



2012-13 ANNUAL REPORT

AUSTRALIAN PROPERTY GROWTH FUND

ARSN 109 093 816

COMPRISING THE CONSOLIDATED FINANCIAL REPORT OF
AUSTRALIAN PROPERTY GROWTH TRUST ABN 95 909 819 176 AND
AUSTRALIAN PROPERTY GROWTH LIMITED ABN 56 111 628 589
AND THEIR CONTROLLED ENTITIES



October 2013



Neil Summerson
Chairman



Geoff McMahon
Managing Director

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Key Features 2012 -13

The key features for 2012-13 include:

- Loss after tax of \$8.8 million;
- Net asset value per stapled security of 24.1 cents (after capital returns and partial buyback proceeds of 22.24 cents per stapled security paid to investors in 2012/13). For ease of comparison, this net asset value calculation is based on the original 227,580,022 stapled securities for ease of comparison.
- Sale of Blue Tower for \$241.6 million on 31 October 2012;
- A cash distribution of 18.5 cents per stapled security paid to investors on 2 November 2012;
- A non-cash distribution of 18 cents per stapled security paid to investors on 3 June 2013 in the form of one Preference Share for every unit held in APGT which resulted in the issue of 227,580,022 new APGL Preference Shares on 3 June 2013 at a non-cash issue price of 18 cents per share;
- Partial Off-market Buyback of 91,032,007 Stapled Securities on 26 June 2013 at a cash cost of \$8,520,596; and
- Major items that contributed to the accounting loss were:
 - costs on disposal of Blue Tower of approximately \$3 million;
 - write-down of tax losses carried forward and tax effect of the inter-fund loan forgiveness of approximately \$3.7 million;
 - development costs expensed on APGF's development projects; and
 - costs incurred in the winding up of APGF's business.

Corporate Outlook

Investors are aware the Directors of APGF have determined an orderly sell-down of the assets as the optimum way to provide liquidity for investors. The wind-up process is well advanced, however some aspects of the APGF business and related payments to investors are reliant on milestones that will likely take a number of years to complete.

In line with this strategy, Blue Tower (12 Creek Street, Brisbane) was sold on 31 October 2012 and an interim return of 18.5 cents per stapled security was paid to investors on 2 November 2012.

To facilitate the ultimate wind-up of APGF and to accelerate the return of further funds to investors, together with satisfying investors' distribution entitlements from the Blue Tower sale, a Preference Share Issue and a Partial Off-market Buyback of Stapled Securities was delivered in the second half of 2012/13. Both of these transactions were directed at delivering the highest after-tax return to investors through the gradual wind-up process.

The Directors have recently executed an unconditional contract for the sale of the commercial office building at 287 Collins Street, Melbourne for \$31.5 million, with settlement expected to occur on 10 December 2013.

In addition to this sale, APGF is expecting further funds to be received from the release of the \$4.82 million Blue Tower sale warranty guarantee.

The settlement of the sale of 287 Collins Street, Melbourne and the abovementioned transaction will allow the Fund to further reduce borrowings and to make another distribution payment to investors in the coming months. Investors will be advised of the timing and payment details upon settlement of these transactions.

Further payments to investors are expected on completion of Stage 2 of Pavilions Palm Beach which is scheduled for development within the next few years. The past few years have been challenging for the Fund and the Directors are fully aware of the impact this has had on investors. The Directors continue to focus on maximising returns to investors from the Fund's remaining assets.

To further facilitate the wind-up of APGF, the Directors have proposed a number of resolutions to be voted on at the Fund's Annual General Meeting on 25 November 2013. These include de-listing from the National Stock Exchange and the de-stapling of Australian Property Growth Trust (APGT) and Australian Property Growth Limited (APGL). These proposals will also reduce APGF's operating costs, which are continuing to be monitored and reduced.

Reflecting the reduced size of APGF and the gradual winding down of the business, Directors Bob Bryan and Ken Pickard are retiring at the 2013 AGM and will not be seeking re-election. It is intended to permanently reduce the current five member Board to three members after the AGM. The Directors' fees and the Managing Director's remuneration were reduced by 50% from 1 November 2012. From the final quarter of 2013, APGF will only have three full-time employees.

We would like to take this opportunity to acknowledge and thank both Bob Bryan and Ken Pickard for their dedicated service over many years to APGF.

We will continue to keep investors informed regarding the progress of the asset sale process and would like to thank all of our stakeholders for their continued commitment and support.



Neil Summerson
Chairman



Geoff McMahon
Managing Director

TRUST ASSETS

12 Creek Street ("Blue Tower"), Brisbane CBD

Blue Tower was sold for \$241.6 million with settlement occurring on 31 October 2012.

\$5 million of the sale price was retained at settlement to guarantee the warranties that APGF provided to the purchaser in the sale contract. \$4.82 million is due to be released to APGF on 31 October 2013 with the remaining \$0.18 million due to be released in the subsequent 18 months.

APGF relocated its Head Office from Level 15 of Blue Tower to a smaller tenancy on Level 5. The former tenancy on Level 15 is still being marketed for sub-lease.

287 Collins Street, Melbourne CBD

An unconditional sale contract for \$31.5 million has recently been executed with settlement scheduled for 10 December 2013.

This sale price was in line with the current book carrying value and there are no rent guarantees or cash retentions included in the sale contract.

DEVELOPMENT PROJECTS

Pavilions Palm Beach, Gold Coast

Construction of Stage 1 of the \$125 million "Pavilions Palm Beach" mixed retail and residential project was completed in June 2009. 103 of the 104 apartments have settled and the retail precinct is 100% leased.

Stage 2 of the project comprises approximately 100 additional apartments and a dedicated dining and café precinct. An amended Development Approval will be submitted in 2014 to update the project's design and to reposition Stage 2 to ensure the Project is ready to commence marketing once more favourable conditions return to the Gold Coast apartment market. All Stage 2 pre-sale apartment contracts were rescinded during 2013 as these contracts had passed their sunset expiry dates.

Ulladulla, New South Wales

APGF gained its interests in two land subdivisions at Ulladulla through the acquisition of a property funds management business in mid-2007.

APGF is continuing to market the developed lots in the Springfield Meadows Estate with 27 of the 63 Stage 1 lots settled. Recently, sales activity at Springfield Meadows has increased significantly as the New South Wales residential market has improved. It is intended to commence developing the first stage of Dolphin Point in early 2014.

PROPERTY FUNDS MANAGEMENT BUSINESS

As investors are aware, this business is being wound up in a gradual and orderly fashion. Properties in the individual funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Fund's investors. Two managed funds were wound-up in 2012-13 year, with the remaining funds expected to be wound-up over the next two years.

In August 2012, APGF sold the management of PFA to Charter Hall for \$10 million with \$5.2 million of the consideration being received at settlement. The remaining \$4.8 million will be paid over six years from a share of PFA's asset disposal and performance fees. To date, \$0.4 million of the deferred consideration has been received.

FUND INFORMATION

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

APGT has a 100% ownership interest in Blue Tower Trust ('BTT') (deregistered 4 February 2013).

APGL has a 100% ownership interest in:

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

APGL has a 99% ownership interest in:

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

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

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

A description of the Fund's operations and of its principal activities is included in the review of operations and activities in the Directors' Report. The Directors' Report is not part of the financial report.

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

Registered office and principal place of business is located at:

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

Auditors

Ernst & Young
Level 51
111 Eagle Street
Brisbane QLD 4000

DIRECTORS' REPORT

The Board of Directors of APGF Management Limited ('APGFM'), the Trustee and Responsible Entity of Australian Property Growth Trust ('APGT'), and the Board of Directors of Australian Property Growth Limited ('APGL') present their financial report on the Fund consisting of APGT and APGL and their controlled entities for the year ended 30 June 2013.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

APGFM as Trustee and Responsible Entity for APGT:

Neil Edwin Summerson BCom, FCA, FAICD, FAIM

Neil Summerson is non-executive Chairman of the company. He is currently and has been a director of several public, private and government corporations and has over 40 years experience practising as a Chartered Accountant. Neil served as a Director of Bank of Queensland Limited and subsidiaries (appointed Director 5 December 1996, appointed Chairman 20 August 2008, resigned Chairman 30 May 2013, resigned Director 30 July 2013) and Australian Made Campaign Limited (appointed 29 November 2002). He was a partner and Managing Partner (Queensland) of Ernst & Young and a past State Chairman of the Institute of Chartered Accountants. As a practising chartered accountant Neil's field of expertise was in corporate reconstruction, mostly in the building and property sectors and consequently he has broad experience in property development and construction. His core strengths include strategic planning, risk management, corporate governance, regulatory compliance and financial analysis.

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

Geoffrey ('Geoff') McMahon is Managing Director of the Fund. He has worked in the property sector for more than 24 years and is responsible for the Fund's corporate strategy, property funds management, investments and developments. Geoff has been involved in over \$1 billion worth of property investments and developments and has been a driving force within the Fund since its inception. Geoff has significant experience in corporate finance and strategy, property funds management, property investment, property development, capital raising and management, risk management, corporate governance and financial management.

Kenneth Ross Pickard BCom, FCA

Kenneth ('Ken') Pickard is a founding Director of the Fund. He resigned from the Board of APGFM as a non-executive Director on 22 March 2010 and was re-appointed to the APGFM Board on 28 September 2012. Ken is the Managing Director of Moore Stephens (Queensland) Limited Chartered Accountants, a Queensland based firm of approximately 170 staff providing a full range of financial services to clients. Ken was a partner of Ernst & Young from 1982, a position he held until the formation of his own firm, Pickards BDS in 1996, which subsequently became Moore Stephens (Queensland) in July 2007. He has over 30 years experience in property, business services, consulting and audit. Ken has developed a wide range of skills for the provision of accounting services and financial management advice to all business sectors including manufacturing, marine and the property industry.

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

Adriano Cragnolini joined the Board of APGFM as an executive Director on 22 March 2010 and also served as company secretary until his resignation 28 September 2012. Adriano had 18 years experience in senior management positions spread between public practice experience at Ernst & Young Australia, and in commerce working for a diversified property/hospitality group based in Papua New Guinea as well as a venture capital backed IT start-up company based in London. Adriano was responsible for the Fund's corporate finance, risk management, regulatory compliance and property funds management.

APGL:

Neil Edwin Summerson (Non-executive Chairman) - Refer APGFM above

Geoffrey Michael McMahon (Managing Director) - Refer APGFM above

Kenneth Ross Pickard BCom, FCA (Non-executive Director) - Refer APGFM above

DIRECTORS' REPORT (CONTINUED)

APGFM as Trustee and Responsible Entity for APGT (continued)

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

Robert ('Bob') Bryan is a founding Director of the Australian Property Growth Fund. Bob has had a long term involvement in both the property and mining industries in Australia and South East Asia.

In 1983 Bob founded Pan Australian Mining Ltd and in the capacity as Managing Director oversaw the development of a major gold mine at Mt Leyshon in Queensland. He sold out his controlling interest in 1989 for \$41 million. In the same year, he established a private property business, the Leyshon Group. In 2006 Leyshon morphed into the Australian Property Growth Fund with the introduction of outside equity. Bob is the major shareholder of APGF.

However, in 1996, consistent with a long time interest in mining, Bob established a new mineral exploration company, Pan Australian Resources Ltd, that now operates two major mines in Laos. That company is now valued at approximately \$2 billion as at 20 September 2012. And then in 2000, Bob founded the Queensland Gas Company to search for coal seam gas in Queensland. QGC was sold in 2008 for \$5.6 billion.

Bob is an Honorary Life Member of the Queensland Resources Council and is a director of the Bryan Research Centre within the University of Queensland. In 2007, Bob was awarded the Institute Medal from the Australasian Institute of Mining and Metallurgy for his contribution to the Mining Industry. In 2009, Bob was an inaugural inductee into the Queensland Business Leaders Hall of Fame, and in 2010 received an Honorary Doctorate of Business from the University of Queensland for services to the Mining Industry. In 2012 Bob was made a member of The Order of Australia.

Scott Edward Bryan BSc (Hons, Geology), PhD

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

Sally Kathleen Smith BBus (Human Resource Management)

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

COMPANY SECRETARY

Geoffrey Michael McMahon BEcon, BCom, FCPA, FAICD, FCIM, FFIN

Geoff McMahon was appointed company secretary of APGFM and APGL on 28 September 2012. Refer APGFM above for qualifications and experience.

Luis Garcia MBA, Dip Fin Ad, CPA

From 6 July 2011, Luis Garcia was appointed joint company secretary of APGFM. Luis is employed full time by APGF as a Senior Funds Manager having 38 years experience in senior management positions in banking and finance and he has been involved in the property funds management industry since 1998.

DIRECTORS' REPORT (CONTINUED)

APGFM as Trustee and Responsible Entity for APGT (continued):

Relevant interests in units of APGT and shares of APGL

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

	Relevant interests		
	APGT Fully paid units	APGL Fully paid shares	APGL Preference shares
G McMahon #	55,233,357	55,233,357	92,965,693
R Bryan #	53,721,900	53,721,900	90,421,693
K Pickard	1,792,657	1,792,657	3,017,300
N Summerson	1,253,826	1,253,826	2,110,369
S Bryan	46,143	46,143	77,666
S Smith	21,389	21,389	36,000

The holdings of G McMahon and R Bryan each include the same 53,721,900 securities and 90,421,693 Preference Shares held by the Leyshon Group of Companies.

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

FUND INFORMATION

Structure of Australian Property Growth Fund ('APGF' or 'the Fund')

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

APGT was created by a Trust Deed dated 14 May 2004 as amended from time to time. Units were issued under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by unitholders at General Meetings held on 20 December 2007 and 28 November 2008. On 19 September 2006, APGT acquired a 99.99% ownership interest in Blue Tower Trust ('BTT'). On 1 November 2012, APGT acquired the remaining 0.01% ownership in BTT.

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by shareholders at General Meetings held on 20 December 2007 and 28 November 2008. APGL has a 100% ownership interest in:

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

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

The Fund's stapled security structure allows investors to derive income from passive property ownership (Creek Street (sold October 2013), Concord Campus (sold May 2012), Collins Street) supplemented by profits from property funds management and property development (Palm Beach, Ulladulla).

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

DIRECTORS' REPORT (CONTINUED)

FUND INFORMATION (continued)

Preference share issue and partial off-market buyback of stapled securities

The Directors of APGF 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 investors. 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 investors on 2 November 2012.

The Directors are aware the majority of investors wish to liquidate their investment as soon as possible. With this in mind, the Directors proposed a Partial Off-market Buyback of Stapled Securities as an opportunity to accelerate the return of some further funds to investors. The Directors also proposed a Preference Share issue which occurred prior to the Partial Off-market Buyback. Both of these proposals were unanimously approved by investors at general meetings held on 21 May 2013.

Both transactions were directed at delivering the highest after-tax return to investors as part of the gradual wind-down process. The Preference Share issue was a mechanism for closely aligning investors' interests in their Stapled Securities to the value of the underlying assets, as well as satisfying investors' distribution entitlements from the Blue Tower sale. The issue of the Preference Shares distributed some of the inter-fund loan from APGT to APGL to investors as equity in the Company allowing for a shorter wind down process of the Trust. The Partial Off-market Buyback gave investors 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.

The principal terms of the Preference Share issue which occurred on 3 June 2013 were:

- investors received a Preference Share for each Unit they held in the Trust;
- the issue price of each Preference Share was 18 cents. The 18 cents was 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 Investors);
- 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.

The principal terms of the Partial Off-market Buyback were:

- the Partial Off-Market Buyback was implemented following the issue of Preference Shares (detailed above).
- 40% of issued Stapled Securities were bought back;
- the Buyback Price was 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. The Independent Expert estimates the non-controlling value of a Stapled Security is in the range from 7.79 cents to 8.31 cents;
- The amount of the buyback was \$8,520,596; and
- the Partial Off-market Buyback was funded by unsecured loans from the Directors and Leyshon Pty Ltd at an interest rate of 10% per annum (refer note 27(d)).

DIRECTORS' REPORT (CONTINUED)

FUND INFORMATION (continued)

Nature of Operations and Principal Activities

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

- 12 Creek Street, Brisbane (formerly known as Comalco Place), a 37 level commercial office building located in the heart of Brisbane CBD's "golden triangle" (sold in October 2012);
- 99 Melbourne Street, South Brisbane, a five level commercial office building located next to Brisbane's Exhibition and Convention Centre (sold in September 2010);
- 7 King Street, Concord West Sydney, a commercial/business park development fully occupied by Westpac Bank, that includes approximately 16,500 m2 of office accommodation and parking for 485 cars (sold in May 2012);
- 287-301 Collins Street, Melbourne, a 13 level Art-Deco style office building situated in one of the most traditional Collins Street locations in Melbourne's CBD;
- Property funds management business managing property trusts/syndicates containing properties encompassing commercial office, industrial and retail property sectors;
- Palm Beach Plaza, Gold Coast Highway, Palm Beach, Gold Coast. This site is being developed into an approximate 5,000m² retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is planned to be developed in two stages over 2007 – 2016 with construction of stage one completed in June 2009; and
- Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales.

OPERATING AND FINANCIAL REVIEW

Review of Operations for the year

(a) Property Investment

APGT's investment strategy is to invest in a quality portfolio of properties that are supported by long term rental income. During the year ended 30 June 2013, APTG owned the following properties:

- 12 Creek Street, Brisbane – this 37 level 32,000sqm iconic commercial office building in Brisbane's CBD was sold on 31 October 2012 to Dexus for \$241.6 million with the proceeds used to reduce the Fund's debt and to make a payment to the Fund's investors; and
- 287-301 Collins Street, Melbourne (Royal Bank Chambers building) – built around 1940 this 13 level Art-Deco style sandstone building is situated in one of the most traditional Collins Street locations in Melbourne's CBD. The building was fully occupied by ANZ Bank until 31 December 2009 when ANZ vacated the nine upper floors. The property is being repositioned through refurbishment and re-leasing of the vacant floors. As at 30 June 2013, five of the nine upper floors were fully refurbished and leased.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)

Review of Operations for the year (continued)

(b) Property Development

During the year ended 30 June 2013, APGF has been involved in the following property development projects:

- The Palm Beach Project is situated on the corner of the Gold Coast Highway, Fourth Avenue and Fifth Avenue, Palm Beach, Gold Coast. The Palm Beach site, comprising two lots totalling 9,819m², is to be developed into an approximate 5,000m² retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is being developed in two stages over 2007 – 2016, with construction of stage one completed in June 2009. As at 30 June 2013, 103 of the 104 stage one residential units have settled. Marketing of stage two has been deferred until a more favourable environment exists, with construction to commence after sufficient stage two pre-sales are achieved. The pre-sale stage two contracts that were entered into approximately three years ago are likely to be rescinded during 2013 as their respective three year sunset expiry dates are reached; and
- The Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales are residential land subdivisions substantially impacted by the fallout from the global financial crisis and the resultant downturn in the property development sector. Land in stage one of Springfield Meadows is currently being marketed for sale.

(c) Property Funds Management

The property funds management business had approximately \$126 million in funds under management as at 30 June 2013 (30 June 2012: \$1.1 billion). The properties under management are located across Australia (including Brisbane, Sydney, Melbourne, Perth, Gold Coast, and the Hunter Region of New South Wales) and encompass investments in commercial office, industrial, and retail properties.

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

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

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

Economic Environment

Moderate growth in the global economy has continued in recent months, though indicators have been somewhat mixed. The risk to the global growth outlook still appears to be tilted to the downside because of the fundamental long term sovereign debt issues in Europe and the USA. However, there are some positive signs emerging from the USA, particularly with its medium term prospects being boosted by plentiful and cheap energy supplies.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)

Review of Operations for the year (continued)

Australia's economy continues to perform soundly as it navigates complex structural and cyclical forces including:

- Challenging global economic climate;
- Lower terms of trade and the looming peak in mining investment;
- Continued weakness in sectors such as retail, tourism and construction;
- The high Australian dollar;
- A softening labour market; and
- Continued reductions in interest rates by the RBA.

The transition of Australia's main driver of economic growth in the coming years from mining and energy investment to the non-resource sectors of the economy presents a major challenge to the domestic economic outlook. Further interest rate cuts are likely to be required to stimulate non-resource businesses, housing and consumer spending to offset the anticipated slow down in mining investment.

Conditions in Australian property markets have improved slightly over the last six months though remain subdued. Lesser quality commercial property and residential developments are still facing significant headwinds.

Employees

At 30 June 2013 APGL had 6 employees (2012: 17) and APGFM had no employees (2012: Nil).

Results

The net operating result of the Fund is presented in the Statement of Comprehensive Income. The net loss attributable to the security holders for the year ended 30 June 2013 was \$8,861,000 (2012: \$26,184,000). The 2012 result includes non-cash and non-operating items such as property valuations, goodwill impairment and a write-down of tax losses, totalling \$33.9 million.

The 2012/13 result was impacted by the following major items:

- Costs in relation to the sale of Blue Tower of approximately \$3 million including selling and disposal costs, amortization of straight line grant and rent guarantees provided as part of the sale of Blue Tower.
- Development costs expensed on the Palm Beach and Ulladulla development projects.
- Costs incurred in the winding down of APGF's business and legal accounting and corporate advisory costs in relation to the winding down of the property funds management business and the Preference Share Issue and the Off-market Partial Buyback of Stapled Securities.
- Write-down of tax losses carried forward and tax effect of the inter-fund loan forgiveness of approximately \$3.7 million.

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

(a) Property Investment

The net loss attributable to the security holders from the property investment operations for the year ended 30 June 2013 was \$1,135,000 (2012: \$7,711,000). Reflected in the 2013 loss are net revaluation decrements on investment properties of \$446,000 (2012: \$7,560,000).

(b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders from these operations for the year ended 30 June 2013 is \$6,588,000 (2012: \$7,975,000). The 2013 loss includes income tax expense of \$2,174,000 arising from the tax effects of the forgiveness of an inter-fund loan. The 2012 loss included non-cash losses on the Springfield Meadows and Dolphin Point properties of \$1,500,000.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)

Results (continued)

(c) Property Funds Management

The net loss attributable to the security holders from the property funds management operations for the year ended 30 June 2013 is \$1,138,000 (2012: \$10,498,000). The 2012 result included an impairment loss on goodwill of \$13,355,000.

Distributions/Dividends

A cash distribution of 18.5 cents per stapled security was paid to investors on 2 November 2012. This distribution was paid from APGT.

A non-cash distribution of 18 cents per stapled security was paid to investors on 3 June 2013 in the form of one Preference Share for every unit held in APGT. For further details on this non-cash distribution and the Partial Off-market Buyback of Stapled Securities, refer to the Preference Share Issue and Partial Off-market Buyback of Stapled Securities Section in this Director's Report and Note 21.

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

Security Holder Returns

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

The Fund's key financial measures are detailed below:

	2013	2012	2011	2010	2009
Basic earnings per stapled security (cents)#	(2.2)	(11.5)	1.5	0.3	(28.8)
Net asset value per stapled security (cents)##	15.11	50.2	65.2	67.2	70.4
Funds under management (\$ million) ###	126	1,124	1,557	1,828	1,346

Based on weighted average of securities on issue during the year.

Based on total securities on issue as at the end of the financial year.

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

SECURITIES ON ISSUE

A total of 136,548,015 Stapled Securities were on issue at 30 June 2013 (2012: 227,580,022). There were 227,580,022 Preference Shares issued during the year (2012: Nil). For further details, refer to the Preference Share Issue and Partial Off-market Buyback of Stapled Securities Section in this Director's Report and Note 21.

FUND ASSETS

At 30 June 2013, the Fund had total assets to the value of \$88,020,000 (2012: \$337,305,000). The basis for valuation of assets is disclosed in Note 2 to the financial statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

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

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)

RISK FACTORS

APGF 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 APGF and the value of an investment in the Fund.

General investment risks

General economic conditions

APGF's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates, government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or a reduction in the availability of credit, could be expected to have a corresponding adverse impact on the Fund'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 APGF's control. Changes to the Australian Accounting Standards issued by AASB could materially adversely affect the financial performance and position reported in APGF's financial statements.

Taxation risks

A change to the current taxation regime in Australia may affect APGF and its investors. Personal tax liabilities are the responsibility of each individual investor.

Specific investment risks

Property

As the Fund's investments comprise property, investors 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 Fund;
- b) investments the Fund has made may decrease in value if the level of demand in these areas reduces. This will have a negative impact on the future returns of the Fund; 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.

Property Developments

As the Fund's investments principally comprise property developments, investors 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 apartments and land;
- b) apartments and land developments 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;

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (Continued)

RISK FACTORS (Continued)

Property Developments (Continued)

- e) there is a risk that the duration for the completion of construction and development and sale 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 would have a negative effect on the profitability of a property development project.

Dependence upon key personnel

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

Planning risk

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

Investment risk

While the Directors endeavour to deliver a return to investors, the Fund may fail to generate a return.

Limited diversification

The Fund has only one remaining property investment (Royal Bank Chambers building) and two remaining property development projects (Palm Beach Project and the Ulladulla land sub-divisions) that are intended to provide a return. Such a lack of diversity exposes investors to increased risk by reason of a lack of diversification.

Sector volatility

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

Time to maturity and illiquidity of investments

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

Property sales

Property sales may also be limited by market conditions which may be unfavourable for sales. These limitations on the liquidity of the Fund'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.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (Continued)

RISK MITIGATION

APGF continually monitors and mitigates risk and reviews its corporate strategy and investment decisions. It specifically mitigates the above risk factors in a number of ways including but not limited to the following:

- a) Continually monitoring general economic and business conditions and adapting its corporate strategy and investment decisions accordingly.
- b) Monitoring any proposed changes to Australian Accounting Standards and any likely impacts on APGF's financial statements.
- c) Continually monitoring proposed changes to the taxation regime in Australia and its likely impacts on APGF and its investors.
- d) Securing pre-leasing and pre-sales, bank finance and obtaining quotes and tenders for building and construction works prior to commencing development projects.
- e) Ensuring Town Planning approvals are in place prior to commencing property development projects.
- f) Ensure there is sufficient depth in APGF personnel and consultants in the event a key personnel leaves APGF.
- g) Continually updating and monitoring APGF's cash flow forecasts.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Gradual and orderly wind down of the property funds management business. Properties in the individual funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Funds' investors.
- Sale of Blue Tower for \$241.6 million in October 2012.
- Preference share issue and partial off-market buyback of stapled securities.

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 17 September 2013 a conditional offer of purchase was accepted on the investment property at 287-301 Collins Street, Melbourne. It is anticipated that should the transaction proceed to settlement there will be no material change to the Fund's net asset position.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The investment strategy of the Fund will be maintained in accordance with the APGT and APGL constitutions and investment objectives. In the foreseeable future it is expected that APGT will continue its property investment business and APGL will continue its property development and property funds management businesses although the company's business is being wound down in a gradual and orderly manner.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

OPTIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

To the extent permitted by law, the consolidated entity has agreed to indemnify its auditor, Ernst and Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The entity has not paid any premium for insurance for the auditors. Insurance and indemnity arrangements concerning officers of the consolidated entity were continued throughout the year. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

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

Scope of responsibility of the Boards

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

Compliance Committee

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

The Compliance Committee reports to APGFM's Board, and if necessary, ASIC, in relation to compliance issues. During the year ended 30 June 2013 four compliance committee meetings were held. The members of the Compliance Committee, during the period, and a summary of their attendance at meetings, is provided below:

	Number of meetings eligible to attend	Number of meetings attended
Karen Prentis	4	4
Kathleen Armstrong	4	4
Geoff McMahon	3	3
Adriano Cragolini	1	1

The functions of the Compliance Committee are essentially governed by APGT's compliance plan. The original compliance plan was registered and approved by ASIC prior to registration of APGT as a managed investment scheme. The current master compliance plan for APGT was adopted by the Responsible Entity and lodged with ASIC with effect from 2 October 2012.

Audit and Risk Committee

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

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

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

Remuneration Committee

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

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

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (continued)

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

During the year ended 30 June 2013 one Remuneration Committee meeting was held. The Committee determined the Managing Director's and Directors' remuneration would be halved from 1 November 2012 due to the reduction in APGF's funds under management.

Code of Corporate Governance

Overview

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

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

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

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

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

Principle 1: Board and Management

This Code of Corporate Governance ('Code') sets out the key governance principles adopted by APGFM and APGL in governing the Fund. The Code recognises the fundamental difference between the Directors' roles and responsibilities and that of management – the Directors' main role is to set corporate strategy and goals with management being responsible for their implementation.

Annual performance reviews were conducted during the reporting period for senior executives against appropriate measures.

Principle 2: Board Structure

At 30 June 2013 the Board of APGFM had three Directors (including the Chairman) one of whom was a non-executive Director and APGL had five Directors (including the Chairman) four of whom were non-executive Directors. The roles of the Chairman and Managing Director are exercised by different individuals.

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

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

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

Principle 3: Ethical and Responsible Decision Making

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

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (continued)

Code of Corporate Governance (continued)

Principle 4: Integrity of Financial Reporting

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

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

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

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

Principle 5: Timely and Balanced Disclosure

The Boards are committed to keeping the market informed in a timely and balanced manner of all material information concerning the Fund including its financial position, performance, ownership and governance. The Boards are committed to creating and maintaining an informed market in its securities and enhancing corporate governance by encouraging a culture of transparency in relation to the Fund's operations and corporate activities. The Fund will also provide relevant information to media organisations, to ensure the broadest possible communication with security holders and the general market.

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

Principle 6: Respect Rights of Security holders

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

Principle 7: Recognise and Manage Risk

The Boards believe that risk management and internal controls are a critical part of the Fund's operations and a comprehensive risk management program has been developed. Management of risk is a key function of the Audit and Risk Committee under its charter.

Due to the size of the Fund, the Boards do not have a defined internal audit function. It is incumbent on the Audit & Risk Committee to manage the inherent risks and preserve the independence of the external audit role.

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

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

Principle 8: Remuneration

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (continued)

Code of Corporate Governance (continued)

MEETINGS OF DIRECTORS

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

Directors	APGFM		APGL	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
N Summerson	4	4	4	4
G McMahon	4	4	4	4
R Bryan	N/a	N/a	4	4
S Bryan	N/a	N/a	4	4
K Pickard	3	3	4	4
A. Cragnolini	1	1	N/a	N/a
S Smith *	N/a	N/a	N/a	N/a

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

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

ROUNDING

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at Page 24.

Non-Audit Services

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

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance and advisory services \$198,355

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

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



G. McMahon
Managing Director
Brisbane, 18 September 2013

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



N. Summerson
Chairman
Brisbane, 18 September 2013



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

In relation to our audit of the financial report of Australian Property Growth Fund for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mark Hayward
Partner
18 September 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013	2012
		(\$000)	(\$000)
Revenue			
Sales income		1,301	2,630
Rental income		10,607	29,928
Property funds management fee income	4(a)	4,449	11,843
Interest income		709	1,170
Other income		29	548
Total Revenue	4(a)	17,095	46,119
Revaluation increment/(decrement) on investment properties	16(a)	(446)	(7,560)
Fair value movement in investments		-	(33)
Total Revenue and Revaluation Increment/(Decrement)		16,649	38,526
Less Expenses			
Air conditioning expenses		264	658
Audit fees		219	326
Borrowing expenses	4(b)	5,696	21,642
Consultancy fees		1,114	1,419
Derecognition of property funds management intangible assets	14	1,637	2,966
Development costs expensed (incl cost of inventories sold)	4(b)	2,463	6,730
Electricity		305	351
Goodwill impairment	15	-	13,355
Impairment of property funds management intangible assets	14	109	716
Insurance		125	276
Land tax		413	1,020
Leasing expenses		139	516
Legal expenses		604	482
Lift expenses		101	204
Loss on disposal of assets	4(b)	3,353	614
Management fee expenses	4(b)	1,428	893
Personnel expenses		2,035	4,945
Rates		583	1,101
Recoverable outgoings		-	1,304
Rent expenses		917	944
Repairs and maintenance		260	366
Other expenses		1,007	1,093
Total Expenses		22,772	61,921
(Loss) from operating activities before income tax		(6,123)	(23,395)
Income tax (expense)	5	(2,738)	(2,789)
Net (Loss) from operating activities after income tax		(8,861)	(26,184)
Total comprehensive income for the period		(8,861)	(26,184)

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

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013 (\$000)	2012 (\$000)
Profit/(Loss) after income tax attributable to security holders represents:			
Loss attributable to members of APGT		(4,995)	(7,236)
Loss attributable to members of APGL		(3,866)	(18,948)
Non-controlling interests		-	-
		<u>(8,861)</u>	<u>(26,184)</u>
Total comprehensive income for the period represents:			
Loss attributable to members of APGT		(4,995)	(7,236)
Loss attributable to members of APGL		(3,866)	(18,948)
Non-controlling interests		-	-
		<u>(8,861)</u>	<u>(26,184)</u>
Earnings per stapled security (cents)			
- Basic earnings per stapled security	6	(2.2)	(11.5)
- Diluted earnings per stapled security	6	(2.2)	(11.5)
Earnings per preference share (cents) *			
- Basic earnings per preference share	6	(1.7)	n/a
- Diluted earnings per preference share	6	(1.7)	n/a

* For the purposes of calculating the earnings per preference share the preference shares have been deemed to be issued for the entire reporting period.

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

		Consolidated	
	Note	2013 (\$'000)	2012 (\$'000)
ASSETS			
Current Assets			
Cash and cash equivalents	8	3,413	6,911
Trade and other receivables	9	14,765	2,605
Inventory	10	1,200	602
Investment properties held directly	16	-	272,100
Other assets	11	284	199
Total Current Assets		19,662	282,417
Non-Current Assets			
Trade and other receivables	9	3,084	7,083
Inventory	10	27,918	29,817
Investment properties held directly	16	30,900	-
Plant and equipment	12	100	647
Investments	13	3	209
Property funds management intangible asset	14	2,256	12,806
Deferred tax asset	5	4,097	4,326
Total Non-current Assets		68,358	54,888
TOTAL ASSETS		88,020	337,305
LIABILITIES			
Current Liabilities			
Trade and other payables	17	2,334	8,182
Borrowings and interest bearing loans	18	10,285	211,139
Provisions	19	253	699
Total Current Liabilities		12,872	220,020
Non- Current Liabilities			
Borrowings and interest bearing loans	18	14,795	-
Provisions	19	95	53
Deferred tax liability	5	2,532	23
Other liabilities	20	3,000	3,000
Total Non-current Liabilities		20,422	3,076
TOTAL LIABILITIES		33,294	223,096
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		54,726	114,209
REPRESENTED BY:			
Attributable to members of APGL			
Contributed equity	21	64,437	23,473
Accumulated losses		(11,643)	(54,841)
Total attributable to members of APGL		52,794	(31,368)
Attributable to unitholders of APGT			
Units on issue	21	79,430	171,016
Undistributed earnings		(77,498)	(25,449)
Total attributable to unitholders of APGT		1,932	145,567
Non-controlling interests		-	10
TOTAL MEMBERS' INTERESTS		54,726	114,209

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

STATEMENT OF CHANGES IN SECURITY HOLDERS' INTERESTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Securities Issued (\$000)	Undistributed Income (\$000)	Other Reserves (\$000)	Non- controlling Interests (\$000)	Total (\$000)
At 1 July 2011		202,465	(54,106)	-	10	148,369
Loss for period		-	(26,184)	-	-	(26,184)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	(26,184)	-	-	(26,184)
Distributions to security holders	7	(7,976)	-	-	-	(7,976)
At 30 June 2012		194,489	(80,290)	-	10	114,209
At 1 July 2012		194,489	(80,290)	-	10	114,209
Loss for period		-	(8,861)	-	-	(8,861)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	(8,861)	-	-	(8,861)
Acquisition of non-controlling interest		-	10	-	(10)	-
Distributions to security holders	7	(83,066)	-	-	-	(83,066)
Preference share issue		40,964	-	-	-	40,964
Partial off-market buyback of stapled securities		(8,520)	-	-	-	(8,520)
At 30 June 2013		143,867	(89,141)	-	-	54,726

	Note	Consolidated 2013 \$000	2012 \$000
Distributions per stapled security (cents)	7	36.5	3.5

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013	2012
		(\$000)	(\$000)
Cash flows from operating activities			
Receipt of sales income		1,431	2,893
Receipt of property funds management income		6,426	15,382
Receipt of rental income		11,694	33,479
Other receipts from customers		26	392
Payment of Palm Beach Project development costs		(471)	(2,330)
Payments to other suppliers & employees		(19,202)	(19,813)
Interest and other finance costs paid		(5,937)	(22,136)
Insurance proceeds received/(paid) to syndicates		-	(1,783)
Distributions received		3	-
Interest received		709	1,170
Net cash flows (used in)/from operating activities	8	(5,321)	7,254
Cash flows from investing activities			
Proceeds from sale of property funds management intangible asset		5,000	-
Payment for plant and equipment		(32)	(224)
Proceeds from sale of plant and equipment		-	-
Payment for investment property additions		(246)	(1,865)
Proceeds from sale of investment property		236,000	52,000
(Payment)/repayment of advances to syndicates		-	80
Term deposits released		900	450
Net cash flows from investing activities		241,622	50,441
Cash flows from financing activities			
Partial Buyback of Stapled Securities		(5,085)	-
Capital repayments/distributions paid		(43,986)	(7,982)
Proceeds from borrowings		11,330	12,500
Repayment of borrowings		(194,929)	(55,466)
Proceeds from borrowings - related parties		6,850	30
Repayment of borrowings - related parties		(13,000)	(7,000)
Payment of borrowing costs		(79)	(218)
Net cash flows used in financing activities		(238,899)	(58,136)
Net decrease in cash held		(2,598)	(441)
Cash and cash equivalents at beginning of the period		6,011	6,452
Cash and cash equivalents at end of the period	8	3,413	6,011

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. CORPORATE INFORMATION

The Consolidated Annual Financial Report of Australian Property Growth Fund ('APGF' or 'the Fund') for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of Directors on 18 September 2013.

Australian Property Growth Trust ('APGT' or 'the Trust') is an Australian registered managed investment scheme. APGF Management Limited ('APGFM'), the Trustee and Responsible Entity of the Trust, is incorporated and domiciled in Australia.

Australian Property Growth Limited ('APGL') is a company limited by shares incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Fund are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. The financial report is to be read in conjunction with any public announcements by the Fund during the year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and the NSX Listing Rules.

(b) Statement of compliance

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

New Accounting Standards, Interpretations and Other Regulatory Changes

Change in accounting policy for recognition of Management Fee Asset

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

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows for new and amended Australian Accounting Standards and AASB Interpretations adopted by the consolidated entity as of 1 July 2012. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the consolidated entity, its impact is described below:

AASB 2011-9

Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Accounting Standards Issued But Not Yet Effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2013. The impact of these new or amended standards and interpretations (to the extent relevant to the consolidated entity) are set out in the table below.

Summary	Applic'n Date of Standard	Applic'n Date for entity
<u>AASB 10 – Consolidated Financial Statements</u>	1 January 2013	1 July 2013
<u>Impact on entity Financial Report</u>		
The regulator has expressed concerns about the ability for stapled entities to present consolidated financial statements under AASB 10. We are continuing to monitor developments in this area before concluding on the impact of AASB 10 on this matter.		
<u>AASB 11 – Joint Arrangements</u>	1 January 2013	1 July 2013
<u>AASB 12 – Disclosure of Interests in Other Entities</u>	1 January 2013	1 July 2013
<u>AASB 13 – Fair Value Measurement</u>	1 January 2013	1 July 2013
<u>AASB 2012-2 - Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</u>	1 January 2013	1 July 2013
<u>AASB 2012-5 - Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle</u>	1 January 2013	1 July 2013
<u>AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</u>	1 July 2013	1 July 2013
<u>AASB 2012-3 - Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</u>	1 January 2014	1 July 2015
<u>AASB 9 - Financial Instruments</u>	1 January 2015	1 July 2015
<u>AASB 1053 Application of Tiers of Australian Accounting Standards</u>	1 January 2013	1 July 2013
<u>Impact on entity Financial Report</u>		

Except as stated above, these amendments have been reviewed by management and are not expected to have a material effect on the financials statements of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Significant accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

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

(i) Interest income

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

(ii) Rental income and recoverable outgoings

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

(iii) Management fee income

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

- Project delivery management fees in respect of development projects are recognised in accordance with the relevant Development Management Agreement for each project. This reflects the proportion of the project that has been settled.
- Property funds management fees (including performance fees and leasing fees) are recognised as services are performed in accordance with the relevant Property Management Agreement, Asset Management Agreement or Constitution for each entity.
- Other management fee revenue is recognised upon attaining control of the right to receive payment of the fee.

(iv) Property development sales income

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Borrowing costs

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

(g) Cash and cash equivalents

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

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

(h) Trade and other receivables

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

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

(i) Income tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

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

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

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

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

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

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

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

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

(j) Other taxes

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investment properties

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Investments and other financial assets

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

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

Loans and Receivables

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

Available for Sale Investments

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

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

Impairment

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

Financial assets carried at amortised cost

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

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

(m) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Interest bearing loans and borrowings

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

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

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

(o) Inventories (Development Properties)

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

(p) Provisions

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

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

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

(i) Dividends

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

(ii) Distributions

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

(iii) Employee leave benefits

Wages, salaries and annual leave

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

Long service leave

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Contributed equity and unit holders' funds

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

Preference shares issued and paid up capital is recognised at the fair value of the consideration received by the Fund. Each issued preference share confers upon the preference share holder an equal interest in the Fund, and is of equal value. A preference share does not confer any interest in any particular asset or investment of the Fund. The rights, obligations and restrictions attached to each preference share holder are identical in all respects. Preference shares carry one vote per share, and the right to receive dividends and returns of capital rank ahead of the ordinary shares.

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

(r) Earnings per security (EPS)

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

Stapled security diluted EPS is calculated as net profit attributable to ordinary stapled security holders where stapled securities are classified as equity, adjusted for:

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

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

Preference share basic EPS is calculated as net profit attributable to preference share holders of APGL where preference shares are classified as equity, adjusted to exclude costs of servicing equity (other than dividends/distributions) divided by the weighted average number of preference shares.

Preference share diluted EPS is calculated as net profit attributable to preference share holders where preference shares are classified as equity, adjusted for:

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

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

(s) Leasing fees expense

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leasing incentives

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

(u) Business Combinations

For business combinations completed after 1 July 2009

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

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

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

For business combinations completed before 1 July 2009

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Operating Segments

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

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

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

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

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

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

(w) Distributions

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

(x) Goodwill

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

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

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

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

Impairment losses for goodwill are not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Plant and Equipment

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

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

Leasehold improvements – 13 years

Office equipment – 3 to 10 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end. An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(z) Leases

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

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

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

(aa) Intangible Assets

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

The useful lives of intangible assets are assessed as either indefinite or finite with useful lives of generally between 7 and 12 years.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

3. OPERATING SEGMENTS

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

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

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

All identified operating segments are also reporting segments.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

3. OPERATING SEGMENTS (continued)

	Property Investment	Property Funds Mgmt	Property Development	Total
	(\$000)	(\$000)	(\$000)	(\$000)
30 June 2013				
Revenue				
Sales income	-	-	1,301	1,301
Rental income	9,102	-	1,505	10,607
Property funds management fee income	-	4,449	-	4,449
Interest income	133	333	243	709
Other income	-	29	-	29
Total Revenue and other income	9,235	4,811	3,049	17,095
Result				
Segment result before derecognition and impairment and interest expense	3,810	1,867	(4,246)	1,431
Less: Revaluation decrement on investment property	(446)	-	-	(446)
Less: Derecognition of intangible asset	-	(1,637)	-	(1,637)
Less: Impairment of intangible asset	-	(109)	-	(109)
Less: Interest expense	(4,499)	(1)	(862)	(5,362)
Segment result before income tax expense	(1,135)	120	(5,108)	(6,123)
Income tax expense	-	(1,258)	(1,480)	(2,738)
Net Profit/(loss)	(1,135)	(1,138)	(6,588)	(8,861)
Assets				
Segment assets	36,338	15,563	36,119	88,020
Non-segment assets	-	-	-	-
Total Assets	36,338	15,563	36,119	88,020
Liabilities				
Segment liabilities	21,526	3,951	7,817	33,294
Non-segment liabilities	-	-	-	-
Total Liabilities	21,526	3,951	7,817	33,294

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

3. OPERATING SEGMENTS (Continued)

	Property Investment	Property Funds Mgmt	Property Developmen t	Total
	(\$000)	(\$000)	(\$000)	(\$000)
30 June 2012				
Revenue				
Sales income	-	-	2,630	2,630
Rental income	28,037	-	1,891	29,928
Property funds management fee income	-	11,843	-	11,843
Interest income	414	429	327	1,170
Other income	245	284	19	548
Total Revenue and other income	28,696	12,556	4,867	46,119
Result				
Segment result before impairment and interest expense	16,654	8,574	(2,044)	23,184
Less: Revaluation decrement on investment property	(7,560)	-	-	(7,560)
Less: Derecognition of Intangible Asset	-	(2,966)	-	(2,966)
Less: Impairment of Intangible asset	-	(716)	-	(716)
Less: Impairment loss - goodwill	-	(13,355)	-	(13,355)
Less: NRV adjustment - inventories	-	-	(1,500)	(1,500)
Less: Interest expense	(16,805)	(2,030)	(1,647)	(20,482)
Segment result before income tax expense	(7,711)	(10,493)	(5,191)	(23,395)
Income tax expense	-	(5)	(2,784)	(2,789)
Net (Loss)	(7,711)	(10,498)	(7,975)	(26,184)
Assets				
Segment assets	281,610	17,321	38,374	337,305
Non-segment assets	-	-	-	-
Total Assets	281,610	17,321	38,374	337,305
Liabilities				
Segment liabilities	178,892	18,782	25,422	223,096
Non-segment liabilities	-	-	-	-
Total Liabilities	178,892	18,782	25,422	223,096

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013 (\$'000)	2012 (\$'000)
4. Revenue and Expenses			
(a) Revenue from operating activities			
Sales income		1,301	2,630
Rental income		10,607	29,928
Property funds management fee income		4,449	11,843
Interest income		709	1,170
Other income		29	548
Total Revenue from operating activities		17,095	46,119
Property funds management fee income includes:			
Transaction fee income		993	3,778
Property management fee income		3,401	6,649
Leasing fee income		-	909
Management services income		55	507
		4,449	11,843
(b) Expenses			
Depreciation of plant and equipment		47	86
Defined contribution superannuation expense		148	269
Operating lease payments included in statement of comprehensive income		677	172
Operating costs of investment properties		2,350	5,327
Loss on disposal of property plant and equipment		531	-
Gain on sale of PFA		(509)	-
Loss on disposal of investment property		3,331	614
Loss on disposal of assets		3,353	614
Borrowing expenses			
Interest and finance charges paid or payable to:			
Related parties		708	2,158
Other parties		4,926	19,911
Amortisation of borrowing costs		334	1,161
Total borrowing expenses		5,968	23,230
Less: interest expense for the current period included in development costs expensed		(272)	(1,588)
Total borrowing expenses per statement of comprehensive income		5,696	21,642
Management fee expenses			
Management services fee expense		1,204	624
Property management fee expense		224	269
Total Management fee expense		1,428	893
Preference Share Issue and Partial Off-market Buyback expenses		217	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013	2012
	(\$'000)	(\$'000)
4. Revenue and Expenses (continued)		
(b) Expenses (continued)		
Doubtful debt expense	97	-
Development costs expensed (incl cost of inventories sold)		
Palm Beach project		
Borrowing costs	228	830
Inventory write-down	-	-
Selling and marketing costs	200	657
Cost of inventories sold	602	1,747
Total Palm Beach Project	1,030	3,234
Ulladulla properties		
Springfield Meadows and Dolphin Point		
Borrowing costs	44	758
Cost of inventories sold	699	977
Net realisable value adjustment to inventories	-	1,500
Other costs (incl selling and marketing costs)	690	261
Total Ulladulla Properties	1,433	3,496
Total development costs expensed (incl cost of inventories sold)	2,463	6,730
5. INCOME TAX		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
Current income tax charge	(1,439)	(851)
Recognition of losses as deferred tax assets	-	-
Losses not recognised as deferred tax assets	1,490	5,643
Other	26	-
Deferred income tax		
Relating to origination and reversal of temporary differences	486	(2,003)
Adjustments in respect of receivables	2,175	-
Income tax expense reported in the statement of comprehensive income	2,738	2,789
A reconciliation between income tax and the product of accounting loss before income tax multiplied by the Fund's applicable income tax rate is as follows:		
Accounting loss before income tax	(6,123)	(23,395)
Less: Earnings relating to APGT and BTT (refer (i))	1,137	3,056
Adjusted accounting loss	(4,986)	(20,339)
At the Fund's statutory income tax rate of 30% (2012: 30%)	(1,496)	(6,102)
Adjustments in respect of receivables	2,175	-
Impairment losses not allowed for tax purposes	-	4,006
Tax amortisation and impairment of intangible asset of prior years	-	(1,008)
Other income not assessable for income tax purposes	11	250
Other	558	-
Losses not recognised as deferred tax assets	1,490	5,643
Income tax expense reported in the statement of comprehensive income	2,738	2,789
i) Under current tax legislation, APGT (the parent) and BTT are not liable to pay income tax provided their taxable income and taxable realised gains are fully distributed to unit holders.		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

5. INCOME TAX (CONTINUED)	Statement of Financial Position		Statement of Comprehensive Income	
	2013 (\$'000)	2012 (\$'000)	2013 (\$'000)	2012 (\$'000)
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Investments	-	1	1	10
Income receivable	6	22	16	-
Property Funds Management Intangible asset	341	-	(341)	1,826
Receivables	2,175	-	(2,175)	-
Other	10	-	(10)	-
	<u>2,532</u>	<u>23</u>		
<i>Deferred tax assets</i>				
Formation costs and share issue costs	(11)	54	(65)	30
Borrowing costs	-	4	(4)	(6)
Accrued expenses	302	259	43	(3)
Leave liabilities	104	226	(122)	8
Work in progress expensed	3,565	3,755	(190)	110
Other	137	28	109	28
	<u>4,097</u>	<u>4,326</u>	<u>(2,738)</u>	<u>2,003</u>
Losses available for offset against future taxable income	-	-	-	(4,792)
Gross deferred income tax assets	<u>1,565</u>	<u>4,303</u>		
Net deferred income tax assets	<u>1,565</u>	<u>4,303</u>		
Deferred tax (expense)			<u>(2,738)</u>	<u>(2,789)</u>

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

The Fund has cumulative gross tax losses of \$4,965,520 (2012: \$22,477,000). At 30 June 2012, the Fund recognised a deferred tax asset of \$4,792,000 on \$15,973,000 of the cumulative gross tax losses. During 2012/13, the Fund wrote off the previously recognised tax effect of benefits from tax losses arising in Australia. The tax effect of the losses no longer recognised as a deferred tax asset is \$1,489,656. Recognised and unrecognised tax losses are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The consolidated entity only recognises tax losses to the extent that forecasts indicate it is probable that sufficient taxable income will be earned to recoup the recognised losses.

The deferred tax asset will only be obtained if:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

5. INCOME TAX (continued)

Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

6. EARNINGS PER SECURITY

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

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

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

	Consolidated	
EPS - Stapled Security	2013	2012
	(\$000)	(\$000)
Net loss attributable to security holders *	(4,995)	(26,184)

	Number	Number
	(000)	(000)
Weighted average number of total securities issued for basic earnings per security *	226,333	227,580

	Consolidated	
EARNINGS PER PREFERENCE SHARE	2013	2012
	(\$000)	(\$000)
Net loss attributable to preference shareholders of APGL **	(3,866)	n/a

	Number	Number
	(000)	(000)
Weighted average number of total preference shares issued for basic earnings per preference share **	227,580	-

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

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

** Preference shares have deemed to be on issue for the entire reporting period.

	Consolidated	
7. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED	2013	2012
	(\$000)	(\$000)
Distributions on stapled securities declared or paid during the year totaling 36.50 cents (2012: 3.50 cents) per annum per stapled security:		
Capital Distributions paid during the year	42,102	5,996
Preference share issue	40,964	-
Distributions provided for during the year (Note 17)	-	1,980
Total distributions	83,066	7,976

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

8. CASH AND CASH EQUIVALENTS	Consolidated	
	2013 (\$000)	2012 (\$000)
Cash at bank and on hand	3,185	5,819
Short term deposits	228	192
Term deposits	-	900
	<u>3,413</u>	<u>6,911</u>

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

Reconciliation to Statement of Cashflows	Consolidated	
	2013 (\$000)	2012 (\$000)
Reconciliation of cash		
Cash balance comprises:		
Cash at bank and on hand	3,185	5,819
Short term deposits	228	192
Term deposits	-	900
Less: restricted cash - term deposits	-	(900)
	<u>3,413</u>	<u>6,011</u>

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

Net (loss) after income tax	(8,861)	(26,184)
Adjustment for:		
Amortisation of borrowing costs	334	1,161
Amortisation of lease fitout incentives	(7)	176
Amortisation of prepaid leasing fees	56	503
Straight line rent adjustments	123	777
Depreciation expense	47	86
Loss on disposal of plant and equipment	531	-
Impairment loss - goodwill	-	13,355
Equity accounted profits	-	(14)
Fair value movement in investments	-	33
Revaluation of property investment	446	7,560
Impairment of Intangible assets	109	716
Derecognition of Intangible assets	1,637	2,966
Changes in assets and liabilities		
(Increase)/decrease in receivables	747	697
(Increase)/decrease in inventories	1,301	4,610
(Increase)/decrease in deferred tax asset	(206)	2,789
Increase/(decrease) in deferred tax liability	2,532	-
Increase/(decrease) in payables	(3,705)	(2,003)
Increase/(decrease) in current tax liability	-	-
Increase/(decrease) in provisions	(405)	26
Net cash from/(used in) operating activities	<u>(5,321)</u>	<u>7,254</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

8. CASH AND CASH EQUIVALENTS (continued)

Disclosure of financing facilities

Refer to Note 18.

Non-cash financing and investing activities

During the year non-cash financing activities were the preference share issue of 227,580,022 preference shares for \$40,964,404 and the loss on disposal of investment property of \$3,331,000 (2012: Nil). For further details on the preference share issue refer to note 28.

	Consolidated	
	2013	2012
	(\$000)	(\$000)
9. TRADE AND OTHER RECEIVABLES		
Current		
Trade and other debtors (i)	1,006	1,215
Trade and other debtors - related parties (ii)	7,849	1,145
Advances to syndicates (iii)	-	245
PFA receivable (iv)	1,090	-
Escrow receivable (v)	4,820	-
	<hr/>	<hr/>
	14,765	2,605
Non-Current		
Trade and other debtors (ii)	-	2,121
Trade and other debtors - related parties (ii)	-	2,289
Advances to syndicates (iii)	-	2,673
PFA receivable (iv)	2,904	-
Escrow receivable (v)	180	-
	<hr/>	<hr/>
	3,084	7,083

- (i) Trade and other debtors and amounts receivable from related parties (syndicates/trusts under management) are non-interest bearing and are generally settled on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$96,570 was recognised in the year ended 30 June 2013 presented as part of other expenses in the statement of comprehensive income (2012: Nil)
- (ii) Current trade and other debtors and amounts receivable from related parties (syndicates/trusts under management) are subject to a loan agreement due for repayment by 31 December 2013. Interest is charged at the bank bill rate plus a margin of 2%. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There have been no impairment losses recognised in the year ended 30 June 2013 (2012: Nil).
- (iii) This advance, which is unsecured with no set repayment terms, has been made to a syndicate for which an entity in the Fund acts as Responsible Entity. As at 30 June 2012 an advance of \$2,300,000 has interest charged and capitalised at APGL's cost of borrowing plus a margin of 5% pa. All other advances are interest free.
- (iv) The receivable relates to the deferred consideration from the sale of a property funds management business and is to be paid over six years from August 2012 from a share of the PFA Diversified Property Trust's assets disposal and performance fees. The non-current portion is discounted to fair value using a discount rate of 5.24%.
- (v) This receivable relates to a warranty provided to the purchaser of Blue Tower (refer to note 23). The total receivable at the reporting date is \$5,000,000 of which \$4,820,000 is receivable 31 October 2013 and the remaining \$180,000 to be released in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

9. TRADE AND OTHER RECEIVABLES (continued)

		Consolidated	
		2013	2012
		(\$000)	(\$000)
(vi)	At 30 June 2013, the ageing analysis of trade and other debtors is as follows:		
	0 – 30 days	426	1,322
	31 – 60 days	-	255
	61 – 90 days	-	193
	+ 91 days	17,423	5,000
	Total	17,849	6,770

Receivables past due but not considered impaired are \$17,423,000 for the consolidated entity (2012: \$5,193,000). The past due but not considered impaired receivables for the consolidated entity includes amounts totalling \$8,753,000 (2012: \$4,825,000) receivable from syndicates under the management of the Fund. The Directors have agreed to defer settlement of these amounts (as allowed under the respective Product Disclosure Statements of the syndicates) whilst new financing arrangements for those syndicates are being finalised or properties are sold. Management has been monitoring and has been in direct contact with the relevant debtor and is satisfied that payment will be received and that no material items are impaired.

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

Fair value and risk exposure

Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value apart from the receivable in (iv) which has been discounted to present value.

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

		Consolidated	
		2013	2012
		(\$000)	(\$000)
10. INVENTORY	Note		
Current			
Development properties (Palm Beach) *		-	602
Development properties (Springfield Meadows/Dolphin Point) *		1,200	-
		1,200	602
Non-Current			
Development properties (Palm Beach) *		19,399	19,399
Development properties (Springfield Meadows/Dolphin Point) *		8,519	10,418
		27,918	29,817

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

Included in inventories are capitalised borrowing costs of \$717,332 (2012: \$717,332) (refer Note 2(f)). Refer to Note 18 for details of inventory pledged as security for loans.

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2013 totaled \$1,573,000 (2012: \$5,812,000). This expense has been included in the development costs expensed line item in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
	Note	(\$000)	(\$000)
11. OTHER ASSETS			
Current			
Prepayments		256	171
Security deposits		28	28
		<u>284</u>	<u>199</u>

12. PLANT AND EQUIPMENT

Leasehold improvements at cost		83	659
Accumulated depreciation		<u>(13)</u>	<u>(112)</u>
		<u>70</u>	<u>547</u>
Office equipment at cost		193	322
Accumulated depreciation		<u>(163)</u>	<u>(222)</u>
		<u>30</u>	<u>100</u>
		<u>100</u>	<u>647</u>

	Leasehold Improvements (\$000)	Office Equipment (\$000)	Assets Held Not Ready For Use (\$000)	Total (\$000)
Balance as at 1 July 2011	514	127	-	641
Additions	80	12	-	92
Disposals	-	-	-	-
Depreciation expense	<u>(47)</u>	<u>(39)</u>	<u>-</u>	<u>(86)</u>
Balance as at 30 June 2012	<u>547</u>	<u>100</u>	<u>-</u>	<u>647</u>
Balance as at 1 July 2012	547	100	-	647
Additions	31	1	-	32
Disposals	<u>(465)</u>	<u>(67)</u>	<u>-</u>	<u>(532)</u>
Depreciation expense	<u>(43)</u>	<u>(4)</u>	<u>-</u>	<u>(47)</u>
Balance as at 30 June 2013	<u>70</u>	<u>30</u>	<u>-</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

13. INVESTMENTS	Note	Consolidated	
		2013 (\$'000)	2012 (\$'000)
Non-Current			
Investments in controlled entities		-	-
Investment in unlisted company		3	23
Investments in unlisted unit trusts		-	186
		<hr/>	<hr/>
		3	209

(i) Investments in controlled entities

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

Name	Country of Regist.	Equity Interest	
		2013 %	2012 %
Blue Tower Trust	Australia	100	99.99
Australian Property Growth Limited	Australia	100 *	100 *
and its controlled entities:			
APGL (Palm Beach) Pty Ltd	Australia	100 *	100 *
APGF (Victoria) Pty Ltd	Australia	99 *	99 *
APGF Administration Pty Ltd	Australia	100 *	100 *
APGF Management Limited	Australia	100 *	100 *
APGF Property Limited	Australia	100 *	100 *
Austgrowth Property Syndicates Limited	Australia	100 *	100 *
Austgrowth Investment Management Pty Ltd	Australia	100 *	100 *
Domaine Property Funds Limited	Australia	100 *	100 *
Adviseq Pty Ltd	Australia	100 *	100 *
Adviseq Unit Trust	Australia	100 *	100 *
Property Funds Australia Limited	Australia	100 *	100 *

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

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

(ii) Fair value of investments in unlisted unit trusts

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

14. PROPERTY FUNDS MANAGEMENT INTANGIBLE ASSETS	Note	Consolidated	
		2013 (\$'000)	2012 (\$'000)
Current		-	-
Non-Current	(i)	2,256	12,806
		<u>2,256</u>	<u>12,806</u>
Opening balance		12,806	16,488
Impairment loss recognised		(109)	(716)
Management rights derecognised		(1,637)	(2,966)
Disposal*		(8,804)	-
Amortisation for the year		-	-
		<u>2,256</u>	<u>12,806</u>
Closing balance		2,256	12,806
Cost (gross carrying amount)		4,331	14,772
Accumulated amortisation and impairment		<u>(2,075)</u>	<u>(1,966)</u>
Net carrying amount		<u>2,256</u>	<u>12,806</u>

(i) Property funds management intangible assets

Property funds management intangible assets represent management fee assets carried at cost less accumulated amortisation and accumulated impairment losses. An impairment loss of \$109,000 has been recognised in the profit or loss. The recoverable amount is based on the fair value of the properties under management.

- * Management of the PFA Diversified Trust (PFA) and APGF's units in PFA was sold to the Charter Hall Group for \$10 million in August 2012, comprising \$5.2 million paid at settlement and the remaining balance of \$4.8 million to be paid over six years. The gain on disposal of \$509,000 was recognised in the statement of comprehensive income. The remaining receivable at year end has been discounted by \$365,726 in accordance with the accounting standards and is disclosed as current (\$1,090,000) and non-current (\$2,904,274) based on estimated payment timing refer to note 9(iv).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

15. GOODWILL	Note	Consolidated	
		2013	2012
Non-Current		(\$000)	(\$000)
Goodwill			
Opening balance		-	13,163
Other additions/(decrease)*		-	192
Impairment		-	(13,355)
		<hr/>	<hr/>
Closing balance		-	-

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

(i) Description of Goodwill

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

(ii) Impairment testing

For the purposes of impairment testing, goodwill acquired through business combinations has been allocated to one individual cash generating unit, the Property Funds Management ('PFM') unit. PFM is a reportable segment (refer Note 3). The amount of goodwill after providing for impairment allocated to this unit is \$nil (2012: \$nil).

The goodwill was acquired in the following transactions:

- SPFM acquisition (APL, APS and AIM) which occurred on 22 June 2007 resulting in goodwill of \$15,553,000. At 30 June 2008 the Directors considered that this asset was impaired, and recognised an impairment loss of \$5,000,000 in the accounts in that period;
- DPF acquisition which occurred on 13 March 2009 resulting in goodwill of \$2,500,000. This amount has increased by \$nil in the year ended 30 June 2013 (2012: increase \$192,000) as a result of changes to the fair value of contingent consideration relating to the acquisition of DPF.

At 31 December 2011, the directors assessed the recoverability of goodwill and determined recognition of an impairment loss is warranted given current market conditions and a reassessment of the property funds management business. Accordingly, goodwill has been fully impaired. An impairment loss of \$13,355,000 has been recognised in 2011/12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
		(\$000)	(\$000)
16. INVESTMENT PROPERTIES HELD DIRECTLY	Note		
Current		-	272,100
Non-current		30,900	-
Total		30,900	272,100

Included in the carrying amount of investment properties are the following components:

Property asset	29,917	265,701
Lease fitout incentives (at written down value)	-	594
Straight line rent receivable *	881	4,331
Rental incentives (at written down value)	-	384
Leasing fees (at written down value)	102	1,090
Investment property (at valuation)	30,900	272,100

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

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

		Consolidated	
		2013	2012
		(\$000)	(\$000)
(a) Reconciliation of Carrying Amounts	Note		
<i>Reconciliation of carrying amounts of property investments</i>			
Opening balance at start of year		272,100	330,275
Additions		1,305	2,017
Disposals		(241,880)	(51,953)
Amortisation		(56)	(176)
Leasing fees expensed		(123)	(503)
Net (loss) from fair value adjustments		(446)	(7,560)
Closing balance at end of year		30,900	272,100

- (b)** The assets of APGT are pledged as security to St George Bank under registered mortgage debentures granted by APGFM as Custodian for APGT.

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

The carrying value of the assets pledged as securities are:

	Consolidated	
	2013	2012
	\$000	\$000
Property investments held directly	30,900	272,100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

16. INVESTMENT PROPERTIES HELD DIRECTLY (continued)

(c) Details of Property Valuations

Property Description	Date Acquired	Cost and additions to 30 June 2013 (\$000)	Book value at 30 June 2013 (\$000)	Book value at 30 June 2012 (\$000)	Latest Independent Valuation (\$000)
287-301 Collins Street, Melbourne	04/10/2007	38,079	30,900	30,500	30,900
Total		38,079	30,900	30,500	30,900

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

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

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

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

- 287-301 Collins Street - Charter Keck Cramer dated 28 February 2013.

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

One of the primary tenants of 287-301 Collins Street, Melbourne is ANZ Banking Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

17. TRADE AND OTHER PAYABLES	Note	Consolidated	
		2013 (\$000)	2012 (\$000)
Current			
Trade creditors (i)		69	202
Prepaid income (ii)		74	1,362
Other creditors and accruals (iii)		2,191	4,638
Accrued distribution (iv)		-	1,980
		<hr/>	<hr/>
		2,334	8,182
		<hr/>	<hr/>
Non – Current			
Other creditors and accruals		-	-
Accrual for deferred consideration		-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Prepaid income is non-interest bearing and recognised as income over the period to which the prepayment relates.
- (iii) Other creditors and accruals are non-interest bearing and are generally settled between 30 and 60 days of amounts becoming due and payable.
- (iv) Accrued distribution represents a distribution for the June 2012 quarter (Note 7).

Fair value and risk exposure

The carrying value of the trade and other payables approximate their fair value.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
		(\$'000)	(\$'000)
18.	BORROWINGS AND INTEREST BEARING LOANS	Note	
Current			
Secured bank loans – St George Bank Limited (i)		-	13,927
Secured bank Loans - ANZ Banking Group Ltd (ii)		-	150,000
Secured bank loans – Suncorp-Metway Limited(iii)		-	34,500
Less: Net borrowing costs		-	(288)
Unsecured loans from related entities (refer Note 27 (d))		10,285	13,000
		<hr/>	<hr/>
		10,285	211,139
Non Current			
Secured bank loans – St George Bank Limited (i)		14,828	-
Less: Net borrowing costs		(33)	-
Unsecured loans from related entities (refer Note 27 (d))		-	-
		<hr/>	<hr/>
		14,795	-

- (i) These loan facilities are provided by St George Bank Limited. Details of the loans and security provided to the lender are:
- A fully drawn facility, expiring on 31 December 2015, with an outstanding balance at 30 June 2013 of \$3,498,000 (2012: \$7,448,000).
 - The facility provided by St George Bank Limited in respect of the Springfield project was fully repaid and has a \$Nil balance at 30 June 2013 (30 June 2012: \$6,479,000).
 - A fully drawn facility, first drawn in December 2012 with St George Bank Limited for \$11,330,000 with an expiry date of 31 December 2015. An initial drawdown of \$10,700,000 was made in December 2012 with a further \$630,000 drawdown as refurbishment works were completed in 2013.
 - Security provided to St George Bank Limited is as follows:
 - (a) First registered real property mortgage by APGL (Palm Beach) Pty Ltd over vacant commercial land and residential property located as 1102-1112 Gold Coast Highway, "Balance Land", Palm Beach QLD 4221. Refer to note 10.
 - (b) First registered fixed and floating charge over assets and undertaking of APGL (Palm Beach) Pty Ltd.
 - (c) Unlimited guarantee and indemnity given by Australian Property Growth Limited.
 - (d) Deed of Priority – Palm Beach Developments Pty Ltd given by APGL (Palm Beach) Pty Ltd.
 - (e) Unlimited cross guarantee and indemnity given by APGF Management Limited as Custodian for Australian Property Growth Trust.
 - (f) First registered real property mortgage by APGF Management Limited as Custodian for Australian Property Growth Trust over the commercial property located at 287-301 Collins Street, Melbourne VIC 3000. Refer to note 16.
 - (g) First registered general security over assets and undertakings of APGF Management Limited.
 - (h) Unlimited cross guarantee and indemnity given by APGL (Palm Beach) Pty Ltd.
- (ii) These loan facilities were provided by ANZ Banking Group Ltd ('ANZ'). Details of the loans and security provided to the lender were:
- The facility provided by ANZ Banking group was fully repaid and has a \$Nil balance at 30 June 2013 (30 June 2012: \$150,000,000).
- (iii) These loan facilities were provided by Suncorp-Metway Limited. Details of the loans and security provided to the lender were:
- Repayments of \$16,200,000 were made during the period on a facility provided by Suncorp Metway Limited reducing the facility's outstanding balance from \$16,200,000 at 30 June 2012 to \$Nil at 30 June 2013.
 - The Collins Street facility with Suncorp Metway Limited was \$18,300,000 at 30 June 2012. This loan was fully repaid in December 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

18. BORROWINGS AND INTEREST BEARING LOANS (Continued)

Fair value and risk exposure

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

Average interest rates on borrowings as at 30 June 2013: 6.37% (2012: 8.66%).

Financing facilities available

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

	Consolidated	
	2013	2012
	\$000	\$000
Facilities unused	-	-
Facilities used (borrowing costs excluded)	14,828	211,427
Total facilities	14,828	211,427

Assets pledged as security

Details of assets pledged as security are disclosed above and in Note 16(b) and 18(i).

Defaults and breaches

Under the facility agreements covenants do not apply for financial year 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013 (\$'000)	2012 (\$'000)
19. PROVISIONS		
Current		
Annual leave	167	368
Long service leave	86	331
	<hr/>	<hr/>
	253	699
	<hr/>	<hr/>
Non-Current		
Long service leave	95	53
	<hr/>	<hr/>

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

	Consolidated	
	2013 (\$'000)	2012 (\$'000)
20. OTHER LIABILITIES		
Non - Current		
Loan - Palm Beach Developments Pty Ltd (i)	3,000	3,000
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

21. MEMBERS' INTEREST	2013 Number	2013 (\$000)	2012 Number	2012 (\$000)
Refer to note 28 for further details on the Preference share issue and partial off-market buyback of stapled securities.				
CONSOLIDATED				
Preference shares issued in APGL (i)	227,580,022	40,964	-	-
Units issued in APGT (ii)	136,548,015	79,430	227,580,022	171,016
Shares issued in APGL (iii)	136,548,015	23,473	227,580,022	23,473
		<u>143,867</u>		<u>194,489</u>

- (i) Preference shares carry one vote per share and the right to receive dividends and returns of capital rank ahead of the ordinary shares.
(ii) Units carry one vote per unit and carry the right to receive distributions.
(iii) Fully paid ordinary shares carry one vote per share and the right to receive dividends ranks behind the preference shares.

Movements in securities on issue

	Units in APGT		Ordinary Shares in APGL		Preference Shares in APGL	
	Number	(\$000)	Number	(\$000)	Number	(\$000)
At 1 July 2011	227,580,022	178,992	227,580,022	23,473	-	-
Distributions during the year	-	(7,976)	-	-	-	-
At 30 June 2012	227,580,022	171,016	227,580,022	23,473	-	-
Capital Distributions during the year	-	(42,102)	-	-	-	-
Preference Share issue	-	(40,964)	-	-	227,580,022	40,964
Partial off-market buyback of stapled securities	(91,032,007)	(8,520)	(91,032,007)	-	-	-
At 30 June 2013	<u>136,548,015</u>	<u>79,430</u>	<u>136,548,015</u>	<u>23,473</u>	<u>227,580,022</u>	<u>40,964</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

21. MEMBERS' INTERESTS (Continued)

The following distributions were paid/payable during the year ended 30 June 2013:	(\$000)
Distribution paid on 2 November 2012	42,102
Preference Share issue on 3 June 2013	<u>40,964</u>
	<u>83,066</u>
The following capital distributions were paid/payable during the year ended 30 June 2012:	
Distribution for the quarter ended 30 September 2011 paid on 31 October 2011	2,008
Distribution for the quarter ended 31 December 2011 paid on 31 January 2012	2,008
Distribution for the quarter ended 31 March 2012 paid on 30 April 2012	1,980
Distribution for the quarter ended 30 June 2012 paid on 30 July 2012	<u>1,980</u>
	<u>7,976</u>

Capital Management

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

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

On 2 November 2012, the Fund paid capital distributions of \$42,102,304 (2012: \$7,976,000) at the rate of 18.50 cents (2012: 3.50 cents) per stapled security.

A non-cash distribution of 18 cents per stapled security was paid to investors on 3 June 2013 in the form of one Preference Share for every unit held in APGT. For further details on this non-cash distribution and the Partial Off-market Buyback of Stapled Securities, refer to the Preference Share Issue and Partial Off-market Buyback of Stapled Securities Section in Note 28.

Management monitors capital through the gearing ratio (total interest bearing liabilities divided by total capital, which is represented by the sum total of total interest bearing liabilities and total equity). The target for the Fund's gearing ratio is between 30% and 65% for investment properties and up to 80% (depending on level of pre-sales) for development projects. In the current wind-down phase management is also monitoring recurring cash flows to ensure sufficient cash is available to service the bank loans. The gearing ratios at 30 June 2013 and 2012 were as follows:

Capital Management	Note	Consolidated	
		2013 (\$000)	2012 (\$000)
Total interest bearing liabilities		25,080	211,427
Total equity		<u>54,726</u>	<u>114,209</u>
Total capital		<u>79,806</u>	<u>325,636</u>
Gearing ratio		<u>31.43%</u>	<u>64.93%</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

Risk Exposure and Responses

Interest rate risk

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

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

	Note	Consolidated 2013 (\$'000)	2012 (\$'000)
Financial assets			
Cash and cash equivalents		3,413	6,911
Receivables		12,849	7,328
		<hr/> 16,262	<hr/> 14,239
Financial liabilities			
Secured bank loans		14,828	198,427
Unsecured loans from related party		-	13,000
		<hr/> 14,828	<hr/> 211,427
Net exposure		<hr/> 1,434	<hr/> (197,188)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Interest rate risk (continued)

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

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. Based on average values of financial assets and financial liabilities for the year ended 30 June 2013, if interest rates had moved with all other variables held constant, post tax profit and member's interest would have been affected as follows:

	Judgements of reasonably possible movements in interest rates:		Post Tax Profit/(Loss) Higher/ (Lower)		Other Comprehensive Income Higher/ (Lower)	
	2013 Basis Points	2012 Basis Points	2013	2012	2013	2012
			\$000	\$000	\$000	\$000
Consolidated						
Increase	50	50	(192)	(1,051)	-	-
Decrease	25	25	96	526	-	-

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

The movements in profit are due to higher interest rates on variable rate debt and cash balances. The sensitivity in profit/(loss) is lower in 2013 than in 2012 because of repayments within the financial year on borrowings and reduction in cash balances during the period. The movement in equity excludes the post tax profit impact above.

Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk

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

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

Financial liabilities

	≤6 Months (\$000)	6-12 Months (\$000)	1-5 Years (\$000)	> 5 Years (\$000)	Total (\$000)
Year ended 30 June 2013					
Consolidated					
Trade and other payables	2,334	-	-	-	2,334
Interest bearing loans & borrowings	-	11,314	16,770	-	28,084
Other liabilities	-	-	3,000	-	3,000
	<u>2,334</u>	<u>11,314</u>	<u>19,770</u>	<u>-</u>	<u>33,418</u>
Year ended 30 June 2012					
Consolidated	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Trade and other payables	8,182	-	-	-	8,182
Interest bearing loans & borrowings	69,212	5,478	224,741	-	299,431
Other liabilities	-	-	3,000	-	3,000
	<u>77,394</u>	<u>5,478</u>	<u>227,741</u>	<u>-</u>	<u>310,613</u>

Fair value

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

23. COMMITMENTS AND CONTINGENCIES

Capital Commitments

At 30 June 2013 outstanding contracted capital commitments for expenditure were \$Nil (2012: \$nil). These capital commitments are all due for settlement within 12 months of the reporting date.

Bank Guarantees

At 30 June 2013 bank guarantees provided by the Fund total \$117,000 (2012: \$37,500). These guarantees are secured by cash accounts held with the bank.

Contingencies

As part of the sale of 12 Creek Street Brisbane ("Blue Tower"), APGF provided a rent guarantee to the purchaser of the property for levels 18 and 19 until 31 October 2013. This guarantee has been fully provided for in the accounts for the year ended 30 June 2013 based on the current tenancy/vacancies of level 18 and 19. No further adjustment is expected to be required to be made.

APGF also provided a warranty to the purchaser of Blue Tower that its representations in relation to the sale of the property were correct and complete. An amount of \$5 million was withheld at settlement to support this warranty. At 31 October 2013 \$4.82 million is due to be released to APGT from the escrow funds with the remaining \$180,000 to be released in subsequent periods. As at the date of this report there are no known claims under the warranty provided in the Blue Tower sale contract.

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

Operating lease commitments – Fund as lessor

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

	Consolidated	
	2013	2012
FUTURE MINIMUM RENTAL REVENUES UNDER NON-CANCELLABLE OPERATING LEASES ARE AS FOLLOWS:	(\$'000)	(\$'000)
- NOT LATER THAN ONE YEAR	2,259	19,414
- LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	6,610	44,978
- LATER THAN FIVE YEARS	2,336	5,596
TOTAL	11,205	69,988

Operating lease commitments – Fund as lessee

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

	Consolidated	
	2013	2012
FUTURE MINIMUM RENTALS PAYABLE UNDER NON-CANCELLABLE OPERATING LEASES ARE AS FOLLOWS:	(\$'000)	(\$'000)
- NOT LATER THAN ONE YEAR	817	172
- LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	2,576	92
- LATER THAN FIVE YEARS	-	-
TOTAL	3,393	264

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

24. RELATED PARTY DISCLOSURES

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

Key Management Personnel

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

Scheme Management and Transaction Fees

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

APGT (i)	PFA Diversified Property Trust (v)
BTT (i)	Belmont Trust (ii)
APGF Diversified Property Fund (vi)	Austgrowth Property Syndicate 21 (iii)
APGF Property Syndicate 4 (ii)	Austgrowth Property Syndicate 22
APGF Property Syndicate 5 (vi)	Austgrowth Property Syndicate 23 (iv)
APGF Property Syndicate 7 (vi)	Austgrowth Property Syndicate 24 (iii)
APGF Property Syndicate 2000 (vi)	Mernda Land Trust
Domaine SEQ Growth Fund (ii)	Domaine Diversified Property Fund
Domaine SEQ Growth Trust	Domaine Land Fund
Domaine Hunter Fund (ii)	

- (i) These fees have been eliminated on consolidation.
- (ii) These Funds' properties were sold during the year.
- (iii) Resigned as responsible entity effective 13 August 2012.
- (iv) Resigned as responsible entity effective 16 August 2012.
- (v) Resigned as responsible entity effective 15 August 2012.
- (vi) Centuria Investment Management Agreement effective 1 November 2012.

	Consolidated	
	2013	2012
	(\$000)	(\$000)
Property funds management fees paid/payable by these entities to the Fund	4,449	11,843

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

Other transactions

Debt Forgiveness

As part of the Preference Share issue, APTG forgave approximately \$47 million of an inter-fund loan owing to it by APGL in June 2013. When APGF was established, the majority of capital raised was represented by the issue of units in APTG. Over time, APTG advanced money to APGL so it could acquire and develop its property assets. As a result of this structure, investors indirectly held (via APTG) an interest in APTG's loan to APGL. With the orderly realization of the assets of the Fund underway, it is an appropriate time to unwind this loan arrangement. As APGL was not in the position to repay the loan to APTG, the most efficient mechanism for unwinding these loan arrangements was to forgive some of the loan with the balance effectively converted to Preference Shares which were issued directly to investors of APTG. Refer to note 28 for further information on the debt forgiveness and Preference Share issue.

Investment in PFA Diversified Unit Trust

APGF holds nil units (2012: 224,244) in the PFA Diversified Property Trust, an entity for which PFA acts as responsible entity and trustee. During the year ended 30 June 2013 APGF received distributions in respect of this investment totalling \$nil (2012: \$16,259). PFA Diversified Trust and APGF's units in PFA were sold to the Charter Hall Group for \$10 million in August 2012, comprising \$5.2 million paid at settlement and the remaining balance of \$4.8 million to be paid over six years. As at 30 June 2013 \$440,000 of the deferred consideration was received from the Charter Hall Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

25. AUDITOR'S REMUNERATION

	Consolidated	
	2013	2012
	\$	\$
The auditor of APGF is Ernst & Young. Amounts received or due and receivable by Ernst & Young for:		
• an audit or review of the financial report of the Fund and any other entity in the Fund	146,000	271,000
• other services in relation to the Fund and any other entity in the Fund		
- other audit services –AFSL audits	20,000	25,000
- taxation and advisory services	198,355	38,850
	<u>364,355</u>	<u>334,850</u>
Amounts received or due and receivable by other auditors for other services in relation to the Fund and any other entity in the Fund		
- other audit services – compliance plan audit	2,500	4,600
- other audit services – audit of outgoings	-	12,938
- other audit services – audit trust account	3,917	2,250
	<u>6,417</u>	<u>19,788</u>

26. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 17 September 2013 a conditional offer of purchase was accepted on the investment property at 287-301 Collins Street, Melbourne. It is anticipated that should the transaction proceed to settlement there will be no material change to the Fund's net asset position.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key Management Personnel ("KMP")

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

Directors

N. E. Summerson	Chairman (non-executive)
G. M. McMahon	Managing Director/Company Secretary
K. R. Pickard	Director (non-executive – appointed 28 September 2012)
A. J. Cragnolini	Director (executive – resigned 28 September 2012)

Senior Executives

L. Garcia	Senior Funds Manager/Company Secretary
M. S. Rundle	General Manager – Property Development (resigned 21 December 2012)

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

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

Directors

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

Senior Executives

A. J. Cragnolini	Chief Financial Officer/Company Secretary (resigned 28 September 2012)
L. Garcia	Senior Funds Manager
M. S. Rundle	General Manager - Property Development (resigned 21 December 2012)

(b) Compensation for KMP

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Compensation for KMP (Continued)

Non-executive Director Remuneration

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

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

The remuneration of non-executive Directors for the years ended 30 June 2013 and 30 June 2012 is detailed in Tables 1 and 2 below. The remuneration paid to Non-executive Directors includes their involvement in committees of the Fund.

Senior Executive Remuneration

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

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

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

Remuneration consists of the following key elements:

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

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

Fixed Remuneration

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

Variable Remuneration – Short Term Incentive ('STI')

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

The Remuneration Committee has determined that due to the difficult financial conditions there will be no STI amounts payable to KMP for the years ended 30 June 2013 and 30 June 2012.

Variable Remuneration – Long Term Incentive ('LTI')

There is currently no LTI plan established.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Compensation for KMP (Continued)

Table 1: Remuneration of Key Management Personnel for the year ended 30 June 2013

	Short-term				Post-employment		Long-term		Termination Benefits	Share-based Payments	Total	Performance Related
	Salary & Fees	Cash Incentive	Short Term Non - monetary Benefits	Other	Super	Other	Incentive Plans	Long Service		Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors												
N. Summerson (Chairman)	67,278	-	-	-	6,055	-	-	-	-	-	73,333	
R. Bryan	36,666	-	-	-	-	-	-	-	-	-	36,666	
S. Bryan	33,180	-	-	-	3,486	-	-	-	-	-	36,666	
K. Pickard	36,666	-	-	-	-	-	-	-	-	-	36,666	
Subtotal – non-executive Directors	173,790	-	-	-	9,541	-	-	-	-	-	183,331	
Executive Directors												
G. McMahon (Managing Director)	439,282	-	3,265	-	16,470	-	-	87,432	-	-	546,449	0.00%
A. Cragnolini (Chief Financial Officer) *	63,073	-	1,204	-	5,677	-	-	-	85,690	-	155,644	0.00%
Other KMP												
L. Garcia (Senior Funds Manager)	252,294	-	-	-	22,706	-	-	82,379	-	-	357,379	0.00%
M. Rundle (General Manager – Property Development) **	119,441	-	14,855	-	25,750	-	-	-	235,646	-	395,692	0.00%
Subtotal - executive KMP	874,090	-	19,324	-	70,603	-	-	169,811	321,336	-	1,455,164	
Total	1,047,880	-	19,324	-	80,144	-	-	169,811	321,336	-	1,638,495	

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

* Resigned 28 September 2012

** Resigned 21 December 2012

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Compensation for KMP (Continued)

Table 2: Remuneration of Key Management Personnel for the year ended 30 June 2012

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

^ This is the movement in the KMP's long service leave entitlement during the year and these have not been paid at reporting date.
* Resigned February 2012

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Compensation for KMP (Continued)

Employment Contracts

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

	Position	Commencement Date	Fixed Remuneration (per annum)	Minimum Notice Required on Termination* to be given by:	
				Executive	Employer
G. McMahon	Managing Director	1 January 2008 **	\$350,000***	3 months	12 months
L. Garcia	Senior Funds Manager	21 June 2007	\$275,000	6 months	6 months

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

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

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

*** Any accrued entitlements as at 31 October 2012 (including annual leave, long service leave and redundancy entitlements) remain based on previous fixed remuneration of \$700,000 per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(c) Securityholdings of KMP

Stapled Securities held in the Fund* (number)

30 June 2013	Balance at 01-07-12	Granted as Remunerat -ion	Partial Buyback 26-06-13	Other Net Change	Balance at 30-06-2013
Directors					
N. E. Summerson ##	92,532,062	-	(856,543)	(90,421,693)	1,253,826
G. M. McMahon #	92,965,693	-	(37,732,336)	-	55,233,357
R. Bryan #	90,421,693	-	(36,699,793)	-	53,721,900
S. E. Bryan	77,666	-	(31,523)	-	46,143
K. R. Pickard	3,017,300	-	(1,224,643)	-	1,792,657
A. J. Cragolini ###	9,434	-	-	(9,434)	-
Senior Executives					
L. Garcia	-	-	-	-	-
M. S. Rundle ###	11,000	-	-	(11,000)	-
Total #	98,191,462	-	(39,845,045)	(20,434)	58,325,983

Preference Shares held in APGL* (number)

30 June 2013	Balance at 01-07-2012	Granted as Remunerat -ion	Preference Share Issue 3-06-2013	Other Net Change	Balance at 30-06-2013
Directors					
N. E. Summerson ##	-	-	2,110,369	-	2,110,369
G. M. McMahon #	-	-	92,965,693	-	92,965,693
R. Bryan #	-	-	90,421,693	-	90,421,693
S. E. Bryan	-	-	77,666	-	77,666
K. R. Pickard	-	-	3,017,300	-	3,017,300
Senior Executives					
L. Garcia	-	-	-	-	-
Total #	-	-	98,661,333	-	98,661,333

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(c) Securityholdings of KMP (continued)

Stapled Securities held in the Fund* (number)

30 June 2012	Balance at 01-07-2011	Granted as Remuneration	On Exercise of Options	Other Net Change	Balance at 30-06-2012
Directors					
N. E. Summerson #	92,532,062	-	-	-	92,532,062
G. M. McMahon #	92,963,693	-	-	2,000	92,965,693
R. Bryan #	90,421,693	-	-	-	90,421,693
S. E. Bryan	77,666	-	-	-	77,666
K. R. Pickard	3,017,300	-	-	-	3,017,300
A. J. Cragnolini	9,434	-	-	-	9,434
Senior Executives					
M. O'Reilly ###	490,305	-	-	(490,305)	-
L. Garcia	-	-	-	-	-
M. S. Rundle	11,000	-	-	-	11,000
Total #	98,679,767	-	-	(488,305)	98,191,462

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

The holdings of G. M. McMahon and R. Bryan each include the same securities held by the Leyshon Group of Companies. At 30 June 2013 this holding is the same 53,721,900 stapled securities and 90,421,693 preference shares (2012: 90,421,693 stapled securities). To avoid duplication, these have only been included once in the total number of securities held by KMP.

Change resulted from NE Summerson's resignation as a Director and cessation as a shareholder of the Leyshon Group.

Change resulted from resignation.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

27. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

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

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

- On 9 April 2010 the Fund borrowed \$10,000,000 from Bryan Family Foundation Limited atf The Bryan Foundation, an entity for which R. Bryan acts as Director. This loan was repaid in full on 31 October 2012. Interest is payable at the rate of 12% pa.
- On 30 June 2010 the Fund borrowed \$3,000,000 from Glendower Investments Pty Ltd atf Glendower Investments Superannuation Fund, an entity for which N.E. Summerson is a Director and beneficiary. This loan was repaid in full on 31 October 2012. Interest is payable at the rate of 12% pa.
- On 17 October 2012 the Fund borrowed \$850,000 from Leyshon Pty Ltd, an entity for which R. Bryan acts as Director. This loan has an expiry date of 30 June 2014. Interest is payable at the rate of 10% pa.
- On 3 December 2012 and 25 February 2013 the Fund borrowed \$500,000 and \$500,000 respectively from G & M Rees Investments Pty Ltd atf G & M Rees Investment Trust, an entity for which GM McMahon acts as Director and is a beneficiary. Interest is payable at the rate of 10% pa. This loan has an expiry date of 30 June 2014.
- On 13 May 2013 the Fund borrowed \$1,000,000 from Glendower Investments Pty Ltd atf Glendower Investments Superannuation Fund, an entity for which N.E. Summerson is a Director and beneficiary. This loan has an expiry date of 30 June 2014. Interest is payable at the rate of 10% pa.
- On 14 May 2013 the Fund borrowed \$4,000,000 from R Bryan. This loan has an expiry date of 30 June 2014. Interest is payable at the rate of 10% pa.
- On 26 June 2013 the Fund borrowed \$1,909,519 from Leyshon Investments (Australia) Pty Ltd atf Leyshon Operations Unit Trust, an entity for which R. Bryan and GM McMahon act as Directors. This loan has an expiry date of 30 June 2014. Interest is payable at the rate of 10% pa.
- On 26 June 2013 the Fund borrowed \$773,588 from Leyshon Pty Ltd, an entity for which R. Bryan and GM McMahon act as Directors. This loan has an expiry date of 30 June 2014. Interest is payable at the rate of 10% pa.
- On 26 June 2013 the Fund borrowed \$751,993 from Leyshon Operations Pty Ltd, an entity for which R. Bryan and GM McMahon act as Directors. This loan has an expiry date of 30 June 2014. Interest is payable at the rate of 10% pa.

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

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

- (i) APGFM, as the Responsible Entity of APGT, is considered to be included in the KMP of APGT. Compensation is paid to APGFM in the form of fees which are disclosed in Note 24.
- (ii) The Fund entered into the following transactions with Leyshon Pty Ltd ('Leyshon') during the period:
 - a. Provision of accounting and support services and office accommodation by APGFA to Leyshon of \$239,000 (2012: \$272,000).

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

- (iii) The Fund also entered into the following transactions with Michael O'Reilly (Aus) Pty Ltd (formerly Collins O'Reilly) ('MOR') during the period:
 - a. Provision of executive assistant services by MOR to APGFA for the year ended 30 June 2013 of \$Nil (2012: \$53,200).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

28. PARENT ENTITY INFORMATION

	Consolidated	
	2013	2012
	(\$000)	(\$000)
The following information relates to APGT as an individual entity		
Current assets	374	36,245
Total assets	190,642	196,302
Current liabilities	5,273	70,388
Total liabilities	41,433	70,388
Issued capital	79,430	171,016
Undistributed earnings	69,779	(45,102)
Total members' interests	149,209	125,914
Net loss from operating activities after income tax	(4,700)	(32,118)
Total comprehensive income for the period	(4,700)	(32,118)

Provision of Ongoing Financial Support to APGL

At 30 June 2013 APGT has not provided any ongoing financial support to APGL apart from the St George Bank guarantee and indemnity as detailed below.

At 30 June 2013 APGT and APGL have provided cross guarantees and indemnities to St George Bank Limited on the 287-301 Collins St Melbourne and the Palm Beach Development APGF bank loans. (2012: Nil).

Contingent Liabilities of APGT

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

Capital Commitments of APGT

At 30 June 2013 outstanding contracted capital commitments for expenditure were \$Nil (2012: \$nil). These capital commitments are all due for settlement within 12 months of the reporting date.

Debt Forgiveness

As part of the Preference Share issue, APGT forgave approximately \$47 million of an inter-fund loan owing to it by APGL in June 2013. When APGF was established, the majority of capital raised was represented by the issue of units in APGT. Over time, APGT advanced money to APGL so it could acquire and develop its property assets. As a result of this structure, investors indirectly held (via APGT) an interest in APGT's loan to APGL. With the orderly realization of the assets of the Fund underway, it is an appropriate time to unwind this loan arrangement. As APGL was not in the position to repay the loan to APGT, the most efficient mechanism for unwinding these loan arrangements was to forgive some of the loan with the balance effectively converted to Preference Shares which were issued directly to investors of APGT.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

28. PARENT ENTITY INFORMATION (continued)

Preference share issue and partial off-market buyback of stapled securities

The Directors of APGF 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 investors. 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 investors on 2 November 2012.

The Directors are aware the majority of investors wish to liquidate their investment as soon as possible. With this in mind, the Directors proposed a Partial Off-market Buyback of Stapled Securities as an opportunity to accelerate the return of some further funds to investors. The Directors also proposed a Preference Share issue which occurred prior to the Partial Off-market Buyback. Both of these proposals were unanimously approved by investors at general meetings held on 21 May 2013.

Both transactions were directed at delivering the highest after-tax return to investors as part of the gradual wind-down process. The Preference Share issue was a mechanism for closely aligning investors' interests in their Stapled Securities to the value of the underlying assets, as well as satisfying investors' distribution entitlements from the Blue Tower sale. The issue of the Preference Shares distributed some of the inter-fund loan from APGT to APGL to investors as equity in the Company allowing for a shorter wind down process of the Trust. The Partial Off-market Buyback gave investors 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.

The principal terms of the Preference Share issue which occurred on 3 June 2013 were:

- investors received a Preference Share for each Unit they held in the Trust;
- the issue price of each Preference Share was 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 Investors);
- 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.

The principal terms of the Partial Off-market Buyback were:

- the Partial Off-Market Buyback was implemented following the issue of Preference Shares (detailed above).
- 40% of issued Stapled Securities were bought back;
- the Buyback Price was 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. The Independent Expert estimates the non-controlling value of a Stapled Security is in the range from 7.79 cents to 8.31 cents;
- The amount of the buyback was \$8,520,596; and
- the Partial Off-market Buyback was funded by unsecured loans from the Directors and Leyshon Pty Ltd at an interest rate of 10% per annum (refer note 27(d)).

DIRECTORS' DECLARATION

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

(1) In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

(c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2013.

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



G. McMahon
Managing Director
Brisbane, 18 September 2013

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



N. Summerson
Chairman
Brisbane, 18 September 2013



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

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

We have audited the accompanying financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund"), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in security holders' interests and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The Fund, as the consolidated entity, comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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



Independence

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

Opinion

In our opinion:

- a. the financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust and its controlled entities) is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Ernst & Young

Mark Hayward
Partner
Brisbane
18 September 2013

SECURITY HOLDER INFORMATION

Additional Security holder information not shown elsewhere in this report is as follows, and is current as at 13 September 2013. This information only relates to the 136,548,015 stapled securities that are quoted on the NSX (not the 227,580,022 Preference Shares that are not quoted on the NSX).

A. DISTRIBUTION OF SECURITY HOLDERS

Analysis of numbers of security holders by size of holding:

Holdings Range	Number of Holders	Stapled Securities	% of Issued Capital
1 – 1,000	1	594	0.00
1,001 – 5,000	49	122,861	0.09
5,001 – 10,000	8	57,026	0.04
10,001 – 100,000	28	1,313,752	0.96
100,001 and over	108	135,053,782	98.91
TOTAL	194	136,548,015	100.00

B. LARGEST TEN SECURITY HOLDERS OF FULLY PAID STAPLED SECURITIES

Name of Security Holder	Number of Stapled Securities Held	Percentage of Issued Fully Paid Stapled Securities
1 Leyshon Investments (Australia) Pty Ltd ATF Leyshon Operations Unit Trust	29,863,168	21.87
2 Stirling Investments Pty Ltd ATF The Stirling Investments Trust	25,084,187	18.37
3 Leyshon Pty Ltd	12,098,227	8.86
4 Leyshon Operations Pty Ltd	11,760,505	8.61
5 Dr Steve Mokrzeki	3,564,757	2.61
6 Ashbar Constructions Pty Ltd	3,189,983	2.34
7 Troxfield Pty Ltd ATF Rosebery Super Fund	2,900,948	2.12
8 Trust Company Limited <ASIF A/C>	2,309,245	1.69
9 JP Morgan Nominees Australia Limited	1,715,119	1.26
10 G & M Rees Investments Pty Ltd ATF G & M Rees Investment Trust	1,511,457	1.11
Total stapled securities held by top 10 holders	93,997,596	68.84
Total stapled securities	136,548,015	

C. SUBSTANTIAL SECURITYHOLDERS

Name of Securityholder	Number of Stapled Securities Held	Percentage of Issued Fully Paid Stapled Securities
Leyshon Group	53,721,900	39.34%
Stirling Investments Pty Ltd ATF The Stirling Investment Trust	25,084,187	18.37%
	78,806,087	57.71%

D. VOTING RIGHTS

- (i) Units carry one vote per unit and carry the right to receive distributions.
- (ii) Fully paid ordinary shares carry one vote per share and the right to receive dividends and capital returns rank behind the preference shares.

E. UNQUOTED EQUITY SECURITIES AND RESTRICTED EQUITY SECURITIES

The Preference Shares are not quoted or tradeable on the NSX. Preference Shares carry one vote per share and the right to receive dividends and capital returns rank ahead of the ordinary shares.

F. APPENDIX 3

There are no material differences between the information in the Fund's Appendix 3 lodged on 13 September 2013 and the information in the financial documents in the Fund's Annual Report.