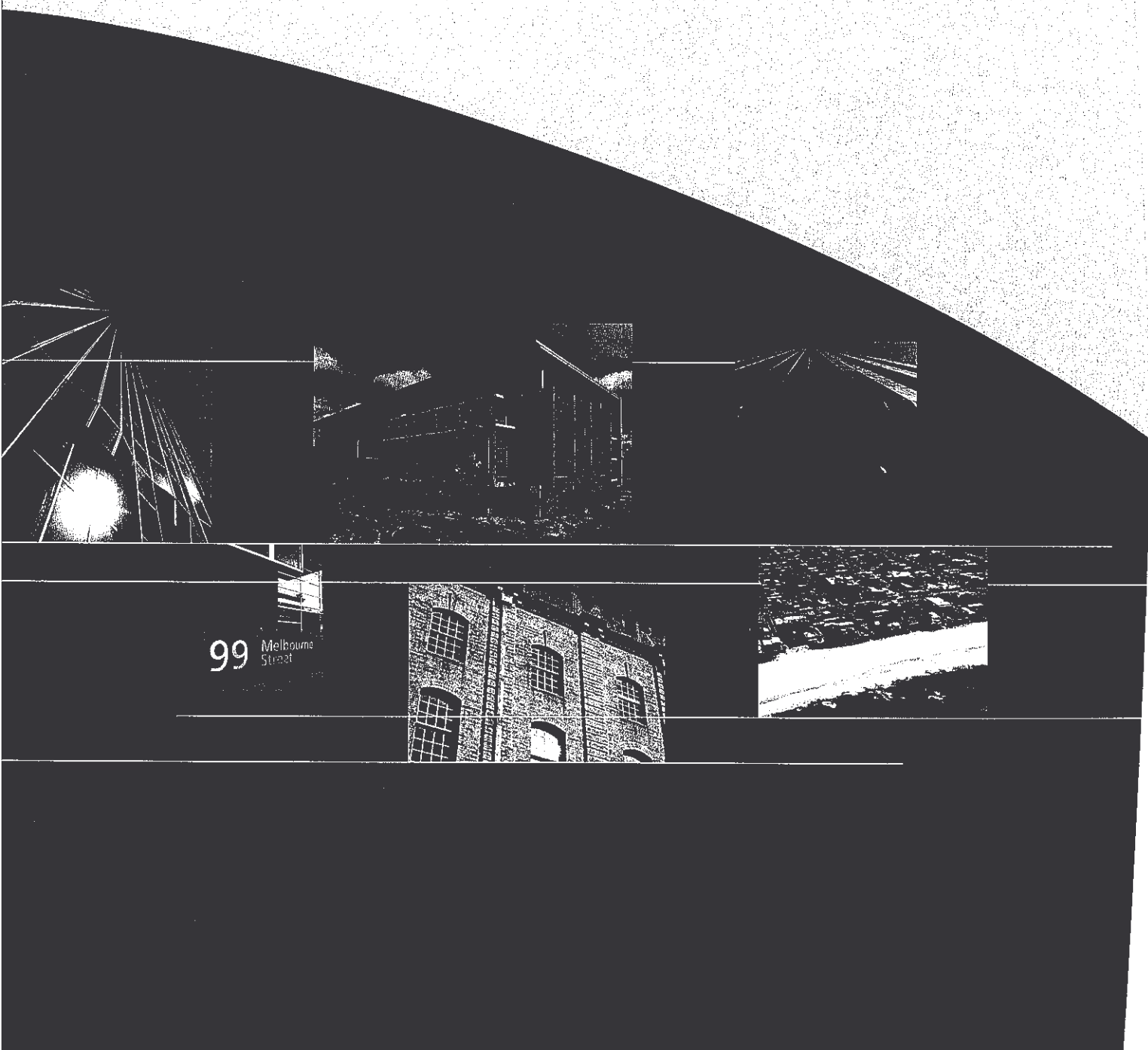


Australian Property Growth Fund



Investors' Report

Quarter ending 30 June 2006



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2. Income Statement for the year ended 30 June 2006

1. Overview



This is the Australian Property Growth Fund (formerly known as Leyshon Property Fund No. 3) ("APGF/Fund") Quarterly Investors' Report for the year ended 30 June 2006.

The Fund is a stapled security fund comprising a property trust (Australian Property Growth Trust – formerly known as Leyshon Property Trust No. 3) which invests in long term passive property investments and a property funds management and development company (Australian Property Growth Limited - formerly known as Leyshon Developments No. 3 Limited) which undertakes property funds management and property development projects. Units in the property trust are stapled to shares in the property funds management and development company.

During the June 2006 quarter focus has been on the Capital Raising and Takeover and managing the Fund's current projects being 99 Melbourne Street, London Woolstore and Palm Beach.

In addition to the above projects, the Directors of Leyshon Corporation Limited (the Fund's Asset Manager) are currently assessing a number of new property projects.

2. Capital Raising and Takeover

Extraordinary General Meeting

A Notice of Extraordinary General Meeting ('EGM') and Explanatory Memorandum was despatched to the security holders of the Fund. The EGM was held on 4 September 2006 and approved a number of resolutions relating to significant transactions and milestone events for the Fund including:

Capital Raising

The Fund issued a Prospectus and Product Disclosure Statement which seeks to raise capital up to a maximum of \$74.2 million centred on a non-renounceable two for one Entitlement Issue of 70 million Stapled Securities issued at \$1.06 per Stapled Security.

Full details of the Capital Raising are contained in the Prospectus and Product Disclosure Statement.

Blue Tower Trust Takeover

In addition to the \$74.2 million Capital Raising, the Fund announced a Takeover bid for all of the issued units in Blue Tower Trust.

The Fund offered 2.1846 Stapled Securities for every unit in Blue Tower Trust whereby the total value of the stapled securities issued for the Takeover of Blue Tower Trust was equal to the total value of the units in Blue Tower Trust.

Full details of the Takeover Bid are contained in the Bidder's Statement dated 19 July 2006.

On 18 September 2006, the Fund announced that the Takeover was unconditional.

Name Change

The Fund's name was changed from Leyshon Property Fund No. 3 to Australian Property Growth Fund with the new name being reflective of the vision in which the Fund's Asset Manager and Directors are seeking to position and grow the Fund.

3. Melbourne Street

Melbourne Street is a 6,145 square metre quality commercial office building located at 99 Melbourne Street, South Brisbane. The building was constructed in 2004. The Fund purchased the building on 21 December 2004 for \$24.5 million. The building was revalued from 30 June 2005's carrying cost of \$27 million to \$30 million in the accounts of the Fund at 30 June 2006 in accordance with the most recent independent valuation dated 1 June 2006. The revaluation increment of \$3 million is included as Other Income in the attached Income Statement (Appendix 2).

The building continued to operate efficiently during the June 2006 quarter.

The building remains fully leased.

4. London Woolstore

The London Woolstore project involves the conversion and refurbishment of an early 1900's former woolstore building into 89 residential apartments, carparking and nine ground level retail shops. In addition to the main woolstore building, the project also includes two smaller buildings that are leased to various tenants for professional offices.

Conversion of the main woolstore building commenced in late 2004. The conversion and refurbishment of the former woolstore building was completed prior to Christmas 2005.

As at 22 September 2006 sales contracts had settled on 59 of the 89 residential apartments and six of the nine ground level retail shops. In addition to these settlements unconditional sales contracts on four residential apartments and conditional contracts on nine residential apartments and the remaining three ground level retail shops had been executed.

A conditional sales contract had been executed on the two smaller commercial buildings. This contract is due to settle in October 2006.

5. Palm Beach

On 27 May 2005 the Fund acquired its second development project – a 9,800 square metre prominent development site on the Gold Coast Highway at Palm Beach on the Gold Coast.

This site is to be developed into a 5,000 square metre retail and commercial complex and approximately 190 residential apartments. The end value of the completed development will be approximately \$100 million.

The project is to be developed in two stages over 2006 – 2008. Council development approval (“DA”) was granted on 28 August 2006. The concept design and design development phases are now complete. With the aforementioned DA these can now progress into construction documentation for formal pricing by a builder. Should sufficient presales be achieved it is possible to commence construction in January 2007.

6. Financial Results

Attached at Appendices 1 and 2 are the Fund’s Balance Sheet as at 30 June 2006 and Income Statement for the year ended 30 June 2006. These financial statements have been audited.

The management accounts have been prepared under International Financial Reporting Standards (“IFRS”) that became effective for the Fund from 1 July 2005.

For the period up to 30 June 2005, issued units are classified as equity. From 1 July 2005, as required under IFRS, issued units, where there is an obligation under the Trust Deed to repay the unit capital at the end of the Trust’s life, are recognised as a liability.

The Fund’s profit after tax for the year ended 30 June 2006 is \$2,099,696 which includes property revaluation increments of \$2,970,480. The adoption of IFRS requires the Fund to expense all development marketing costs and all pre-development costs from 1 July 2005. Pre-development costs include all costs of the development incurred until such time as the Fund “commits” to a development project. “Commitment” on the Palm Beach project will occur when Board approval to commence construction is obtained. Development marketing costs expensed on the London Woolstore project and pre-development costs expensed on the Palm Beach project for the year ended 30 June 2006 total approximately \$4.5 million.

The Income Statement is presented in the format of actual current year figures compared to prior year figures which is standard practice for a listed property fund. The prior year figures have been restated in accordance with IFRS which replaced AGAAP from 1 July 2005.

The 8% per annum distributions for the June 2006 quarter were paid to Investors on 31 July 2006. For tax purposes these payments are non-taxable as they represent a repayment of equity invested.

7. Future Reports

As the Takeover of Blue Tower Trust is now unconditional, future Fund reports will incorporate Blue Tower Trust. In accordance with resolutions approved at the EGMs held on 4 September 2006, future investor reports will be provided half yearly with the first report due in March 2007 for the half year ended 31 December 2006.

The Fund's Annual Report for 2005/6 will be distributed to investors in October 2006.

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

N Summerson
Chairman
Leyshon Corporation Limited
atf Australian Property Growth Trust

22 September 2006

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

G McMahon
Managing Director
Australian Property Growth Limited

22 September 2006

Appendix 1

Balance Sheet as at 30 June 2006

Australian Property Growth Fund

(formerly Leyshon Property Fund No. 3)

Balance Sheet

As at 30 June 2006

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ASSETS

CURRENT ASSETS

CASH

Cash at Bank	738,703
Money held in Trust - Property Managers	32,222
Money held in Trust - Custodian	4,960,862
TOTAL CASH	5,731,787

RECEIVABLES

Trade Debtors	141
Income Receivable	757,725
TOTAL RECEIVABLES	757,866

INVENTORY

Inventory - Work in Progress (London Woolstore)	26,680,290
TOTAL INVENTORY	26,680,290

OTHER CURRENT ASSETS

Prepayments	582,261
Security Deposits	2,700
TOTAL OTHER CURRENT ASSETS	584,961

TOTAL CURRENT ASSETS

33,754,904

NON CURRENT ASSETS

PROPERTY PLANT AND EQUIPMENT

Property Investments held directly	27,637,878
Lease incentives - Fitout Contributions	2,334,508
Accumulated Amortisation - Fitout Contributions	(401,824)
TOTAL PROPERTY PLANT AND EQUIPMENT	29,570,562

INVENTORY

Inventory - Work in Progress	11,648,437
TOTAL INVENTORY	11,648,437

OTHER NON CURRENT ASSETS

Prepayments	26,183
Future Income Tax Benefit	9,002,974
Hedging (Swap) Loan Reserve	286,268
TOTAL OTHER NON CURRENT ASSETS	9,315,425

TOTAL NON CURRENT ASSETS

50,534,424

TOTAL ASSETS

84,289,328

Australian Property Growth Fund

(formerly Leyshon Property Fund No. 3)

Balance Sheet

As at 30 June 2006

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LIABILITIES (Excl net assets attributable to unitholders of APGT)

CURRENT LIABILITIES

ACCOUNTS PAYABLE

Trade Creditors	166,647
Accrued Expenses	2,590,045
Prepaid Income	173,918
TOTAL ACCOUNTS PAYABLE	2,930,610

LOANS

Other Loans	20,545,499
Less: Net Borrowings Costs	(29,520)
TOTAL LOANS	20,515,979

PROVISIONS

Provision for Doubtful Debts	34,732
TOTAL PROVISIONS	34,732

TOTAL CURRENT LIABILITIES

23,481,321

NON CURRENT LIABILITIES

PAYABLES

Accrued Expenses	1,015,828
	1,015,828

LOANS

Commercial Bill Facility	16,068,520
Less: Net Borrowings Costs	(86,809)
Other Loans	1,576,548
TOTAL LOANS	17,558,259

PROVISIONS

Provision for Deferred Income Tax	8,004,087
TOTAL PROVISIONS	8,004,087

TOTAL NON CURRENT LIABILITIES

26,578,174

TOTAL LIABILITIES (Excl APGT Unitholder interests)

50,059,495

NET ASSETS

34,229,833

SECURITYHOLDERS' FUNDS

Attributable to Members of APGL

Issued and Paid Up Capital	17,218,110
Retained Earnings/(Losses)	61,562
Profit Current Year	(2,099,757)
Total Attributable to Members of APGL	15,179,915

Attributable to Unitholders of APGT

Units Issued and Paid Up	13,207,909
Retained Earnings	1,642,556
Profit Current Year	4,199,453
Total Attributable to Unitholders of APGT	19,049,918

TOTAL SECURITYHOLDERS' FUNDS

34,229,833

Appendix 2

Income Statement for the year ended 30 June 2006

Australian Property Growth Fund (formerly Leyshon Property Fund No. 3)

Income Statement

For the year ended 30 June 2006

	<u>JUNE 2006</u>	<u>JUNE 2005*</u>	<u>Variance Notes</u>
OTHER INCOME			
INTEREST INCOME	512,162	303,111	
RENTAL INCOME	2,960,907	1,423,444	
OTHER INCOME	21,566,701	1,426,926	
TOTAL OTHER INCOME	<u>25,039,770</u>	<u>3,153,481</u>	
EXPENSES			
OPERATING EXPENSES	23,587,990	1,800,336	
TOTAL OPERATING EXPENSES	<u>23,587,990</u>	<u>1,800,336</u>	
PROFIT BEFORE TAX	<u>1,451,780</u>	<u>1,353,145</u>	
INCOME TAX EXPENSE	(647,916)	(350,973)	Tax effect of pre-development costs expensed.
PROFIT AFTER TAX	<u>2,099,696</u>	<u>1,704,118</u>	

* The 2005 comparative period is only for 6.5 months (from 21 December 2004 to 30 June 2005)

Australian Property Growth Fund (formerly Leyshon Property Fund No. 3)

Expense Analysis

For the year ended 30 June 2006

	JUNE 2006	JUNE 2005*	Variance Notes
EXPENSES			
OPERATING EXPENSES			
Accounting Fees	37,410	5,000	
Airconditioning Expenses	3,150	6,800	
Advertising/Sponsorship	12,000	0	
Amortisation of Borrowing Costs	56,893	22,026	
Amortisation of Formation Expenses	0	1,165	
Asset Management Fees	124,792	64,942	Some 2005 audit fees included in 2006.
Audit Fees	88,817	55,670	
Bank Charges	431	354	
Cleaning	36,273	1,311	Palm Beach cleaning. No comparative as Palm Beach project purchased in April 2005.
Consultancy Fees	57,346	22,916	
Custodian Fees	13,141	5,797	
Development Costs Expensed	21,271,602	773,122	Refer Section 6.
Doubtful Debts Provision	34,732	0	
Electricity	93,514	27,418	
Entertainment	117	335	
Fees and Licenses	5,054	556	
Fire Protection	10,796	2,884	
Gardening	608	528	
Insurance	46,228	27,441	
Interest Paid - Bank	1,107,012	579,712	
Interest Paid - Other	12,504	0	
Land Tax	37,800	26,688	
Leasing Expenses	5,586	2,199	
Legal Costs	48,214	11,224	Legal fees incurred for Development projects, unsecured notes and general advice in 2006.
Lift Expenses	(2,211)	4,745	
Miscellaneous Expenses	3,035	1,381	
Penalties and Fines	13	0	
Pest Control	345	1,026	
Printing and Stationery	1,266	1,513	
Property Management Fees	33,996	17,364	
Public Relations	10,693	547	
Rates	111,419	34,006	
Recoverable Outgoings	232,869	81,285	
Refreshments	808	0	
Repairs and Maintenance	59,294	12,359	
Security	11,568	5,353	
Subscriptions and Publications	19,363	723	
Telephone and Facsimile	(31)	337	
Travel - Local	1,543	1,609	
TOTAL OPERATING EXPENSES	23,587,990	1,800,336	
TOTAL EXPENSES	23,587,990	1,800,336	

* The 2005 comparative period is only for 6.5 months (from 21 December 2004 to 30 June 2005)