating to Collins St Property	10,700				10,700	11,097
Total Liabilities	20,638	(7,686)	-	-	12,952	21,873
Net Assets	111,982	-	(47,340)	(40,964)	23,678	15,104
NAV (NTA) per Stapled Security (cents)					10.40	11.06

3.5.1 Investment Property

The main asset of the company is the Collins Street property. The book value of Collins St as at 31 December 2012 was \$30.3 million. The value of the property at 28 February 2013 was assessed by CKC as \$30.9 million.

3.5.2 Blue Tower Retention Amounts

The Blue Tower Retention amounts relate the amount required to be held within APGF's solicitor's account to guarantee the warranties that APGF provided to Dexu in the sale contract for the Blue Tower. It is expected that \$4.82 million will be released on 31 October 2013 with the remainder to be released in the subsequent year. The warranties generally relate to conditions at the contract date such as contractual relationships with tenants, any pending or known litigation or arbitration matters and the accuracy of information provided by the Trust as the vendor. As at the date of this report the Trust is not aware of any reasons the warranties would be called upon and therefore not be repaid.

3.5.3 Other Payables

The Other Payables amount of \$868,000 relates mainly to expenses incurred in the refurbishment of Collins Street.

3.5.4 Related Party Loans

The related party loans of \$1.35 million represent loans that have been made by Leyshon Pty Ltd and G & M Rees Investment Pty Ltd to the Trust. These loans expire as at 30 June 2014 and have interest accrued at the fixed rate of 10% per annum. Leyshon Pty Ltd and the APGF Directors have previously provided loans to APGF

and provided extensions where necessary. The increase in these loans after the Buyback reflects the fact they and other APGF Directors are funding the Buyback.

3.5.5 Loans relating to Collins Street Property

As at 31 December the Trust had a loan outstanding to St. George Bank of \$10.7 million. This loan is secured by the value of the Collins Street property and has an interest rate of 235 basis points above the BBSW. The small increase in the loan balance after the Buyback reflects some additional drawdowns to fund refurbishment of Collins Street.

The value of the adjusted net assets of the Trust after the issuance of Preference Shares is \$23.7 million.

3.6 Security price

3.6.1 Security price performance

Whilst APGF is listed on the NSX, it is not traded regularly with the last trade on 12 August 2009 at \$1.05. It is therefore not possible to perform an analysis on the stapled security price performance as the stapled security is illiquid.

4 *Valuation methodologies*

4.1 *Introduction*

There is no single generally accepted approach to determining value and the approach adopted depends upon the specific circumstances. PwC Securities has considered common market practices and the valuation methodologies guidance included in RG 111 – Content of expert reports. The approaches PwC Securities has considered are discussed below.

4.2 *Discounted cash flow (DCF) approach*

DCF approaches are premised directly on the principle that the value of a company is dependent upon the future economic benefits it can generate.

This method indicates the value of a business enterprise based on the present value of the free cash flows that the business is expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the forecast cash flows.

This approach is typical for companies with:

- high levels of growth
- reasonably accurate forecast cash flows (preferably 5 years)
- earnings or cash flows that are expected to fluctuate from year to year or are of a limited life
- irregular capital expenditure requirements.

4.3 *Market based approaches*

Market based approaches estimate the value of a company through reference to the market value of comparable companies and trading in the company's own securities. There are a number of variants including the following three approaches:

- **capitalisation of earnings** - This method is commonly used for the valuation of relatively mature businesses. It involves the application of an earnings multiple (derived from an analysis of comparable companies and/or transactions) to an assessment of the future earnings of a business. The earnings must be maintainable by the business and must not include one-off gains or losses. Hence, this method is generally not appropriate for a business with fluctuating earnings. The method is appropriate for businesses with indefinite lives where stable earnings or trends in earnings are evident.
- **NTA multiples approach** – This approach is often used in asset backed businesses and looks at the premium or discount at which other companies are trading to their NTA. To reflect this in a valuation, an appropriate premium or discount can be applied to the NTA of the company, which reflects the business' relative outlook, business risk, investor expectations, future growth and other specific factors.

- **Market price valuation** - This valuation approach can be used at the prevailing spot price at the valuation date or VWAP across a given period up to the valuation date, such as 30, 60 or 90 days. Market Price Valuation is an indication of a non-controlling interest value if:
 - the securities are actively traded
 - the market is assumed to be efficient
 - there is no takeover speculation affecting the stock

4.4 Asset based approach

This method analyses the value of the assets used in the business. This is done by separating the business into assets which can be readily sold and determining a value for each asset based on the net proceeds that could be obtained in the market place if the asset were sold. The value of the assets can be determined in the context of:

- **orderly realisation** - this method estimates the value by determining the net assets of the underlying business including any allowances or costs involved in carrying out the sale. This method is not a valuation under a forced liquidation where the value could be materially different from their market value
- **liquidation** - this method is based on the premise of a forced sale in terms of liquidation. In this case, the price the assets could be sold at (and hence value) is typically materially lower than their market value
- **going concern** - this method estimates the value of the net assets on a replacement cost basis, but does not consider realisation costs.

An asset based approach is typically used for asset rich companies, dormant companies or loss making companies. It is usually inappropriate for businesses in which intangible assets are significant, the value of which is usually best determined by reference to future income streams.

4.5 Approach adopted

Having regard to the business activities performed, the nature of assets held and the financial information available, we have primarily assessed the controlling value of a stapled security in APGF on both an orderly realisation basis, recognising that APGF is currently undergoing an orderly realisation process, and an adjusted net assets approach.

The orderly realisation of assets methodology estimates fair market value by determining the net assets of the underlying business including any premiums or discounts that may arise on the disposal of assets, an allowance for the reasonable costs of carrying out the sale of assets, the settlement of liabilities and the time value of money assuming the business is wound up in an orderly manner.

In addition we have assessed the value of the Trust on an adjusted net assets approach. The valuation is based on the Pro-forma NTA of the Trust at the time of writing. This NTA was then adjusted for capitalised overhead costs, as the NTA of a REIT does not take into account the ongoing cost of managing the group.

The value derived from the adjusted NTA approach was compared to the value derived from an orderly realisation of assets approach.

As a cross-check, we have compared the value derived for Trust against a NTA multiples approach, where we compared the observable discount or premium of market price to NTA of similar A-REITs in control transactions.

To estimate a non-controlling value for the Trust we have considered the discount to NTA and orderly realisation value which might apply to APGF securities based on market trading for similar A-REITs.

We have also given consideration to whether the voting rights which attach to the ordinary shares in the Company might have a value.

5 Valuation of APGF

5.1 Introduction

We have assessed the value of APGF stapled securities on both a controlling and a non-controlling basis to assist Members in their consideration of the Buyback Offer.

Our assessment of the control value of an APGF stapled security (excluding the value of the Preference Share) has considered both the Orderly Realisation approach and a Net Asset Value approach.

Our non-controlling value is based on the discount to NTA expected to apply based on ASX market trading for similar A-REITs, adjusted for the specific circumstances of APGF recognising it has no liquidity and is undergoing a process of orderly realisation for its assets.

The property asset of the Trust was valued by an independent expert, CKC. CKC prepared a valuation of the property at 28 February 2013. We have reviewed the calculation of value and the valuation of the assets with regards to the parameters used and the methodology adopted.

5.2 Orderly realisation approach

APGF are currently undergoing a process of orderly realisation of the assets of APGF. Therefore to determine the value of a stapled security we have had regard to the projected capital return to Members resulting from the orderly realisation.

APGF have prepared projected cash flows arising under the orderly realisation program for the Trust. We have reviewed these projections and made adjustments as required. In preparing the projections for APGF it has been estimated that the remaining major asset in the Trust, the Collins Street property, will be sold in June 2014.

5.2.1 Orderly realisation assumptions and distributions

- It is assumed the settlement of the sale of the Trust property will take place by June 2014 and at a premium to the current market value of 0% to 6%. Forecasting value growth rates in property markets at present is problematic. Jones Lang Lasalle recently published projected growth rates for the Melbourne CBD of approximately 2% per annum on for the 2012 to 2015 period. While this is below long term growth rates, the commentary in the valuation of the Collins Street property indicates there is no expectation of significant rental growth over the next 12 months. We have therefore adopted an annual growth rate of 0% at the low end and 4% at the high end. Given the nature of the asset which is a reasonable quality CBD property and it is intended to have it tenanted prior to sale we have not assumed any discount will result from the property being sold as part of an announced orderly realisation process.

Property	Settlement Date	Premium	Selling Costs
Collins Street	30 June 2014	0% to 6%	2%

- Property income will continue to be received while properties are held.
- The cost of debt is assumed to be 5.2% for FY13 and FY14 based on an assumed swap rate of 2.85% and a margin of 2.35%, consistent with the existing bank loan facility secured against the Collins Street property.

- The full return of capital to the Members will occur after the sale of the Collins Street property and repayment of the debt. This assumes a sale can be negotiated without significant deferred consideration, or if there is deferred consideration funds could be borrowed to allow for distributions upon the sale. It is likely such borrowings would have to be from a related party if there were significant conditions attached to the deferred consideration.
- The number of securities on issue as at 15 April 2013 is 227,580,022 and there is no further issue or buyback of securities prior to the wind up of the Trust.

The capital distributions resulting from the orderly realisation scenario at the low end of the scenario are set out below:

The Trust - Low		
Orderly Realisation	2013	2014
Distribution to Members (\$millions)		23.60
Number of stapled securities (millions)		228
Capital return per stapled security (cents)		10.37

Source: APGF, PwC Securities Analysis

The capital distributions resulting from the orderly realisation scenario at the high end of the scenario are set out below:

The Trust - High		
Orderly Realisation	2013	2014
Distribution to Members (\$millions)		25.43
Number of stapled securities (millions)		228
Capital return per stapled security (cents)		11.18

Source: APGF, PwC Securities Analysis

5.2.2 Required return

The capital distributions for FY14 are discounted to reflect the time value of money and required investors return. We have adopted a discount rate of 11.5%. The cash flows represent residual cash flows to equity holders, so a cost of equity return has been used to discount cash flows to Members. This cost of equity can be derived by adopting a risk free rate and applying an additional risk premium for the Trust's business.

We have adopted the long term average (6%, see below) as an estimate of the market risk premium. However yields on Government Bonds in Australia are at historical lows and there is a risk of understating the current cost of equity if a market risk premium based on long term averages is simply added to current Government Bond yields. In terms of adjustment to reflect the abnormally low level of current Government Bond yields, this could arguably be made by:

- Adding an amount to the spot measure of the risk free rate; or
- Adjusting the measure of the market risk premium used to reflect an additional short term component of risk over and above the depressed measure of the risk free rate.

In this case we have adopted an estimate for the long term risk free rate of 5%, which reflects an estimated normalised real risk free rate of 2.5% and an estimate for inflation of 2.5%. Additionally we have adjusted this long term risk free rate to reflect the fact that the orderly realisation of the Trust will be completed in a two year

period. Therefore we have decreased the long term risk free rate by the observable difference of the average yield of 10 Year bonds and 2 Year bonds. Reducing the long term risk free rate by this observable difference of 0.5% results in a risk free rate of 4.5%.

The risk premium can be derived by using an industry or company specific beta factor and multiplying it with the equity market risk premium. The historical observable equity market risk premium for Australia is approximately 6.0%.

In estimating an appropriate beta we had regard to the betas of comparable entities. The betas for these entities are set out in Section 5.4.1 of this report and show a mean of approximately 1.14. The beta we have adopted is 1.2 which results in a cost of equity of 11.5%. We have used a beta of 1.2 to reflect the risk associated with the nature and size of the Trust (being a single property). The calculation of the cost of equity applied to APGF is shown below:

APGF Stapled Securities Cost of Equity	
Risk free rate	4.5%
Beta factor adopted	1.2
Market risk premium	6.0%
Risk premium for APGF	7.2%
Cost of equity (calculated)	11.7%
Cost of equity (rounded)	11.5%

Source: PwC Securities Analysis

5.2.3 Calculation of orderly realisation value

The distribution is assumed to be achieved at 30 June 2014 and have been discounted back to 31 December 2012. The calculation of the net present value of the cash distributions to the Members in the low scenario is summarised in the table below:

The Trust - Low		
Net present value of distributions	2013	2014
Capital Return (cents)	-	10.37
Total (cents)	-	10.37
Present value factor	0.947	0.849
Present value (cents)	-	8.81
Net present value (cents)	8.81	

Source: APGF, PwC Securities Analysis

The calculation of the net present value of the cash distribution to the Members in the high scenario is summarised in the table below:

The Trust - High		
Net present value of distributions	2013	2014
Capital Return (cents)	-	11.18
Total (cents)	-	11.18
Present value factor	0.947	0.849
Present value (cents)	-	9.49
Net present value (cents)	9.49	

Source: APGF, PwC Securities Analysis

Under an orderly realisation process a net present value range of 8.81 cents to 9.49 cents per stapled security results.

5.3 Controlling Value - Net asset value approach

REITs are commonly valued on the basis of net asset values. For these types of businesses, properties are generally carried on the balance sheet at market value and the appropriate valuation methodology is to aggregate the market value of the individual property assets. Other assets or liabilities that are not carried at market value are adjusted to reflect market value. For the purposes of determining the value of a stapled security in APGF as discussed previously the value of the stapled security lies in the value of the assets held within the Trust only. The Collins Street property has been valued by an independent valuer using a number of methodologies including discounted cash flow, capitalisation of income and direct sales comparison (i.e. value per square metre of net lettable area).

In applying this methodology we have:

- Adopted the 31 December 2012 NTA for the Trust only
- Adjusted the NTA for the Trust to reflect the impacts of the proposed Preference Shares as well as transaction costs and property valuation uplifts

5.3.1 Pro-forma NTA

The reported NTA per stapled security in the Trust as at 31 December 2012 was \$0.49 or total NTA of \$111.98 million. This figure was adjusted to obtain a Pro-forma NTA at the time of writing. These adjustments are as follows:

The Trust Changes in NTA	Note	\$ m
NTA as at 31 December 2012		111.98
Preference share adjustment	1	(88.30)
Subtotal		23.68
Transaction costs related to the proposed Buyback	2	(0.23)
Valuation uplift for Collins Street	3	0.6
Capex incurred relating to Collins Street	3	(0.4)
Pro-forma NTA		23.65
Number of stapled securities (millions)		227.58
Pro-forma NTA per stapled security (cents)		10.39

Source: PwC Securities Analysis

Notes:

- (1) We have adjusted the NTA to reflect the impact of the issuance of the proposed Preference Shares. This reflects both the debt forgiveness and debt to equity swap required.
- (2) Transaction costs related to the proposed Buyback are estimated by APGF to be approximately \$0.25 million. As 90% of these costs will be incurred whether the Buyback Offer is approved or not we have included an adjustment of \$0.225 million.
- (3) We have adjusted the NTA for the value of Collins Street Property to reflect market value based on the valuation prepared by CKC and the additional capital expenditure incurred between 31 December 2012 and the date of this valuation.

The Pro-forma NTA of the Trust reflects the current valuation of Collins St undertaken by an independent valuer. PwC Securities did not undertake its own valuations of the property and has relied on this valuation for the purposes of our report. We do not have any reason to believe that it is not appropriate to rely on these valuations for this purpose. We have undertaken an analysis of the independent valuations and note we are satisfied that:

- CKC have appropriate qualifications, industry experience and competence
- the methodologies they have adopted are consistent with generally accepted industry practice
- their report contains sufficient information to support their conclusions

In addition CKC have confirmed their independence.

This does not, however, imply that the valuations have been subject to any form of audit or due diligence by PwC Securities.

APGF's Members can review the full valuation report prepared by CKC for the Collins St property at the registered office of Australian Property Growth Limited.

An executive summary of the valuation as at 28 February 2013 is included in Appendix E.

5.3.2 Adjusted Net Assets

Overheads

Valuations based on net assets do not take into account the cost structure associated with a listed property investment vehicle. Based on historical costs and budget information provided to us we have estimated normalised overhead costs for the Trust in its current form as being approximately \$0.1 million per annum. These costs are relatively modest and reflect the fact that listing costs on the NSX are shared with the company and the Trust now has only one asset to manage. The services provided are essentially that of a property/funds manager. Therefore we have considered what multiples might be applied to a property fund manager in estimating what might be the value impact on the Trust of incurring these overhead costs.

There are few directly observable transactions which are genuinely comparable. We have identified three relevant transactions that occurred in the property funds management sector in the last three years and where data, such as consideration and EBIT, was available to us. These transactions and their implied EBIT-multiples are set out below:

Transaction Multiples								
Year	Target	Buyers	Acquired (%)	Consideration (\$m)	EBIT (historical)	EBIT (forecast)	EBIT-Multiple (historical)	EBIT-Multiple (forecast)
2011	Trinity Funds Management Limited	LaSalle Investment Mangement	100%	9.25	2.63	2.50	3.5x	3.7x
2010	Trinity Funds Management Limited	Clarence Property Corporation Limited	50%	5.00		1.31	4.6x	3.8x
2010	Macquarie Group's Funds Management Platform	Charter Hall Group	100%	108.00	24.90	14.00	4.3x	7.7x

Source: PwC Securities Analysis

The limited transactions evidence available suggests a broad range of 3.5 to 8 times EBIT and we are aware that in the accommodation sector property management rights for specific properties might typically trade at 2 to 4 times EBIT. We also recognize that the sale of Trinity Funds Management Limited occurred when Trinity needed to realise assets and in different circumstances may have expected a higher multiple of forecasted EBIT.

We have adopted a multiple range of 4 to 5 times EBIT as a basis to estimate the value impact of capitalised overheads. This multiple range is in line with the observed multiple ranges and in our view is appropriate for an operation the size of APGF. It is at the upper end of the range achieved for the Trinity Funds Management business and at a discount to the forecast multiple for Macquarie Group's Funds Management Platform, which was a significantly larger operation. A higher multiple is not considered appropriate in that it risks not adequately recognising the options Directors have of realising the value of the properties and ceasing to incur management costs within this structure.

We acknowledge a lower multiple could be argued given APGF is in an orderly realisation phase, however our Adjusted Net Assets approach is intended to understand what an APGF stapled security maybe worth on a going concern basis. Our Orderly Realisation approach captures the value under an orderly realisation scenario.

We have applied this multiple range to capitalise the overhead costs and calculate the adjusted Net Assets of APGF.

5.3.3 Summary

The calculation of the adjusted Net Assets of APGF is shown below:

The Trust	Low	High
Adjusted Net Assets	\$ m	\$ m
Pro-forma NTA (NAV)	23.65	23.65
Capitalised overhead cost	(0.5)	(0.4)
Adjusted Net Assets	23.15	23.25
Number of stapled securities (millions) pre- Buy back	228	228
Adjusted Net Assets per stapled security (cents)	10.17	10.22

Source: PwC Securities Analysis

The adjusted Net Assets per stapled security of APGF is 10.17 cents to 10.22 cents.

5.4 Non-controlling Value

5.4.1 Comparable REITs

In estimating the non-controlling value of an APGF stapled security we have considered the discount to NTA of comparable A-REITs. The median premium to NTA observed for the A-REITs considered was 1%, with a range of a 47% premium to a 27% discount. The observed discounts and premiums are summarised in the table below:

Trading Discount / Premium to NTA as at 12 April 2013	Security Structure	Market Cap (\$m)	Security Price	NTA per security	Gearing (Total Debt / EV)	Discount / Premium to NTA	5 yr Monthly Equity Beta
Abacus Property Group	stapled	1,010	2.23	2.27	42%	-2%	1.36
Aspen Group	stapled	244	0.21	0.25	48%	-19%	1.28
Australand Holdings Limited	stapled	2,169	3.75	3.44	38%	9%	1.68
Challenger Diversified Property Group	units	591	2.76	2.75	30%	1%	0.95
Commonwealth Property Office Fund	stapled	2,734	1.17	1.15	25%	2%	0.52
Cromwell Property Group	stapled	1,461	1.00	0.68	33%	47%	0.85
Investa Office Fund	stapled	1,977	3.22	3.14	23%	3%	1.18
Trafalgar Corporate Group Ltd.	stapled	41	0.48	0.62	22%	-24%	1.32
Trinity Group	stapled	42	0.28	0.38	60%	-27%	1.07
Median					33%	1%	1.18
Mean					36%	-1%	1.14

Source: Capital IQ, Company Filings, PwC Securities Analysis

There are only a limited number of listed entities in the real estate sector in Australia (A-REITs) engaged in directly comparable activities to APGF, and just two of them are of comparable size. In selecting comparable entities we focussed on Australian REITs, as the real estate markets tend to reflect local conditions notwithstanding the fact international economic conditions have some indirect impacts, we have further selected our sample of comparable entities to include entities where they either have a focus on office assets, are relatively small or have a small number of properties. In addition we have excluded those REITs that were likely to be seen as being in financial distress, with a gearing exceeding 60% (debt/EV), as we expect that this is likely to have a negative effect on the discount to NTA these companies trade at. The portfolio size, the existence and level of intangible business assets and related risk, and geographical concentration or diversification is likely to influence the inherent risk and the valuation of the REIT.

A brief description of the business activities of each company is provided in Appendix D.

There is a wide range of discounts (and in some cases premiums) to NTA observed in the REITs considered comparable, with the observations ranging from a discount of 27% to a premium of 47%. There are a range of factors which may influence these discounts and premia, including but not limited to:

- the extent to which non-property income is generated, such as income from funds or asset management activities. Such activities can create intangible value not reflected in NTA. Some of the groups above, such as Cromwell Property Group, generate funds and asset management income.
- the nature of the property portfolio itself, for example fully tenanted income producing assets may result in less of a discount to development properties in the current environment.
- the level of distributions being made to investors, with those groups making reasonable distributions less likely to trade at a significant discount to NTA, assuming the earnings supporting the distributions reflect a reasonable return on assets. All of the comparable groups identified are currently making distributions, with many yielding in excess of 6%.
- the size of the group and the liquidity of their securities.

5.4.2 Assessment of APGF

When APGF stapled security is considered in this context it is apparent that the Trust:

- is currently undergoing an orderly realisation process with final distributions to be made within the next 1 to 2 years.
- generates only very limited income other than direct property income received from properties owned.
- has not been and currently has no plans to make distributions other than distributions resulting directly from asset sales.
- is significantly smaller than the other identified comparable groups and there is virtually no liquidity in its securities.

Due to the size of the Trust and the lack of any liquidity in its securities we would expect APGF to trade at a discount to NTA which is broadly in line with or above the upper quartile of such discounts. To some extent this is mitigated by the fact that the Trust is in the process of an orderly realisation and we would expect that minority holders would be able to participate in a share of the control premium as the assets are realised, however a minority investor cannot control this process directly and has no real liquidity in the interim. In broad terms the upper quartile of discounts observed in this case is 19% to 27% and reflects the discounts of the two smallest listed REITs, which are most comparable in size to the Trust. After considering the factors described above and the observed ranges of discounts we have adopted a discount range of 20% to 25% for the purpose of estimating a non-controlling value of an APGF stapled security.

Based on a Pro-forma NTA of 10.39 cents per stapled security and a discount range of 20% to 25% this results in an estimated non-controlling value range of 7.79 cents to 8.31 cents per stapled security.

We have therefore adopted a range of 7.79 cents to 8.31 cents as our estimate for the non-controlling value of an APGF stapled security.

5.4.3 Valuation cross checks

Our valuation ranges and implied discount to Pro-forma NTA is summarised in the table below:

APGF Stapled Securities Valuation Overview	Low	High
Non- controlling value per stapled security (cents) (Section 5.4)	7.79	8.31
<i>Discount to pro-forma NAV/NTA</i>	<i>(25.0%)</i>	<i>(20.0%)</i>

For reasons outlined below (Section 5.6) we have also considered a controlling value per stapled security:

Value per stapled security resulting from orderly realisation (cents) (Section 5.2)	8.81	9.49
Adjusted Net Asset value per stapled security (cents) (Section 5.3)	10.17	10.22
Controlling value per stapled security	8.81	10.22

Source: PwC Securities Analysis

In considering the reasonableness of the discount to NTA implied by our controlling value we have had regard to transactions over the last two years within the Real Estate sector where controlling stakes were sold and where sufficient data was available. These transactions and the inherent discounts to NTA are summarised in the table below:

Transaction Discount / Premium to NTA							
Year	Target	Buyers	Acquired (%)	NTA (\$m)	Unit Price	NTA per unit	Discount to NTA
2012	Thakral Holdings Group	Brookfield Asset Management Inc.	100%	545.69	0.81	0.93	-13.2%
2012	Abacus Storage Fund	Abacus Property Group	80%	115.52	1.19	1.30	-8.5%
2011	EDT Retail Trust	EPN Holdings	100%	0.52	0.09	0.11	-17.4%
2011	Charter Hall Office REIT	Consortium (Reco Ambrosia Pte Ltd, the Public Sector Pension Investment Board of Canada and Charter Hall Group member)	87%	1,807.60	2.49	2.59	-3.9%
2011	Valad Property Group	Blackstone Real Estate Advisors	100%	266.80	1.80	2.32	-22.4%
2011	Rabinov Property Trust	Growthpoint Properties Australia; Growthpoint Properties Australia Limited	100%	51.78	0.95	0.99	-4.0%
2011	ING Industrial Fund	Goodman Group; APG Algemene Pensioen Groep N.V.; Canada Pension Plan Investment Board; China Investment Corporation	100%	1,415.20	0.54	0.55	-1.5%
2010	MacarthurCook Industrial Property Fund	Commonwealth REIT	100%	63.78	0.44	0.65	-32.1%
Median							-10.8%
Mean							-12.9%

Note: NTA as per last official filing prior to transaction.

Source: CapitalIQ, PwC Securities Analysis

Typically the discounts against NTA in a control transaction would be expected to be less than the discounts for trading in non-controlling interests, given control premiums generally observed in control transactions.

However we note that in a number of cases in the transactions above the target was considered a distressed seller, which is likely to have impacted the resulting transaction value and discount to NTA.

Specifically, of the transactions identified above, Thakral Holdings, Abacus Property Group, Valad and MacarthurCook were arguably in financial distress and the EDT Retail Trust had been through a process where a number of investors had attempted to have the group wound up. This leaves Charter Hall, ING Industrial Fund and Rabinov. Charter Hall and ING Industrial Fund are significantly larger than APGF and the Rabinov transaction was scrip based, which is likely to have reduced the discount that may have been observed otherwise. Therefore we would expect APGF to reflect a larger discount to NTA on a control basis than the 1.5% to 4% implied in the Charter Hall, ING Industrial Fund and Rabinov transactions. Conversely, we would expect our implied discount to NTA to be less than that implied in transactions that have taken place in distressed circumstances. Based on this our implied discount range of 2% to 15% for a controlling value appears reasonable. We have already assessed our non-controlling value against the trading discount to NTA for listed A-REITs, so in this cross check we have considered the reasonableness of the discount between our controlling and non-controlling values. Our non-controlling values imply an (additional) minority discount of 20% to 25%. In the context of a stapled security such as APGF, where a large portion of the value is represented by one physical asset and there is virtually no liquidity in trading, we consider this range to be reasonable.

5.5 Valuation of Ordinary Shares

The ordinary shares in the Company no longer have any rights to returns from the Company as all returns are directed to the Preference Shares. The ordinary shares do retain voting rights in the Company and we have given consideration to whether these voting rights may result in the ordinary shares still having some value.

We consider it unlikely that the ordinary shares will have any value for their voting rights as:

- the Preference Shares also have voting rights. As there is already a single shareholder who controls 41.7% of securities, another party would have to acquire or influence in some manner a significant portion of the ordinary shares to reach a controlling interest.
- Even if a controlling interest was achieved by virtue of acquiring a significant number of ordinary shares, the Preference Shares would still be entitled to all the financial returns from the Company and the terms of those Preference Shares can only be changed with approval of the Preference Shareholders.

Therefore we consider it commercially unlikely that any party would pay more than a nominal amount for an ordinary share and we do not consider it appropriate to include any additional value in our value of an APGF stapled security for the value of an ordinary share in the company.

5.6 Summary

We have estimated the non-controlling value of a stapled security based on a discount to NTA for APGF's securities. This provides a range of 7.79 cents to 8.31 cents per stapled security. The proposed Buyback price of 9.36 cents per stapled security is above our estimate of the non-controlling value of a stapled security.

PwC Securities has valued 100% of the equity in the Trust on a control basis in the range of \$20.0 million to \$23.3 million, which corresponds to a value of 8.81 cents to 10.22 cents per stapled security. This value was assessed using a combination of the orderly realisation and adjusted NTA approach. The assessed value represents the underlying value of the Trust assuming that 100% of the Group were to be acquired (inclusive of a control premium). This value exceeds the price at which APGF would be expected to trade on the NSX in the near term, in the absence of a control transaction such as a takeover offer.

Even at the high end of the controlling value range our valuation represents a discount to NTA. This largely reflects the fact there is a single asset which must be managed, at a cost. There is no other source of revenues which to offset the value impact of costs incurred in the trust structure.

We have considered the value of an APGF stapled security on both a controlling and non-controlling basis. Members participating in the Buyback Offer will be disposing of a non-controlling interest and no single Member is expected to obtain majority control of APGF as a result of the Buyback. Therefore, it is a non-controlling value which is most consistent with these circumstances. However, as there has been an announcement that APGF is undertaking an orderly realisation process the extent of the premium that would normally be expected to apply is reduced as the fund will be making distributions within the next 1 to 2 years.

APGF Stapled Securities Valuation Overview		
	Low	High
Non- controlling value per stapled security (cents) (Section 5.4)	7.79	8.31
<i>Discount to pro-forma NAV/NTA</i>	<i>(25.0%)</i>	<i>(20.0%)</i>

For reasons outlined above we have also considered a controlling value per stapled security:

Value per stapled security resulting from orderly realisation (cents) (Section 5.2)	8.81	9.49
Adjusted Net Asset value per stapled security (cents) (Section 5.3)	10.17	10.22
Controlling value per stapled security	8.81	10.22

Source: PwC Securities Analysis

Even at the high end of the controlling value range our valuation represents a discount to NTA. This largely reflects the small size of the APGF portfolio which means that the necessary level of overheads to operate an ASX listed property trust will erode a larger percentage of value than is the case for the majority of listed property trusts, which are significantly larger.

The value per stapled security resulting from orderly realisation is lower than that which was assessed under the NTA approach. This is due to the fact that operating the Trust over the next 18 months does not produce a significant additional return relative to the return on equity requirement assumed for such an asset. We acknowledge this does depend on the assumed price growth for Collins Street over the next 18 months. An annual price growth of 8% would result in an orderly realisation value broadly equivalent to a value based on an NTA approach.

In addition we have considered the value of an APGF stapled security on a non-controlling basis. Members participating in the Buyback Offer will be disposing of a non-controlling interest and no single Member is expected to obtain majority of control of APGF as a result of the Buyback. Therefore, it is a non-controlling value which is most consistent with these circumstances. However, as there has been an announcement that APGF is undertaking an orderly realisation process the extent of the premium that would normally be expected to apply is reduced as the fund will be making distributions within the next 1 to 2 years.

6 *Consideration of Advantages and Disadvantages*

PwC Securities has also considered the advantages and disadvantages and other matters relevant to APGF Members if they vote in favour of, or against, the Buyback Offer. These are set out below.

Where relevant, we have specifically identified where the advantage or disadvantage is from the perspective of a Member participating in the Buyback Offer or a Member not participating in the Buyback Offer. This recognises that even if Members approve the Buyback offer they will still have a choice as to whether they participate in the Buyback or not. Given the confirmation by the two largest security holders of their participation in the Buyback, Members should be aware that even if Members participate in the Buyback Offer it is expected that they will only be able to dispose of a portion of their investment in this manner and so will continue to be a Member in APGF.

6.1 *Advantages*

6.1.1 *All Members will have an equal opportunity to participate in the Buyback and sell their stapled securities*

All Members have an equal opportunity to participate in the buyback and also have flexibility to tailor the level of their participation to suit their individual circumstances, subject to any scale back that occurs as a result of the Buyback being overtendered. The associated value of this advantage will vary for each Member and will be subject to the overall limit of stapled securities that can be sold under the Buyback Offer.

6.1.2 *Members have an opportunity to sell the stapled security at a price above the price the stapled securities might otherwise trade at*

The proposed Buyback price is 9.36 cents which is above our assessed non-controlling value of 7.79 to 8.31 cents and therefore above a price the stapled securities might reasonably be expected to trade at if any trading was to take place.

6.1.3 *The Buyback will increase NTA/NAV per stapled security*

The buyback price is at a discount to the Pro-forma NTA per stapled security. The buyback will therefore increase the NTA per stapled security for the remaining stapled securities. Based on the Pro-forma NTA per stapled security of 10.4 cents, this amount would potentially increase to 11.1 cents after the Buyback assuming a buyback price of 9.36 cents (assuming the buyback limit is reached).

This assumes no other changes to NTA/NAV or stapled securities on issue other than the reduction in both NTA and securities on issue resulting from the Buyback.

6.1.4 *Members should not have to pay brokerage or appoint a stockbroker to sell their holdings*

APGF Members who participate in the Buyback Offer will not have to pay transaction costs to sell their securities. In contrast, an APGF Member selling on the NSX may incur transaction costs, in particular brokerage costs. This assumes it is possible to sell on the NSX, in fact the last trade to take place was in 2009 so

there is virtually no liquidity on the NSX. The extent of these costs will vary depending on an APGF Member's brokerage arrangements.

6.1.5 Providing Members with a choice

Participation in the Buyback is optional and available to all APGF Members. Members will be able to sell a part or all (depending upon the level of take-up of the Buyback) of their investment. The extent to which Members are able to dispose of their investment will be dependent on the level of participation by other Members.

If funds were to be returned to Members under distributions, Members would have no choice as to their level of participation.

6.1.6 The Buyback Offer Consideration provides value to APGF Members that may otherwise only be realised over an extended period of time

The Buyback Offer provides a certain and immediate cash value for Members. It is conceivable that comparable or greater value may be delivered to Members if APGF are able to sell the Collins Street property above the current market value. However with the uncertainty in the current market there are risks associated with the realisation of the asset.

In the context of these opportunities and challenges, risks and uncertainties, the relative certainty of value delivered by the Buyback Offer may be considered to be attractive to APGF Members.

6.2 Disadvantages

6.2.1 APGF will incur transaction costs

APGF will incur transactions costs during the process of the Off-Market Buyback. The Directors estimate the costs to be approximately \$250,000, of which 90% of these costs will be incurred regardless of whether the Buyback is approved or not.

6.2.2 Reduction in size of APGF

A reduction in the NTA of the Trust will result from the Buyback. A reduction of \$8.5 million against an adjusted NTA of \$23.7 million represents a reduction of almost 36%. APGF is already small by listed property trust standards and a further reduction in size means it is even more difficult to achieve any meaningful economies of scale.

6.2.3 Increase in gearing

The level of gearing measured as net debt to tangible assets less cash will increase due to cash being used to complete the Buyback as well as an unsecured loan from the APGF Directors and Leyshon Group. That is, gross assets will be reduced while debt increases. Assuming \$8.5 million is spent on the off-market Buyback, Pro-forma gearing would increase from 33% (based on Pro-forma balance sheet prior to the Buyback including related party loans) to 57% (based on Pro-forma balance sheet after the Buyback). If related party loans are excluded the LVR post the Buyback is 30%. The median gearing in the comparable entities identified is 33%. The extent of any increase in gearing will be dependent upon the number of APGF securities acquired and cancelled.

6.2.4 The buyback will result in a reduced cash level

The cash holdings of the Trust after the Buyback will be minimal and expenses to be incurred in relation to the Buyback. Given the low level of overheads and the property income being received, the Directors are comfortable the Trust will have sufficient cash to operate till such a time the asset is sold.

Directors have indicated to the extent required there would be sufficient cash available in the Company to cover any cash shortfalls in the Trust, recognising the Buyback results in minimal cash reserves in the Trust.

The Trust still expects to receive approximately \$5 million for amounts held in trust in relation to the Blue Tower Sale in October 2013 which after that point would provide material cash reserves relative to the ongoing expenses of the Trust.

6.2.5 APGF has the potential to deliver value for Members in excess of 9.36 cents per stapled security, albeit over an extended term

Those Members who participate in the Buyback Offer will be foregoing (at least for those securities sold into the Buyback Offer) the opportunity to participate in any value upside, including a control premium, that may result from:

- APGF's ability to sell the Collins Street property at a significant premium to the current market value
- a general recovery in property and equity markets.

However in this regard we note that the timing of such potential events is uncertain and other than the strategy of APGF, are dependent on factors which are outside the control of the Directors of APGF.

6.3 Summary

If the Buyback Offer is approved, the decision for Members is essentially between participating in the Buyback Offer at a premium to the assessed non-controlling value but at a discount to the value assessed if the orderly realisation strategy occurs. While an orderly realisation strategy may deliver additional value for the Members, this will be subject to APGF's ability to sell the Collins Street property held within the Trust at a premium to the current valuation. Current uncertainty in the market conditions in the short term could impact the orderly realisation and delay any capital distributions to Members as APGF will seek to sell Collins Street property at a satisfactory price with acceptable contractual terms.

6.4 Other impacts

Other impacts on Members include:

6.4.1 A potential increase in the holdings of the largest substantial Members

The maximum interest held by any single investor post the buyback will vary depending on the number of securities acquired under the Buyback and which Members participate. The two largest substantial Members are entities associated with the Leyshon Group and the Stirling Group. Assurances have been provided that these parties intend to participate in the buyback to its fullest extent. As no other Member holds more than a 10% interest it is not expected any other Member would increase their interest to a level above 20% by not participating in the Buyback. Therefore we do not consider the buyback will result in a change of control.

6.4.2 Potential impact on Earnings per Security

For Members who do not participate in the Buyback, if the Buyback is approved and implemented it is likely that earnings per APGF stapled security will be impacted, however the direction of the impact does depend on the base EPS.

Recent APGF earnings have been extremely volatile and determining a basis on which to estimate a Pro-forma EPS is extremely subjective. We have set out in the table below the impact on Pro-forma EPS for a range of base EPS numbers. We have assumed a buyback price of 9.36 cents. The calculation reflects the reduced number of

APGF securities on issue and the increased interest expense resulting from the buyback. We have adopted an increased interest expense as a portion of the Buyback will be funded with debt. EPS post the Buyback increases if base EPS is positive. We note APGF's EPS for the financial year ending 30 June 2012 was negative 11.5 cents.

APGF Stapled Security	
EPS before Buyback (cents)	EPS after Buyback (cents)
(3)	(5.32)
(2)	(3.66)
(1)	(1.99)
1.0	1.34
2.0	3.01
3.0	4.68

Source: PwC Securities Analysis

In this calculation we have used the cost of debt consist with the existing debt arrangements, which are 235 basis points above the swap rate.

To the extent APGF were to incur losses in the future, those Members who do not participate in the buyback will experience an increase in the loss per stapled security.

Given the lack of recent distributions and the limited prospect of future distributions prior to the realisation of the Collins Street property, EPS is considered a less relevant measure than NTA per stapled security in this case.

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Appendix A Financial Services Guide

PricewaterhouseCoopers Securities Limited

This Financial Services Guide (FSG) is dated 15 April 2013.

About us

PwC Securities (ABN 54 003 311 617, Australian Financial Services Licence No 244572) has been engaged by the Australian Property Growth Fund Administration Pty Ltd to provide a report in the form of an independent expert's report (IER) for inclusion in the Explanatory Memorandum accompanying the Notice of Meeting.

You have not engaged us directly but have been provided with a copy of the IER as a retail client because of your connection to the matters set out in the IER.

This Financial Services Guide

This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration PwC Securities may receive in connection with the preparation of the IER, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds and deposit products.

General financial product advice

The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on a fixed basis and are \$45,000.

Directors, authorised representatives or employees of PwC Securities, PricewaterhouseCoopers (PwC), or other associated entities, may receive partnership distributions, salary or wages from PwC.

Associations with issuers of financial products

PwC Securities and its authorised representatives, partners, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC may be the auditor of, or PwC Securities may provide financial advisory services to, the issuer of a financial product in the ordinary course of its business.

Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS), and external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

Compensation arrangements

PwC Securities has professional indemnity insurance in place that satisfies the compensation arrangement requirements under section 912B of the Corporations Act. This insurance will cover claims in relation to the conduct of representatives and employees who no longer provide services to PwC Securities (but who did at the time of the relevant conduct).

Contact details

PwC Securities can be contacted by sending a letter to the following address:

Mr Andrew Wellington
Authorised Representative
PricewaterhouseCoopers Securities Limited
GPO Box 150
BRISBANE QLD 4001

Appendix B Sources of information

In preparing this IER, PwC Securities has had access to and relied upon the following major sources of information:

- APGF's Annual Reports (audited) for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012
- APGF's Interim Reports (reviewed) for the half year ended 31 December 2012
- Various management reports and information provided by APGF
- Financial projections for The Trust provided by APGF
- Abacus Property Group Half Year Report (reviewed) for the period ended 31 December 2012
- Aspen Group Half Year Report (reviewed) for the period ended 31 December 2012
- Australand Holdings Limited Half Year Report (reviewed) for the period ended 31 December 2012
- Challenger Diversified Property Group Half Year Report (reviewed) for the period ended 31 December 2012
- Commonwealth Property Office Fund Half Year Report (reviewed) for the period ended 31 December 2012
- Cromwell Property Group Half Year Report (reviewed) for the period ended 31 December 2012
- Investa Office Fund Half Year Report (reviewed) for the period ended 31 December 2012 and Half year 2013 results presentation
- Trafalgar Corporate Group Limited Half Year Report (reviewed) for the period ended 31 December 2012
- Trinity Group Half Year Report (reviewed) for the period ended 31 December 2012
- Information on comparable listed companies and transactions from information vendors (DatAnalysis and S&P Capital IQ)
- Information on comparable transactions from various company reports, company websites, industry websites and media releases
- Share market data and related information from information vendors (DatAnalysis and S&P Capital IQ)
- Discussions and correspondence with APGF's management
- Collins Street independent valuation report prepared by Charter Keck Cramer as at 28 February 2013
- Other publicly available information including company web sites, government statistical data sets, industry web sites, industry reports, media releases NSX and ASX announcements.

PwC Securities has not performed an audit, review or any other verification of the information presented to it. Accordingly, PwC Securities expresses no opinion on the reliability of the information supplied to it.

Appendix C Qualifications, disclaimers and consents

Qualifications

PricewaterhouseCoopers Securities Ltd (PwC Securities) is a member of PwC, a large international firm of Chartered Accountants which has had extensive experience in providing corporate financial advice and in the preparation of independent expert's reports (IERs). PwC Securities is a licensed Dealer (No 11203) under the Corporations Act. The individuals responsible for the preparation of this report are Andrew Wellington and Kevin Reeves.

Mr Andrew Wellington is an associate of The Institute of Chartered Accountants in Australia and a Senior Fellow of the Financial Services Institute of Australia. He holds a Bachelor of Commerce and a Master of Accounting. He has in excess of 10 years experience preparing IER's and business valuations. He is a Partner with PwC Australia (PwC) and is an authorised representative of PwC Securities.

Mr Kevin Reeves is a Partner in the Sydney office Corporate Valuation practice and an authorised representative of PwC Securities. He has approximately 14 years of experience in preparing Business valuations and Independent Expert Reports within Asia Pacific. He is a member of the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England and Wales and has a Bachelor of Economics.

Declarations

Neither PwC Securities nor PwC has any interest in the outcome of the Buyback Offer. PwC Securities is entitled to receive a fixed fee for the preparation of this IER of approximately \$45,000 and will be reimbursed for out of pocket expenses incurred. The fee payable to PwC Securities is payable regardless of the outcome of the Offer. In addition, PwC Securities has been indemnified by Australian Property Growth Fund Administration Pty Ltd (APGF) in relation to any claim arising from or in connection with its reliance on information provided by APGF. None of PwC Securities, PwC, Mr Wellington or Mr Reeves holds securities/units in APGF and have not held any such beneficial interest in the previous two years.

Purpose of Report

This IER has been prepared at the request of the Directors of APGF for inclusion in the Explanatory Memorandum accompanying the Notice of Meeting and should not be used for any other purpose. In particular, it is not intended that this IER should serve any purpose other than supporting Members of APGF in their decision making whether to vote in favour of, or against the approval of the Buyback Offer. This IER has been prepared solely for the benefit of the Directors of APGF and for the benefit of those persons who hold securities in APGF. Neither the whole or any part of this IER nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement (other than the Explanatory Memorandum accompanying the Notice of Meeting mentioned above) without the prior written consent of PwC Securities to the form and context in which it appears.

Special note regarding forward-looking statements and forecast financial information

Certain statements in this IER may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of APGF, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- general economic conditions
- the future movements in interest rates and taxes
- the impact of terrorism and other related acts on broader economic conditions
- changes in laws, regulations or governmental policies or the interpretation of those laws, the regulations or APGF in particular
- other factors referenced in this IER.

Disclaimer and consents

PwC Securities has consented to the inclusion of this IER in the form and context in which it is included as an appendix to the Explanatory Memorandum accompanying the Notice of Meeting. PwC Securities' sole involvement in the Explanatory Memorandum accompanying the Notice of Meeting has been the preparation of this IER and PwC Securities' liability is limited to the inclusion of this IER in the Explanatory Memorandum accompanying the Notice of Meeting. PwC Securities has not been involved in, makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Explanatory Memorandum accompanying the Notice of Meeting.

In preparing this IER, APGF has indemnified PwC Securities, PwC and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by APGF which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, APGF has agreed that if it makes any claim against PwC or PwC Securities for loss as a result of a breach of our contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned and is appropriate having regard to the respective responsibility for the loss, and the amount APGF may recover from PwC Securities will be reduced by the extent of its contribution to that loss.

APES 225 "Valuation Services"

This IER has been prepared in accordance with APES 225 "Valuation Services".

Appendix D Comparable companies

Company	Description
Commonwealth Property Office Fund	Commonwealth Property Office Fund is a REIT mutual fund launched by Commonwealth Managed Investments Limited. The REIT is managed by Colonial First State Property Limited. It invests in prime quality office buildings located in central business district and major suburban markets of Australia. The REIT benchmarks the performance of its portfolio against the UBS Commercial 200 Accumulation Index and the S&P/ASX 200 Property Trust Accumulation Index. Commonwealth Property Office Fund was formed in April, 1999 and is domiciled in Australia.
Investa Office Fund	ING Office Fund operates as a property trust that invests in office properties, primarily leased on a long term basis, to investment grade and blue chip tenants. As of June 30, 2008, the company owned a portfolio of 26 office properties located in Australia, Europe, and the United States, as well as had interests in 88 office properties situated in the Netherlands. ING Management Limited serves as a manager for ING Office Fund. The company, formerly known as Armstrong Jones Office Group, is based in Sydney, Australia.
Challenger Diversified Property Group	Challenger Diversified Property Group invests in office, retail, and industrial properties in Australia and France. It also engages in property development activities and invests in a car park operating business. The company is based in Sydney, Australia. Challenger Diversified Property Group operates as a subsidiary of Challenger Limited.
Trafalgar Corporate Group Ltd.	Trafalgar Corporate Group Limited operates as a property investment, development, and funds management company in Australia. Its investment portfolio primarily comprises office and industrial properties which are leased to investment grade corporates or Commonwealth government agencies on long term basis. The company also owns, controls, or has a joint venture interest in a portfolio of five residential development assets and one commercial development asset. In addition, it manages various external funds on behalf of retail, institutional and private equity investors. As of February 28, 2006, the company had approximately 65,655 square meters of net lettable area. The company was founded in 1997 and is based in Sydney, Australia.
Abacus Property Group	Abacus Property Group engages in the management and investment of property based assets in Australia. It is involved in property investment, funds management, property finance, and projects and investments activities. The company holds a diversified investment portfolio of retail, commercial, industrial properties. In addition, Abacus Property Group develops, originates, and manages off balance sheet funds; engages in mortgage lending and related property financing solutions; and invests in joint venture activities and in securities of other listed and unlisted property trusts. The company is based in Sydney, Australia.
Cromwell Property Group	Cromwell Group engages in property investment, development, and management operations, as well as in the promotion and management of property related managed investment schemes in Australia. The company also provides funds management and capital raising services for the investment in properties. It also holds a corporate real estate license and manages the property portfolio. The company was founded in 1970 and is based in Brisbane, Australia.
Trinity Group	Trinity Group engages in the investment in and management of commercial, retail, industrial, and residential properties in Australia. It also involves in funds management, including property and project management activities. In addition, Trinity Group engages in property development activities. The company, formerly known as Trinity Consolidated Group Limited, is headquartered in Brisbane, Australia with additional offices in Sydney, Melbourne, and Cairns, Australia.
Australand Holdings Limited	Australand Holdings Limited engages in the development of land, housing projects, apartments, as well as commercial, industrial, and retail properties primarily in Australia. It also invests in income producing commercial and industrial properties. In addition, the company engages in property trust management and property management activities. As of December 31, 2012, it had 69 investment properties, including 3 properties under development. The company is headquartered in Rhodes, Australia. Australand Holdings Limited is a subsidiary of Capitaland Limited.
Aspen Group	Aspen Group operates as a property investment and management company in Australia. The company primarily focuses on acquiring commercial properties, including office, retail, and industrial properties. It also offers managed funds, which provide investment opportunities across various property sectors, including tourist parks, residential land subdivisions, CBD office developments, private hospital developments, and retirement and accommodation villages. The company is based in Perth, Australia.

Source: S&P Capital IQ, PwC Securities Analysis

Appendix E Executive summary of property valuation

287-301 COLLINS STREET, MELBOURNE

PAGE 1

EXECUTIVE SUMMARY. 287-301 Collins Street, Melbourne

INSTRUCTIONS.

Client Instructions.

Australian Property Growth Fund (APGF)
Level 5
12 Creek Street
BRISBANE QLD 4000
(Mr Geoff McMahon)

Date of Instruction - 14 February 2013.

Refer to Assumptions / Qualifications - Terms of Reference.
Refer to Assumptions / Qualifications - Definition of Market Value.

Purpose.

Financial reporting purposes and can be relied upon as an Independent Expert Report and may also be relied upon by PricewaterhouseCoopers Securities Ltd in its role as an Independent Expert in relation to a proposed off market buyback of APGF's Stapled Securities.

Interest Valued.

Freehold interest, in part leased and in part currently vacant.

Prepared By.

Thomson Maloney & Partners Pty Ltd
T/A Charter Keck Cramer

Chris J Holroyd, FRICS, AAPI
Certified Practising Valuer
API Member No 62868
Director
Telephone 03 8102 8805

Charter Keck Cramer Reference.

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Liability limited by a scheme approved under Professional Standards Legislation.

CHARTER.
KECK CRAMER

PROPERTY.

Category.

Thirteen level retail / commercial office building with the front section originally constructed circa 1940 and a rear three level extension completed in the mid 1960s. We note the office accommodation has all been refurbished over the last few years.

Site Area.

984.7 sq.m.

Zoning.

Capital City 2 Zone - Retail Core (CCZ2).

Gross Lettable Area Retail / Net Lettable Area.

5,370.2 sq.m.

Lease Details.

As at the date of our inspection the property was approximately 50% occupied by four separate tenants, with one tenant having signed Heads of Agreement for an additional floor which will lead to an occupancy of 58%. The leases expire between November 2015 and September 2017 with the balance currently vacant thereby providing a WALE of 25 months. Additional income is also provided by means of a rooftop telecommunications facility and potential signage. See *Occupancy Details (5)*.

Current Passing Rental (from 1 June 2013).

Current Passing Gross Rental (including telecommunications aerial and signage)	\$1,945,476
Less Adopted Outgoings	\$ 676,630
Current Passing Net Rental	\$1,268,846

Assessed Market Net Rental.

Assessed Market Gross Rental (excluding telecommunications aerial and signage)	\$2,876,354
Less Adopted Outgoings	\$ 676,630
Assessed Market Net Rental	\$2,199,724 Say \$2,200,000

287-301 COLLINS STREET, MELBOURNE

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VALUATION DETAILS.

Date of Inspection.

28 February 2013.

Date of Valuation.

28 February 2013.

Refer to Assumptions / Qualifications - Date of Valuation.

Valuation Approaches.

Income capitalisation, discounted cashflow and direct sales comparison.

Valuation Summary.*Income Capitalisation Approach.*

Assessed Market Net Annual Income			\$ 2,200,000
Capitalised @ 6.75%			\$32,592,593
Plus	PV of Aerial Income		
	PV \$1,906.67 p.c.m. for 41 months @ 8%		\$ 68,657
Plus	PV of Signage Income		
	PV \$1,666.67 p.c.m. for 32 months @ 8%		\$ 48,205
Less	Net Rental Shortfall		\$ 842,834
Less	Anticipated Holding Costs (vacant areas)		
	10½ months leasing (gross basis)	\$708,475	
	12% agent's commission (gross basis)	\$ 97,162	
	Advertising and legal costs	\$ 25,000	\$ 830,637
Less	Remaining Incentive (Level 5)		
	PV \$5,957.49 p.c.m. for 8 months @ 8%		\$ 46,570
Less	Remaining Incentive (Level 7)		
	PV \$10,453.33 p.c.m. for 9 months @ 8%		\$ 91,626
Assessment			\$30,897,788
For Practical Valuation Purposes, Say \$30,900,000 (Exclusive of GST)			

Discounted Cashflow Approach.

As a further method of assessment we have utilised the discounted cash flow / Internal Rate of Return (IRR) analysis, albeit note that this methodology has less relevance to the likely purchaser profile. Our cash flow analysis is based on our value assessed by capitalisation at \$30,900,000 (in accordance with the assumptions as subsequently detailed), and assuming a 10 year investment horizon with projected rental growth, provides for an IRR of 9.24% (monthly in advance analysis), which is an IRR generally in line with the sales evidence considered, and generally supports the value concluded by our primary approach as being fair and reasonable and fully reflective of current market circumstances.

CHARTER.
KECK CRAMER

Direct Sales Comparison Approach.

The value concluded by the primary method of assessment at \$30,900,000 demonstrates an overall building value rate of \$5,754 p.s.m. The building value rate is considered appropriate for the subject property having regard to sales of comparable properties and in particular noting the significant retail component of the subject property.

Valuation.

Subject to the assumptions and qualifications contained within this report, we have assessed the current market value of the subject property (exclusive of GST) at:

\$30,900,000

Thirty Million Nine Hundred Thousand Dollars

Furthermore we confirm that the assessed market value is before selling costs.

Disclaimer.

This Executive Summary should be read in conjunction with the balance of this report. The report has been prepared subject to various qualifications, disclaimers and assumptions detailed throughout the report and within the Assumptions / Qualifications section.

Refer to Assumptions / Qualifications - Third Party Disclaimer.

Appendix F *Glossary of terms*

Term	Definition
\$	Australian Dollar
APES	Accounting Professional and Ethical Standards
APGF	Australian Property Growth Limited and Australian Property Growth Trust
API	Australian Property Institute
A-REIT	Australian REIT
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited and the market it operates
Buyback Offer	Equal-access off-market partial buyback of securities program of APGF
CAGR	Compound Annual Growth Rate
CBD	Central Business District
CKC	Charter Keck Cramer
CMBS	Commercial Mortgage Backed Security
Collins Street	Royal Bank Chambers 287 -301 Collins Street Melbourne
Corporations Act	The Corporations Act 2001 including the Corporations Regulations 2001
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest & Tax
EBITA	Earnings Before Interest, Tax & Amortisation
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
Enterprise Value or EV	Value of the business (includes debt and equity)
EPS	Earnings per security
FOS	Financial Ombudsman Service
FSG	Financial service guide
FY	Financial Year
GDP	Gross Domestic Product
GFC	Global Financial Crisis
Group	APGF
HY	Half Year
IER	Independent Expert's Report
Independent Expert	PricewaterhouseCoopers Securities Ltd (in relation to this Report)
LVR	Loan to Value Ratio
m	Million
Market capitalisation	Number of securities outstanding multiplied by the current price per security
NAV	Net Asset Value, which in the case of the Trust is equivalent to NTA
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NSX	National Stock Exchange of Australia
NTA	Net Tangible Assets, which in the case of the Trust is equivalent to NAV
P&L	Profit & Loss Statement
PwC	PricewaterhouseCoopers

Term	Definition
PwC Securities	PricewaterhouseCoopers Securities Ltd
REIT	Real Estate Investment Trust
RG	Regulatory Guide
RMBS	Residential Mortgage Backed Security
S&P	Standard and Poor's
The Company	Australian Property Growth Limited
The Trust	Australian Property Growth Trust
VWAP	Volume Weighted Average Price
WALE	Weighted Average Lease Expiry
YTD	Year to date



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 (COMPANY)

27 MARCH 2013



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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 APGT. 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 APGF 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.

Issue Price per Preference Share	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)
Number of Preference Shares issued	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.
Timing	Immediately after the Meetings assuming all the Resolutions are passed.
Terms	<p>Dividends - 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>Priority - The Preference Shares rank ahead of ordinary shares for dividends and repayment of capital.</p> <p>Voting - 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

Event	Date
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

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

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/Acquisitio
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	31 December 2007
Domaine Property Funds Limited (DPF)	13 March 2009
Property Funds Australia Limited (PFA)	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 2013.

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

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:

NAV per Stapled Security	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.
Cash Reserves	The Partial Off-market Buyback will have no material impact on APGF's forecast total cash holdings.
Number of Stapled Securities on issue	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.
Finance Facility	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.
Business Operations	The Partial Off-market Buyback will not have any material impact on APGF's operations or assets.
Franking Credits	The Partial Off-market Buyback will not result in any reduction of the Company's franking account.
Loan from the Leyshon Group and the Directors	<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">• an interest rate of 10% per annum;• interest may be capitalised at the option of the Responsible Entity;• the loan is initially for a period of 12 months unless otherwise agreed by both parties; and• the loan is unsecured. <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)
Assets						
Cash	419	4,166	4,585	169	4,166	4,335
Prepayments	262	97	359	262	97	359
Blue Tower retention amounts	5,467	-	5,467	5,467	-	5,467
Receivables - APGL	3,693	-	-	-	-	-
Receivables - APGT & BTT	-	7,686	-	-	-	-
Other receivables	179	12,752	12,931	179	12,752	12,931
Palm Beach - inventory	-	19,399	19,399	-	19,399	19,399
Ulladulla - inventory	-	10,053	10,053	-	10,053	10,053
PPE	-	109	109	-	109	109
Management fee assets	-	2,884	2,884	-	2,884	2,884
Investments	-	12	12	-	12	12
APGT to APGL Loan	33,696	-	-	-	-	-
BTT to APGL Loan	58,601	-	-	-	-	-
Collins Street	30,303	-	30,303	30,303	-	30,303
Deferred tax asset	-	4,103	4,103	-	-	-
Total Assets	132,620	61,261	90,205	36,380	49,472	85,852
Liabilities						
Payables - APGL	(7,686)	-	-	-	-	-
Payables - APGT & BTT	-	(3,693)	-	-	-	-
Other payables	(868)	(3,093)	(3,961)	(868)	(3,093)	(3,961)
APGT to APGL Loan	-	(33,696)	-	-	-	-
BTT to APGL Loan	-	(58,601)	-	-	-	-
Loan for Collins Street	(10,700)	-	(10,700)	(10,700)	-	(10,700)
Loans for Palm Beach	-	(6,498)	(6,498)	-	(6,498)	(6,498)
Related party loans	(1,350)	-	(1,350)	(9,874)	-	(9,874)
Other	(34)	-	(34)	(34)	-	(34)
Leave provisions	-	(573)	(573)	-	(573)	(573)
Total Liabilities	(20,638)	(106,154)	(23,116)	(21,476)	(10,164)	(31,640)
Net Assets	111,982	(44,893)	67,089	14,904	39,308	54,212

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

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

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.

Member Name	Number of Stapled Securities held	% of issued Stapled Securities
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
Total – 10 largest Members	158,211,488	69.53
Total Stapled Securities on issue	227,580,022	100.00

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
Total – Substantial Stapled Security holders	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 and APGF website www.apgf.com.au.

8 Additional Information

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



Geoff McMahon
Managing Director

9 Glossary

AEST	Australian Eastern Standard Time.
APGF	Australian Property Growth Fund, comprising the Company and Trust and, where applicable, their controlled entities.
ASIC	Australian Securities and Investments Commission.
Board	means the board of directors of the Company and the Responsible Entity.
BTT	means Blue Tower Trust.
Company or APGL	means Australian Property Growth Limited ACN 111 628 589.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Directors	means the board of directors of the Company and the Responsible Entity.
Leyshon Group	means Leyshon Pty Ltd ACN 010 916 935 and its associates as defined under the Corporations Act.
Meetings	means the meetings of the Members of the Company and Trust to consider and if thought appropriate pass the Resolutions.
Member	means a person who holds a Stapled Security.
NAV	means net asset value.
NSX	means the securities exchange operated by NSX Limited.
Partial Off-market Buyback	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.
Preference Shares or Share	means the preference shares to be issued by the Company to Members the terms of which are set in Section 2.2.
Pro-forma NAV per Stapled Security	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).
Register	means APGF's register of Members.
Resolutions	means the resolutions to approve the issue of Preference Shares and the Partial Off-market Buyback.
Responsible Entity	means APGF Management Limited ACN 090 257 480.
Stapled Security	means a stapled security in APGF consisting of a fully paid ordinary share in the Company stapled to a Unit in the Trust.
Trust or APGT	Australian Property Growth Trust ARSN 111 389 596.
Unit	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 this Application Form. The Resolutions if approved authorise APGF Management Limited to complete and return applications on behalf of all Members.