



## **AUSTRALIAN PROPERTY GROWTH FUND**

(FORMERLY LEYSHON PROPERTY FUND NO.3)

Annual Report 2005/6



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## LETTER FROM THE CHAIRMAN

30 October 2006

Dear Investor

We are pleased to present the 2005/6 Annual Report of Australian Property Growth Fund ("APGF/Fund").

The 2005/6 financial year was the first full year of operations for the Fund and was a very successful one.

The Fund's main commercial property investment, 99 Melbourne Street, South Brisbane, continued to operate at 100% occupancy and increased in value from \$27 million at 30 June 2005 to \$30 million at 30 June 2006.

The Fund's two development projects also performed successfully during 2005/6.

The London Woolstore project at Vernon Terrace, Teneriffe involved the conversion and refurbishment of three former Woolstore buildings into 89 apartments, carparking, nine retail shops and commercial office space. As at the date of this letter only 16 of the 89 residential apartments are not subject to a sales contract.

The Fund's second development project is Pavilions on Fifth at Palm Beach on the Gold Coast. This site is to be developed into a 4,850 square metre retail and commercial complex and 194 residential apartments. Development Approval has been secured and the design development phase of the project has been completed. Pre-selling of the project's apartments is soon to commence. It is expected that construction of stage one of the project will commence during the 2007 calendar year.

Subsequent to the end of the 2005/6 financial year the Fund embarked on a number of significant transactions and milestone events. These transactions included:

- Capital Raising of 70 million stapled securities at \$1.06 per stapled security to raise a maximum of \$74.2 million;
- Takeover Bid by the Fund for all of the units in Blue Tower Trust which owns Comalco Place, 12 Creek Street, Brisbane – one of Brisbane's most iconic and successful CBD commercial office buildings; and
- Change of the Fund name to "Australian Property Growth Fund" – with this new name being reflective of the vision in which the Fund Manager is seeking to position and grow the Fund.

These transactions have all been successfully completed with approximately \$46 million of the \$74.2 million Capital Raising having been secured to date.

These transactions have established a strong foundation for a successful and exciting 2006/7.

We would like to acknowledge the support of our investors. We look forward to continuing to achieve the investment objectives of the Fund over the coming financial year.

Yours faithfully



Neil Summerson  
Chairman

Leyshon Corporation Limited  
as responsible entity for Australian Property Growth Trust  
and Australian Property Growth Limited









# FUND OVERVIEW

Australian Property Growth Fund (APGF) specialises in property funds management, investment and development. A stapled fund comprising both a property trust and a funds management and development company, the Fund aims to produce long term returns to investors from its quality property portfolio, derived from recurring rental income streams, development profits, funds management income and capital growth.

The Fund's assets include Comalco Place (Blue Tower), a 32,000 square metre commercial office building in the Brisbane CBD, and a 6,200 square metre commercial office building at 99 Melbourne Street, South Brisbane. APGF's current development projects are the London Woolstore Apartments at Teneriffe on the Brisbane River, and Pavilions on Fifth on the Gold Coast.

The Fund is managed by a hands on team of experienced property professionals who have been involved in substantial property investments and developments across commercial, residential, retail and industrial property. Their focus is on quality property assets with moderate risk profiles. They are well respected by the property industry for their experience, integrity and credibility.

Interests associated with the Fund Manager have over \$47 million invested in APGF. This substantial investment demonstrates the commitment of the Fund Manager and its related parties to its successful growth and also ensures the alignment of the interests of the Fund Manager and investors.

The Fund was established in September 2006 through the merger of Leyshon Property Fund No. 3 and Blue Tower Trust. The \$335 million APGF is currently listed on the Bendigo Stock Exchange (stock code: APF).

*“APGF’s assets span commercial,  
residential and retail property”*



# FUND ASSETS

Managed by Fund Manager Leyshon Corporation Limited, Australian Property Growth Fund's assets span the commercial, residential and retail property sectors.

The fund's flagship property is the iconic Comalco Place (Blue Tower), located in the heart of the Brisbane CBD's golden triangle. This commercial office building is supplemented by the award-winning 99 Melbourne Street, South Brisbane in the revitalised South Bank district.

The heritage listed London Woolstore development in the hip Teneriffe area in Brisbane comprises apartments, commercial offices and retail shops.

And on the Gold Coast, Pavillions on 5th at Palm Beach will be developed into 194 apartments and 4,850 square metres of retail and commercial space.





*“Brisbane’s iconic Blue Tower  
is the flagship asset of APGF”*





## FUND ASSETS continued

### COMALCO PLACE (BLUE TOWER), BRISBANE CBD

Located in the heart of Brisbane's golden triangle, the 32,000 square metre Comalco Place commercial office tower in Creek Street is APGF's flagship property. Situated 150 metres from the GPO, it provides close proximity to both the financial and retail sectors of the Brisbane CBD.

The property consists of a 37 level commercial office building and a separate two level annexe building. The main office tower has 32 stories of offices, ground floor lobby and retail, and four levels of basement car parking comprising approximately 308 car parks. Net lettable area is approximately 32,200 square metres.

The building was acquired by the Fund via the takeover of the Blue Tower Trust in September 2006.

#### VALUE / LEASE PROFILE

Blue Tower is one of Brisbane's best known commercial office buildings and has an excellent reputation. In June 2006 it was valued at \$184 million.

The building is fully leased and Comalco Aluminium Limited is its naming tenant. Other tenants include AGL, Macquarie Bank and the Reserve Bank of Australia. The weighted average remaining lease term is 5 years.

*“99 Melbourne Street’s asset valuation has increased from \$24.5 million to \$30 million in 18 months”*





## FUND ASSETS continued

### 99 MELBOURNE STREET, SOUTH BRISBANE

Located on a prime 2,700 square metre site adjacent to Brisbane's Exhibition and Convention Centre in South Brisbane, 99 Melbourne Street is a five level office building comprising net lettable area of approximately 6,200 square metres.

Constructed in 2004, the low rise building was designed by architects Peddle Thorp to capitalise on the main street location, offering a 90 metre frontage in the heart of South Brisbane's thriving South Bank precinct.

During 2005 AbiGroup (builder of the Melbourne Street Project) won the Queensland Master Builders Award for commercial office construction over \$10 million, while Leyshon Developments Pty Ltd as the developer was awarded a High Recommendation in the Property Development category of the Australian Property Institute Awards. The project was also a finalist in the 2006 Property Council of Australia Rider Hunt Queensland Awards.

The building opened fully leased in early 2005, and is still fully tenanted.

#### VALUE / LEASE PROFILE

The Fund acquired the building in December 2004 for \$24.5 million. The latest valuation at 1 June 2006 valued the building at \$30 million.

The building is fully occupied, with tenants including Stockland Development, Land Partners, Lumley Insurance, Conrad Gargett Architects and Austcover. The weighted average remaining lease term is 6.5 years.

*“A blend of architectural vision  
and contemporary innovation”*





## FUND ASSETS continued

### LONDON WOOLSTORE, TENERIFFE, BRISBANE

The former historic two storey AML&F Woolstore and two adjoining buildings were purchased in 2004. Located on the Brisbane River at Teneriffe, the heritage listed London Woolstore is a blend of architectural vision and contemporary innovation.

The project involved the conversion and refurbishment of the former Woolstore building constructed in 1912 into 89 residential apartments, car parking and nine ground level retail shops. The two smaller buildings are commercial offices.

Construction began in December 2004 and was completed in January 2006. The total site area is 7,034 square metres.

With the vast majority of the apartments and retail outlets already sold, it is expected that the project will be fully sold out in 2007.

*“Palm Beach’s first major  
urban renewal precinct”*





## FUND ASSETS continued

### PAVILIONS ON 5TH, PALM BEACH, GOLD COAST

On 27 May 2005, the Fund acquired the Palm Beach Plaza Shopping Centre for approximately \$11.1 million.

The site is the Fund's second development project, comprising the 9,800 square metre development site on the Gold Coast Highway at Palm Beach, Queensland.

The site is bounded by the Gold Coast Highway and Fourth and Fifth Avenues and is just 50 metres from Palm Beach, voted Queensland's cleanest beach three years in a row.

The project is to be developed into a 4,850 square metre retail and commercial complex, in addition to 194 residential apartments. Marketed as Pavilions on 5th, it has been created by leading Brisbane architect Kris Kowalski.

The project is to be developed in two stages over 2007 and 2008. Council development approval was granted in August 2006, and the design development phase has been completed.

Pre-selling of the project's apartments is soon to commence. It is expected that construction of stage one of the project will commence during the 2007 calendar year.

The end value of the completed development will be approximately \$115 million.











# AUSTRALIAN PROPERTY GROWTH FUND

(FORMERLY LEYSHON PROPERTY FUND NO.3)

## FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

Consisting of the combined financial reports of  
Australian Property Growth Trust ABN 95 909 819 176 and  
Australian Property Growth Limited ABN 56 111 628 589

## **Fund Information**

This financial report covers Australian Property Growth Fund (formerly Leyshon Property Fund No. 3) ('APGF' or 'Fund'), which comprises the stapled entities of Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) ('APGT') and Australian Property Growth Limited (formerly Leyshon Developments No. 3 Limited) ('APGL'). APGL has a 100% ownership interest in Leyshon Palm Beach Developments Pty Ltd ('LPBD'). Under AIFRS, APTG is the nominated parent entity of the stapled structure. Leyshon Corporation Limited ('LCL') is the Trustee and Responsible Entity of APTG. The Fund's structure is described further in the Directors' Report.

The Fund's functional and presentation currency is AUD (\$).

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 on pages 17 to 30. The Directors' Report is not part of the financial report.

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

**Registered office and principal place of business is located at:**

Level 1  
295 Elizabeth Street (Cnr Creek Street)  
Brisbane QLD 4000  
Phone 61 7 3004 1222

### **Auditors**

Ernst & Young  
Level 5  
Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000



## **Directors' Report**

The Board of Directors of Leyshon Corporation Limited ('LCL') the Trustee and Responsible Entity of Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) ('APGT') and the Board of Directors of Australian Property Growth Limited (formerly Leyshon Developments No. 3 Limited) ('APGL') present their financial report on the Fund consisting of APGT and APGL for the year ended 30 June 2006.

### **DIRECTORS**

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

#### **Names, qualifications, experience and special responsibilities**

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

##### **Neil Edwin Summerson BCom, FCA, FAICD, FAIM**

Neil Summerson is Chairman of the company. He is a director of several public, private and government corporations and has over 35 years experience practising as a Chartered Accountant. During the last three years Neil has served and continues to serve as a Director of Bank of Queensland Limited. 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 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 company. He has been working in the property sector in excess of 15 years and is responsible for the company's corporate strategy, property funds management, investments and development.

##### **William Gerard Collins FAPI, Registered Valuer, Licensed Real Estate Agent, Registered Auctioneer, Specialist Retail Valuer**

William ('Bill') Collins is a joint founding director of Collins O'Reilly Pty Ltd Property Auditors. Bill has been involved in the property industry since 1968 and has held senior management positions with corporate real estate agencies. Bill's principal activities in the commercial property sector include the development of performance strategies, divestment, acquisition, adaptive re-use and risk management.

##### **Michael O'Reilly MIRAP, MIEF, FAPI**

Michael O'Reilly is a joint founding director of Collins O'Reilly Pty Ltd Property Auditors. Michael is a Fellow of the Australian Property Institute ('FAPI') with over 30 years experience in the property industry, during which he has held a number of senior management positions in Australia and South East Asia. Michael's broad range of expertise centres around investment property particularly portfolio analysis, performance strategies, risk management and tenant advocacy. Significant academic post-graduate study includes a Master of International Relations and Asian Politics, Master of International Economics and Finance and he is currently completing a Juris Doctor through the University of Queensland.

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

### **Names, qualifications, experience and special responsibilities (continued)**

#### **APGL:**

**Neil Edwin Summerson** (Non-executive Chairman) - Refer LCL above

Neil was appointed as a Director on 3 May 2006 and became the Chairman of APGL at that time.

**Geoffrey Michael McMahon** (Managing Director) – Refer LCL above.

**William Gerard Collins** – Refer LCL above

**Michael O'Reilly** – Refer LCL above

#### **Robert Bryan BSc (Hons, Geology), FAusIMM**

Robert ('Bob') Bryan has had a long-term involvement in the mining industry in Australia and South East Asia. In 1984 Bob founded Pan Australian Mining Ltd and in the capacity as Managing Director oversaw the development of a major gold mine at Mt Leyshon. Bob is an Honorary Life Member of the Queensland Resources Council and a director of the Sustainable Minerals Institute within the University of Queensland. During the last three years Bob has served and continues to serve as Chairman of the following listed companies: Pan Australian Resources Limited, Highlands Pacific Ltd and Queensland Gas Company Limited. Since selling his controlling interest in Pan Australian Mining in 1989, Bob's private company, Leyshon Pty Ltd, has focussed on property investment and development.

#### **Scott Edward Bryan BSc (Hons, Geology), PhD**

Scott Bryan is a geologist, graduating from the University of Queensland with First Class Honours in Geology and obtained a PhD from Monash University. Scott was a Research Fellow at Yale University from 2003-2005 and is currently Senior Lecturer at Kingston University in the United Kingdom. Scott has been on the Board of the company since 2004 and has been involved in property funds management, development and investments through his directorship of Leyshon Pty Ltd since 2001.

#### **Kenneth Ross Pickard BCom, FCA, MAICD**

Ken Pickard is the founding partner of Pickards BDS Chartered Accountants, a regionally based Queensland firm of seven partners and approximately 100 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 Pickards BDS in 1996. He has over 20 years experience in 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.

#### **Sally Kathleen Smith BBus (Human Resource Management)**

Sally Smith was a Director from the commencement of the financial year until her resignation effective 3 May 2006. Sally was appointed as an alternate Director for Scott Bryan on 3 May 2006 and has continued in that capacity until the date of this report.



## Directors' Report (continued)

### COMPANY SECRETARY

#### Christina Natalie Little B.Com, C.P.A., GradDipCSP

Christina Little has been the company secretary of LCL since May 2003 and APGL since November 2004. Christina has been a Certified Practising Accountant for nine years.

### Relevant interests in units of APGT and shares of APGL

As at the date of this report, the interests of the LCL Directors in APGT were:

	<b>Relevant interests</b>
	<i>Fully paid units</i>
N Summerson	10,611,000
G McMahon	10,615,000
W Collins	36,000
M O'Reilly	36,000

As at the date of this report, the interests of the APGL directors in APGL were:

	<b>Relevant interests</b>
	<i>Fully paid shares</i>
N Summerson	10,611,000
R Bryan	10,601,000
G McMahon	10,615,000
W Collins	36,000
M O'Reilly	36,000
S Bryan	0
K Pickard	500,000

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.

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

### **FUND INFORMATION**

#### **Structure of Australian Property Growth Fund**

The Fund was created upon the issue of units by APGT and of shares by APGL and the stapling of the securities on 21 December 2004.

APGT was created by a Trust Deed dated 14 May 2004, which was subsequently amended on 8 November 2004, 9 March 2005 and 27 June 2005. Units were issued under a Prospectus and Product Disclosure Statement dated 8 November 2004 as part of the initial equity raising for the Fund.

APGL was incorporated on 2 November 2004 and issued shares under a Prospectus and Product Disclosure Statement dated 8 November 2004 as part of the initial equity raising for the Fund. Leyshon Palm Beach Developments Pty Limited was incorporated on 21 March 2005 as a wholly owned subsidiary of APGL.

Units issued in APGT are stapled to shares issued in APGL and are treated as one security. The stapled securities are quoted and traded together on the Bendigo Stock Exchange ('BSX'). The stapled securities cannot be traded or dealt with separately.

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

The Fund's stapled security structure allows equity investors to derive income from passive property ownership (Melbourne Street and future projects) supplemented by profits from property development (London Woolstore, Palm Beach and future projects).

The Fund is subject to a Stapling and Asset Management Deed dated 8 November 2004, whereby LCL in its own capacity is the Manager of the Fund and Asset Manager of the projects of the Fund.

The stapled security structure will cease to operate if any of the following occurs:

- (a) Subject to the Law, the BSX Listing Rules and approval by resolution of the unit holders and shareholders, the Manager may determine that the provisions of APGT's Trust Deed relating to stapling will cease to apply. If they do so, they may at a later time give notice that the application of the provisions is to recommence.
- (b) Each unit will remain stapled to the share to which it is stapled to form a stapled security until the date the securities are unstapled. Securities will cease to be stapled to any security which ceases to be on issue.
- (c) A provision of APGT's Trust Deed relating to stapling may not be amended except with the prior written consent of the Manager.

#### **Employees**

At balance date LCL had two employees (2005: three) and APGL had no employees (2005: Nil).



## Directors' Report (continued)

### FUND INFORMATION (continued)

#### Nature of Operations and Principal Activities

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

- 99 Melbourne Street, South Brisbane, a recently constructed commercial office building;
- London Woolstore at Vernon Terrace, Teneriffe, involving the conversion and refurbishment of three former woolstore buildings into 89 residential apartments, car parking, nine retail shops and commercial office space;
- Palm Beach Plaza, Gold Coast Highway, Palm Beach. This site is to be developed into an approximate 5,000m<sup>2</sup> retail and commercial complex and approximately 194 residential apartments to be known as Pavilions on Fifth. The project is planned to be developed in two stages over 2007 and 2008; and
- Future projects which satisfy the Fund Managers' project selection criteria.

### FIRST ANNUAL FINANCIAL REPORT UNDER AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ('AIFRSs')

This financial report is the first annual financial report of the Fund to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing this financial report. When preparing the financial report of the Fund for the year ended 30 June 2006, management has amended certain accounting and valuation methods applied in the comparative financial statements to comply with AIFRS. The comparative financial statements were originally prepared in accordance with Australian Generally Accepted Accounting Principles ('AGAAP'). The comparative figures were restated to reflect these adjustments. Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Fund's equity and net profit are set out in Note 25.

AIFRS require that one of the entities in a stapled structure be treated as the parent entity. For the half year financial report to 31 December 2005, APGL was accounted for as the parent entity. The directors have reconsidered and determined given the size and significance of APGT to the APGF stapled fund, it is deemed more appropriate to consider APGT as the acquirer entity upon entering the stapled arrangement on 21 December 2004. This change, which has no financial impact on the consolidated entity (and therefore no impact on the net assets of the stapled entity), has been applied under AIFRS as having been in effect from the date of the stapling of the APGT units and APGL shares.

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

### **OPERATING AND FINANCIAL REVIEW**

#### **Review of Operations for the year**

APGT's investment strategy is to acquire and hold a quality portfolio of properties that are supported by long term rental income.

On 21 December 2004 APGT commenced business with the acquisition of a brand new five level, 6,000m<sup>2</sup> office building at 99 Melbourne Street, South Brisbane for \$24.5 million, which has recently been revalued by Savills (Qld) Pty Ltd to \$30 million. The building has been fully tenanted since 1 December 2005.

APGL was established to invest in and develop a portfolio of quality property development projects.

APGL's first project was the London Woolstore project at Vernon Terrace, Teneriffe. The London Woolstore Project involved the conversion and refurbishment of an early 1900s four storey former Woolstore building into 89 residential apartments, car parking and nine ground level retail shops. Construction commenced in December 2004 and was completed in January 2006.

In addition to the main Woolstore building, the site also includes two smaller buildings (heritage listed) which are presently leased to various tenants for professional offices. They have been refurbished into warehouse style office accommodation. These two buildings are under contract for \$5.7 million with settlement expected to occur in October 2006.

As at 31 August 2006, 53 apartments had settled, eight apartments were subject to an unconditional contract of sale and five apartments were subject to a conditional contract for sale. In addition, six of the ground level retail shops had settled and three were subject to a conditional contract of sale.

The Palm Beach Project property is situated on the corner of the Gold Coast Highway, Fourth Avenue and Fifth Avenue, Palm Beach, Gold Coast. The site comprises two lots totalling 9,819m<sup>2</sup> and currently operates as the Palm Beach Plaza Shopping Centre.

The Palm Beach site is to be developed into an approximate 5,000m<sup>2</sup> retail and commercial complex and approximately 194 residential apartments to be known as Pavilions on Fifth. Development approval for this project was received on 28 August 2006. The design development phase has also now been completed. Construction is expected to commence in December 2006 and the project is planned to be developed in two stages over 2007 and 2008.

## Directors' Report (continued)

### Results

The net operating result of the Fund is presented in the Income Statement. Net profit attributable to the security holders for the year ended 30 June 2006 was \$2,099,696 (2005: \$1,704,118).

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

#### *(a) Property Investment*

The net profit attributable to the security holders from the property investment operations for the year ended 30 June 2006 was \$4,199,453 (30 June 2005: \$1,642,556).

#### *(b) Property Development*

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders for the year ended 30 June 2006 is \$2,099,757 (2005 \$61,562 profit).

### Distributions/Dividends

A final distribution was declared for the year ended 30 June 2005 of 2.00 cents per stapled security in respect of the quarter ended 30 June 2005 and was paid on 29 July 2005.

Distributions to security holders during the year were paid quarterly including a distribution of 2.00 cents per stapled security paid on 27 October 2005 in respect of the quarter ended 30 September 2005, a distribution of 2.00 cents per stapled security paid on 31 January 2006 in respect of the quarter ended 31 December 2005 and a distribution of 2.00 cents per stapled security paid on 28 April 2006 in respect of the quarter ended 31 March 2006.

A final distribution was declared for the year ended 30 June 2006 of 2.00 cents per stapled security in respect of the quarter ended 30 June 2006 and was paid on 31 July 2006.

All distributions for the year were paid from APGT as capital distributions.

No dividends were paid or proposed during the year.

### SECURITIES ON ISSUE

A total of 35,000,000 stapled securities were on issue at 30 June 2006 (30 June 2005: 35,000,000). All stapled securities were issued at \$1.00 per security. There were no stapled securities issued during the year (2005: 35,000,000).

### FUND ASSETS

At 30 June 2006, the Fund held assets to the value of \$84,254,596 (2005: \$93,564,840). The basis for valuation of assets is disclosed in Note 2 to the financial statements.



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

### **FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES**

LCL received fees during the year relating to property management and asset management from APGT and development management from APGL. Fees paid to its associates out of the Fund during the financial year are disclosed in Note 21 to the financial statements. No fees were directly paid by the Fund to the Directors of LCL during the financial year.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Fund.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

#### **Extraordinary General Meeting**

On 19 July 2006, 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 with all resolutions being approved. The purpose of the EGM was to introduce and approve a number of resolutions relating to significant transactions and milestone events for the Fund. The resolutions related to the following:

#### **Capital Raising**

The Fund issued a Prospectus and Product Disclosure Statement dated 19 July 2006 seeking 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. On 18 September 2006, APGF announced that it had to date allotted 26,834,906 Stapled Securities raising \$28.45 million.

The issue price of \$1.06 per stapled security reflects the Fund's current underlying net asset value. The issue price of \$1.06 per stapled security will be allocated \$1.05 to APGT and \$0.01 to APGL. This allocation reflects the Fund Managers' focus on building a quality portfolio that will produce long term capital growth and stable rental income streams.

#### **Blue Tower Trust Takeover Bid**

On 19 July 2006 the Fund announced a Takeover Bid for all of the issued units in Blue Tower Trust. The \$74.2 million capital raising was not contingent on the success of the Blue Tower Trust Takeover bid. Conversely, the Takeover bid was not dependent on the success of the capital raising as it was a scrip takeover bid.

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 would equate to the total value of the units in Blue Tower Trust. On 18 September 2006, APGF announced that it had received acceptances from BTT unitholders in respect of 99.99% of units on issue and that the takeover was unconditional.

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

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE (continued)**

#### **Modification to the Trust Deed and Constitution**

The Trust Deed of APGT and the Constitution of APGL required modification to document and record the capital raising and the takeover as detailed above.

#### **Name Change for the Fund**

Subsequent to year end, the name of the Fund was changed to 'Australian Property Growth Fund' with a corresponding name change to APGT and APGL. These name changes reflect the vision in which the Fund Managers are seeking to position and grow the Fund.

The Directors are not aware of any other 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 business.

### **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.

### **OPTIONS**

No options over issued 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**

The Fund has not given or agreed to give any indemnity to an officer or auditor of the Fund and has not paid any premium for insurance against those officers' or auditor's liability for legal costs. Insurance and indemnity arrangements concerning officers of the Fund were continued throughout the year. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable. The Fund has not given or agreed to indemnify the auditors.

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

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of LCL 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**

In accordance with its Australian Financial Services Licence LCL has established a compliance plan for APGT. Compliance issues are monitored and managed by the Compliance Committee in accordance with the compliance plan. The majority of the Compliance Committee members are persons who are external and unrelated to LCL and whose role is to supervise LCL's compliance with the compliance plan and the Corporations Act.

The Compliance Committee reports to LCL's Board and if necessary, ASIC, in relation to compliance issues.

The members of the Compliance Committee are:

- Norbury Rogers (Chairman);
- Karen Prentis; and
- Geoff McMahon.

The functions of the Compliance Committee are governed by APGT's compliance plan. The compliance plan was registered and approved by ASIC prior to registration of APGT as a managed investment scheme.

During the year ended 30 June 2006 four compliance committee meetings were held and all compliance committee members attended these meetings.

#### **Audit and Risk Management Committee**

LCL (for APGT) and APGL have established Audit and Risk Management Committees to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Fund. The members of the committees are:

- Neil Summerson (Chairman); and
- Bill Collins.

The committees perform a variety of functions relevant to risk management and internal and external reporting and report to the Boards following each meeting.

During the year ended 30 June 2006 three Audit and Risk Management Committee meetings were held for each entity and both members of the committees attended each of these meetings.



## Directors' Report (continued)

### CORPORATE GOVERNANCE (continued)

#### Code of corporate governance

##### *Overview*

The Directors of LCL 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 LCL and APGL have developed and implemented policies and practices which take into account the ASX Principles of Good Corporate Governance and Best Practice Recommendations ('Principles') developed by the ASX Corporate Governance Council in 2003.

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 LCL 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.

##### *Principle 2: Board Structure*

The Board of LCL has four Directors (including the Chairman) one of whom is a non-executive Director. The Board of APGL has seven Directors (including the Chairman) four of whom are non-executive Directors.

Every Director and Committee Member of the Board 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 Fund does 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.

##### *Principle 3: Ethical and Responsible Decision Making*

The Fund's code sets out the principles which all Directors are expected to uphold in order to promote the interests of the Fund and its security holders and drive its relationships with stakeholders and the community. Through training and enforcement of the code, the Fund actively promotes ethical and responsible decision-making within the Fund.

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

### **CORPORATE GOVERNANCE (continued)**

#### **Code of corporate governance (continued)**

##### *Principle 4: Financial Reporting*

The Managing Director and Financial Controller 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.

The Fund's Audit and Risk Management Committees operate under a written charter approved by the Boards. The Audit and Risk Management Committees are charged with making recommendations to the Boards on the adequacy of the external audits and the independence of the external auditors, internal audits, and risk management and compliance procedures. The Fund's Audit and Risk Management Committees also monitor and liaise with the Responsible Entity's Compliance Committee to ensure that the conditions of the Responsible Entity's AFSL are adhered to at all times.

##### *Principle 5: Timely and Balanced Disclosure*

The Fund is committed to keeping the market informed of all material information and enhancing its communication with the market, thereby ensuring its compliance with legal requirements.

The Fund is committed to creating and maintaining an informed market in its securities and enhancing corporate governance by encouraging a culture of transparency in relation to its 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 Fund's Managing Director and Company Secretary are responsible for communications with BSX.

##### *Principle 6: Respect Rights of Security holders*

The Fund 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.

##### *Principle 7: Recognise and Manage Risk*

The Boards believe that risk management is 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 Management Committees under their charter.

##### *Principle 8: Management Effectiveness*

Annual performance reviews are conducted for employees as applicable.

##### *Principle 9: Remuneration*

The Fund currently does not have a formal Remuneration and Nomination Committee. The Boards discharge their responsibilities regarding the public reporting of remuneration information, appropriate Board composition, compensation of non-executive Directors and other matters.

##### *Principle 10: Interests of Stakeholders*

All 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 with security holders, stakeholders and the community.



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

### **MEETINGS OF DIRECTORS**

#### **LCL**

During the financial year, 16 meetings of Directors of LCL were held. The number of meetings attended by each Director was:

<b>Directors</b>	<b>Number of meetings eligible to attend</b>	<b>Number of meetings attended</b>
N E Summerson	16	15
G M McMahon	16	16
W G Collins	16	12
M O'Reilly	16	16

All Directors were eligible to attend all meetings held during the year.

#### **APGL**

During the financial year, 10 meetings of Directors of APGL were held. The number of meetings attended by each Director was:

<b>Directors</b>	<b>Number of meetings eligible to attend</b>	<b>Number of meetings attended</b>
N E Summerson *	3	3
R Bryan	10	10
G M McMahon	10	10
W G Collins	10	9
M O'Reilly	10	10
S Bryan	10	5
K Pickard	10	10
S Smith *	8	8

\*All Directors were eligible to attend all meetings held during the year except for the following:

- S Smith - represents meetings held whilst a Director (until resignation effective from 3 May 2006) and meetings eligible to attend in the capacity of Alternate Director for Scott Bryan from 3 May 2006. Sally attended one meeting as alternate for Scott Bryan during the year.
- Neil Summerson - represents meetings held whilst a Director (from appointment on 3 May 2006 to 30 June 2006).

## Directors' Report (continued)

### REMUNERATION REPORT

The Directors and key management personnel of LCL as Responsible Entity of APGT and the Directors and key management personnel of APGL are not remunerated directly by the Fund (refer Note 23).

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

#### Auditor Independence

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at Page 31.

#### Non-Audit Services

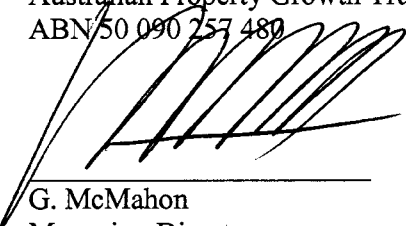
The following non-audit services were provided by the Fund's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit 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:

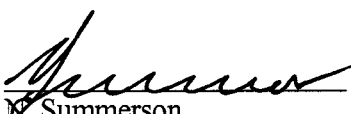
Tax compliance and advisory services	\$ 53,030
Restructuring advice (takeover/capital raising)	\$232,928

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

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

  
G. McMahon  
Managing Director  
Brisbane, 27 September 2006

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

  
M. Summerson  
Chairman  
Brisbane, 27 September 2006



**Auditor's Independence Declaration to the Directors of Leyshon Corporation Limited as Responsible Entity and Trustee of Australia Property Growth Trust (formerly Leyshon Property Trust No.3) and the Directors of Australian Property Growth Limited (formerly Leyshon Developments No.3 Limited)**

In relation to the audit of the financial report of Australian Property Growth Fund (formerly Leyshon Property Fund No.3) for the financial year ended 30 June 2006, 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*

Ernst & Young



R J Roach  
Partner

27 September 2006

## Income Statement

### FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated		Parent
	Note	30 June 2006	Period to	30 June
		\$	30 June	2006
			2005	2005
		\$	\$	\$
Management fee income		18,309,953	340,000	0
Rental income		2,960,907	1,423,444	2,418,636
Interest income		512,162	303,111	457,133
<b>Total Revenue</b>	4 (a)	21,783,022	2,066,555	2,875,769
Revaluation increment on investment property		2,970,480	1,086,926	2,970,480
Fair value movement in derivatives		286,268	0	286,268
<b>Total Revenue and Other Income</b>		25,039,770	3,153,481	6,132,517
Audit fees		(88,817)	(55,670)	(33,312)
Borrowing expenses	4 (b)	(1,176,409)	(601,738)	(1,132,420)
Development costs expensed		(21,271,602)	(773,122)	0
Electricity		(93,514)	(27,418)	(88,894)
Insurance		(46,228)	(27,441)	(30,761)
Land tax		(37,800)	(26,688)	(37,800)
Management fees		(158,788)	(82,306)	(158,788)
Rates		(111,419)	(34,006)	(81,022)
Recoverable outgoings		(232,869)	(81,285)	(232,869)
Repairs and maintenance		(59,294)	(12,359)	(36,580)
Other expenses		(311,250)	(78,303)	(100,618)
<b>Total Expenses</b>		(23,587,990)	(1,800,336)	(1,933,064)
<b>Profit before income tax</b>		1,451,780	1,353,145	4,199,453
Income tax expense/(benefit)	2(j),5	(647,916)	(350,973)	0
<b>Profit after income tax attributable to security holders</b>		2,099,696	1,704,118	4,199,453
<b>Represented by:</b>				
Earnings attributable to members of APGT		4,199,453	1,642,556	4,199,453
Profit/(loss) attributable to members of APGL		(2,099,757)	61,562	0
		2,099,696	1,704,118	4,199,453
<b>Earnings per stapled security (cents)</b>				
- Basic earnings per stapled security	6	6.0 *	7.3	
- Diluted earnings per stapled security	6	6.0 *	7.3	
<b>Capital Distributions per stapled security (cents)</b>	7	8.0	8.0	

\* Refer to note 2(s) for earnings per security commentary.

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

## Balance Sheet

### AS AT 30 JUNE 2006

	Note	Consolidated		Parent	
		2006 (\$)	2005 (\$)	2006 (\$)	2005 (\$)
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	5,731,787	12,434,339	4,993,084	8,498,197
Trade and other receivables	9	723,134	1,493,279	520,550	1,037,324
Inventory	10	26,680,290	32,025,937	0	0
Other	11	584,961	44,856	274,739	42,756
<b>Total Current Assets</b>		<b>33,720,172</b>	<b>45,998,411</b>	<b>5,788,373</b>	<b>9,578,277</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	0	0	1,500,000	0
Inventory	10	11,648,437	11,599,333	0	0
Property investment held directly	12	27,637,878	25,315,492	27,637,878	25,315,492
Lease fitout incentives	13	1,932,684	1,578,518	1,932,684	1,578,518
Interest rate swap		286,268	0	286,268	0
Deferred tax asset	5	9,002,974	9,073,086	0	0
Other	11	26,183	0	26,183	0
<b>Total Non-current Assets</b>		<b>50,534,424</b>	<b>47,566,429</b>	<b>31,383,013</b>	<b>26,894,010</b>
<b>TOTAL ASSETS</b>		<b>84,254,596</b>	<b>93,564,840</b>	<b>37,171,386</b>	<b>36,472,287</b>
<b>CURRENT LIABILITIES*</b>					
Trade and other payables	14	2,930,610	3,464,804	1,123,929	975,401
Interest bearing loans and borrowings	15	20,515,979	27,705,653	0	0
<b>Total Current Liabilities</b>		<b>23,446,589</b>	<b>31,170,457</b>	<b>1,123,929</b>	<b>975,401</b>
<b>NON-CURRENT LIABILITIES*</b>					
Payables	14	1,015,828	1,890,119	1,015,828	1,890,119
Deferred tax liability	5	8,004,087	8,722,114	0	0
Interest bearing loans and borrowings	15	15,981,711	15,956,302	15,981,711	15,956,302
Other	16	1,576,548	895,711	0	0
<b>Total Non-current Liabilities</b>		<b>26,578,174</b>	<b>27,464,246</b>	<b>16,997,539</b>	<b>17,846,421</b>
<b>TOTAL LIABILITIES*</b>		<b>50,024,763</b>	<b>58,634,703</b>	<b>18,121,468</b>	<b>18,821,822</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS OF THE FUND*</b>		<b>34,229,833</b>	<b>34,930,137</b>	<b>19,049,918</b>	<b>17,650,465</b>
<b>REPRESENTED BY:</b>					
<b>Attributable to members of APGL</b>					
Contributed equity	17 (b)	17,218,110	17,218,110	0	0
Retained earnings	17 (b)	(2,038,195)	61,562	0	0
<b>Total attributable to members of APGL</b>		<b>15,179,915</b>	<b>17,279,672</b>	<b>0</b>	<b>0</b>
<b>Attributable to unit holders of APGT</b>					
Units on issue	17 (a)	13,207,909	16,007,909	13,207,909	16,007,909
Undistributed earnings	17 (a)	5,842,009	1,642,556	5,842,009	1,642,556
<b>Total attributable to unit holders of APGT</b>		<b>19,049,918</b>	<b>17,650,465</b>	<b>19,049,918</b>	<b>17,650,465</b>
<b>TOTAL MEMBERS' INTERESTS</b>		<b>34,229,833</b>	<b>34,930,137</b>	<b>19,049,918</b>	<b>17,650,465</b>

\* excluding net assets attributable to APGT unit holders - refer note 2(r)

The above Balance Sheet should be read in conjunction with the accompanying notes.



## Statement of Changes in Security Holders' Interests FOR THE YEAR ENDED 30 JUNE 2006

	Securities Issued \$	CONSOLIDATED Undistributed Income \$	Other Reserves \$	Total Security Holders' Interests \$
<b>At 1 July 2004</b>	0	0	0	0
Total income and expense for the year recognised directly in equity	0	0	0	0
Profit/(loss) for the year attributable to members of APGL	0	61,562	0	61,562
Earnings for the year attributable to unit holders of APGT	0	1,642,556	0	1,642,556
Total income for the year attributable to security holders	0	1,704,118	0	1,704,118
Securities issued	35,000,000	0	0	35,000,000
Transaction costs	(563,630)	0	0	(563,630)
Capital distributions to security holders	(1,210,351)	0	0	(1,210,351)
<b>At 30 June 2005</b>	33,226,019	1,704,118	0	34,930,137
<b>At 1 July 2005*</b>	33,226,019	1,704,118	0	34,930,137
Total income and expense for the year recognised directly in equity	0	0	0	0
Profit/(loss) for the year attributable to members of APGL	0	(2,099,757)	0	(2,099,757)
Earnings for the year attributable to unit holders of APGT	0	4,199,453	0	4,199,453
Total income for the year attributable to security holders	0	2,099,696	0	2,099,696
Capital distributions to security holders	(2,800,000)	0	0	(2,800,000)
<b>At 30 June 2006*</b>	30,426,019	3,803,814	0	34,229,833

**\* Due to the application of AASB 132 and AASB 139 APGT unit holders' funds have been reclassified as liabilities (refer note 2(r)).**

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

## Statement of Changes in Security Holders' Interests (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

	Securities Issued \$	PARENT Undistributed Income \$	Other Reserves \$	Total Security Holders' Interests \$
<b>At 1 July 2004</b>	0	0	0	0
Total income and expense for the year recognised directly in equity	0	0	0	0
Earnings for the year attributable to unit holders of APGT	0	1,642,556	0	1,642,556
Total income/(expense) for the year attributable to security holders	0	1,642,556	0	1,642,556
Securities issued	17,500,000	0	0	17,500,000
Transaction costs	(281,740)	0	0	(281,740)
Capital distributions to security holders	(1,210,351)	0	0	(1,210,351)
<b>At 30 June 2005</b>	16,007,909	1,642,556	0	17,650,465
<b>At 1 July 2005*</b>	16,007,909	1,642,556	0	17,650,465
Total income and expense for the year recognised directly in equity	0	0	0	0
Earnings for the year attributable to unit holders of APGT	0	4,199,453	0	4,199,453
Total income for the year attributable to security holders	0	4,199,453	0	4,199,453
Capital distributions to security holders	(2,800,000)	0	0	(2,800,000)
<b>At 30 June 2006*</b>	13,207,909	5,842,009	0	19,049,918

**\* Due to the application of AASB 132 and AASB 139 APGT unit holders' funds have been reclassified as liabilities (refer note 2(r)).**

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

## Cash Flow Statement

### FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated		Parent	
	Note	30 June 2006 \$	Period to 30 June 2005 \$	30 June 2006 \$	Period to 30 June 2005 \$
<b>Cash flows from operating activities</b>					
Receipt of management fees		19,297,193	340,000	0	0
Receipts from customers		2,647,217	1,427,640	2,133,520	1,396,065
Payments to suppliers & employees		(16,156,460)	(29,781,864)	(702,682)	(386,271)
Borrowing costs paid		(3,427,455)	(2,042,072)	(1,104,332)	(615,935)
Interest and bill discounts received		657,564	302,230	529,834	183,760
<b>Net cash flows from/(used in) operating activities</b>	8	3,018,059	(29,754,066)	856,340	577,619
<b>Cash flows from investing activities</b>					
Payments for investment properties		0	(25,905,975)	0	(25,905,975)
Payments for investment property additions		(1,906)	(7,099)	(1,906)	(7,099)
Payments for unsecured notes acquired		0	0	(1,500,000)	0
Payments for lease fitout incentives		(650,000)	0	(650,000)	0
Proceeds from vendor for leasing incentives		0	1,906,871	0	1,906,871
Deposit refunded/(paid) for new development		800,000	(800,000)	800,000	(800,000)
Payments for inventories		(49,104)	(11,496,556)	0	0
<b>Net cash flows from/(used in) investing activities</b>		98,990	(36,302,759)	(1,351,906)	(24,806,203)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		11,773,363	43,835,178	0	16,068,520
Repayment of borrowings		(20,506,599)	0	0	0
Proceeds from borrowings – related parties		2,230,804	779,615	0	0
Distribution paid to security holders		(2,752,270)	(559,999)	(2,752,270)	(559,999)
Proceeds from the issue of securities		0	35,000,000	0	17,500,000
Payment of security issue costs		(564,899)	(563,630)	(257,277)	(281,740)
<b>Net cash flows from/(used in) financing activities</b>		(9,819,601)	78,491,164	(3,009,547)	32,726,781
Net increase/(decrease) in cash held		(6,702,552)	12,434,339	(3,505,113)	8,498,197
Cash and cash equivalents at beginning of the year		12,434,339	0	8,498,197	0
<b>Cash and cash equivalents at end of the year</b>	8	5,731,787	12,434,339	4,993,084	8,498,197

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



## Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2006

### 1. CORPORATE INFORMATION

The financial report of Australian Property Growth Fund (formerly Leyshon Property Fund No. 3) ('APGF' or 'the Fund') for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of Directors on 27 September 2006.

Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) ('APGT' or 'the Trust') is an Australian registered Trust. Leyshon Corporation Limited ('LCL'), the Trustee and Responsible Entity of the Trust, is incorporated and domiciled in Australia.

Australian Property Growth Limited (formerly Leyshon Developments No. 3 Limited) ('APGL') is a company limited by shares incorporated and domiciled in Australia.

### 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 and Australian Accounting Standards. The financial report has also been prepared on the basis of historical costs, except for investment properties and derivative financial instruments which have been measured at fair value.

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 BSX Listing Rules.

#### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first annual financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Fund has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 25.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Statement of compliance (continued)

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standards	Nature of Change to Accounting Policy	Application Date of Standard	Application Date for Fund
2005-10	AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	No change in accounting policy required, therefore no impact.	1 January 2007	1 July 2007
	AASB 7 <i>Financial Instruments: Disclosures</i>	No change in accounting policy required, therefore no financial impact.	1 January 2007	1 July 2007

The following amendments are not applicable to the Fund and therefore have no financial impact:

AASB Amendment	Affected Standards
2004-3	AASB 119 <i>Employee Benefits</i>
2005-1	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>
2005-4	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>
2005-5	AASB 1 <i>First-time adoption of AIFRS</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>
2005-6	AASB 3 <i>Business Combinations</i>
2005-9	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>
2006-1	AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>
	UIG 4 <i>Determining whether an arrangement contains a lease</i>
	UIG 5 <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
	UIG 7 <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
	UIG 8 <i>Scope of AASB 2</i>
	UIG 9 <i>Reassessment of Embedded Derivatives</i>

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

## **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 fair value of investment properties and derivatives, and in determining the percentage complete for the purposes of revenue recognition.

### **(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the consolidated group comprising APGT (the parent entity) and its controlled entities as at 30 June each year (the group).

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 Bendigo Stock Exchange. Under AASB 3, APGT is considered to be the parent entity of APGL.

AIFRS require that one of the entities in a stapled structure be treated as the parent entity. For the half year financial report to 31 December 2005, APGL was accounted for as the parent entity. The directors have reconsidered and determined given the size and significance of APGT to the APGF stapled fund, it is deemed more appropriate to consider APGT as the acquirer entity upon entering the stapled arrangement on 21 December 2004. This change, which has no financial impact on the consolidated entity (and therefore no impact on the net assets of the stapled entity), has been applied under AIFRS as having been in effect from the date of the stapling of the APGT units and APGL shares.

The financial statements of the controlled entities are prepared in 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 transferred to the Fund and cease to be consolidated from the date on which control is transferred out of the Fund.



## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2006

### 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 balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) *Interest income*

The Fund has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest income applicable for the years ending 30 June 2006 and 30 June 2005.

#### **Accounting policies applicable for the year ending 30 June 2006**

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 year 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.

#### **Accounting policies applicable for the year ending 30 June 2005**

Revenue was recognised when the entity's right to receive payment was established.

##### (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.

Revenues from rents and recoverable outgoings are recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. Revenue received in advance is classified as Prepaid Income and recognised as revenue over the year to which the revenue received relates.

##### (iii) *Management fee income*

Revenues from management fees (including project delivery 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. Revenue brought to account but not received at balance date is recognised as a receivable.

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 2006**

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

##### **(f) Borrowing costs**

Borrowing costs such as interest are recognised as an expense in the year in which they accrue using the effective interest method and if not paid at balance date, they are reflected in the balance sheet as a payable. Under AASB 139 borrowing costs such as facility fees are capitalised and recorded as a deduction from borrowings, instead of being recognised as an asset. The borrowing costs are then amortised over the life of the borrowings using the effective interest rate method. Borrowing costs relating specifically to a qualifying asset are capitalised as part of inventories.

##### **(g) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and at call deposits.

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**

The Fund has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

##### **Accounting policies applicable for the year ending 30 June 2006**

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

An allowance for doubtful debts 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.

##### **Accounting policies applicable for the year ending 30 June 2005**

Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts are written off as incurred.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

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

### **(i) Derivative financial instruments**

The Fund uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in equity.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair values are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

### **(j) 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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



## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

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

### **(j) Income tax (continued)**

- 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.

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 balance sheet 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 balance sheet 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 balance sheet 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 is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unit holders.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

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

##### **(k) Other taxes**

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

- where 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 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 balance sheet.

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.

##### **(l) Investment properties**

Property (including land and buildings) held for long-term rental yields 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.

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

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Investment properties (continued)

Gains or losses arising from changes in the fair values of investment properties are included in the income statement 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 income statement in the year of derecognition.

#### (m) Investment and other financial assets

The Fund has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

##### **Accounting policies applicable for the year ending 30 June 2006**

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.

The Fund currently only holds loans and receivables that 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.

##### **Accounting policies applicable for the year ending 30 June 2005**

All non-current investments are carried at the lower of cost and recoverable amount.

##### *Recoverable amount*

Non-current financial assets measured using the cost basis are not carried at an amount above their recoverable amount, and when a carrying value exceeds this recoverable amount, the financial asset is written down to its recoverable amount. In determining recoverable amount, the expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

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

##### **(m) Investment and other financial assets (continued)**

###### **Impairment**

The Fund assesses at each balance sheet 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.

##### **(n) Trade and other payables**

The Fund has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

###### **Accounting policies applicable for the year ending 30 June 2006**

Trade payables and other payables are carried at 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.

###### **Accounting policies applicable for the year ending 30 June 2005**

Trade payables and other payables were carried at cost which was fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.



## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

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

##### **(o) Interest bearing loans and borrowings**

The Fund has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest bearing loans and borrowings applicable for the year ending 30 June 2006 and the year ending 30 June 2005.

##### **Accounting policies applicable for the year ending 30 June 2006**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs associated with the borrowing.

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

##### **Accounting policies applicable for the year ending 30 June 2005**

All loans were measured at the principal amount. Interest was recognised as an expense as it accrued.

##### **(p) Inventories**

##### *Development work in progress*

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.

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) 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.

Where 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 income statement net of any reimbursement.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

##### (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 recognised in the Balance Sheet if the distribution has been declared, determined or publicly recommended prior to balance date. Distributions are of a capital nature as noted in the Product Disclosure Statement provided to unit holders.

#### (r) 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 security holder an equal interest in the Fund, and is of equal value. A security does not confer any interest in any particular asset or investment of the Fund. The rights, obligations and restrictions attached to each security holder are identical in all respects.

For the year up to 30 June 2005, unit holders' equity in the Trust was treated as equity. From 1 July 2005, as required by AASB 132 Financial Instruments: Disclosure and Presentation, issued units, where there is an obligation under the Trust Deed to repay the unit capital at the end of the Trust's life, is recognised as a liability.

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

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

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

##### **(s) Earnings per security (EPS)**

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

Diluted EPS is calculated as net profit attributable to security holders where 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 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 securities;

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

Earnings per security is calculated as net profit attributable to security holders of the Fund where securities are classified as equity, adjusted to exclude costs of servicing equity (other than dividends/distributions) divided by the weighted average number of ordinary securities.

For the year up to 30 June 2005, issued securities are classified as equity. From 1 July 2005, as required by AASB 132 Financial Instruments: Disclosure and Presentation, issued securities, where there is an obligation under the Trust's Trust Deed to repay the unit capital at the end of the Trust's life, are recognised as a liability. The Trust has elected to include the unit capital within the EPU calculation to provide more complete information. Any income distributions are treated as interest expense. To date the Fund has only paid capital distributions to security holders.

##### **(t) Leasing fees expense**

Commissions paid for negotiating and executing the on-going renewal of tenant lease agreements are capitalised as an asset and expensed over the lease term.

##### **(u) Leasing incentives**

Incentives provided to lessees in the form of lessor-paid fit-outs and improvements that remain assets of the lessor, for example by becoming part of the structure of the property which is retained beyond the lease term, are capitalised to the carrying value of the property and amortised over the period to which the lease relates.

Incentives provided to lessees in the form of rent free periods and rebates are charged against rental income over the term of the lease.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 3. SEGMENT INFORMATION

##### (a) Segment accounting policies

Segment accounting policies are the same as the Fund's policies described in Note 2. During the year there were no changes in segment accounting policies that materially effected the segment information.

##### (b) Segment Information

(i) Primary Segment - Business Segments	Property Development \$	Property Investment \$	Total \$
<b>30 June 2006</b>			
<b>Revenue</b>			
Management fee income	18,309,953	0	18,309,953
Rental income	542,271	2,418,636	2,960,907
Interest income	127,730	384,432	512,162
Fair value movement in derivatives	0	286,268	286,268
Revaluation increment on investment property	0	2,970,480	2,970,480
Total Revenue and other income	18,979,954	6,059,816	25,039,770
<b>Result</b>			
Segment result before interest expense	(2,735,169)	5,306,465	2,571,296
Interest expense	(12,504)	(1,107,012)	(1,119,516)
Segment result after interest expense and before income tax expense	(2,747,673)	4,199,453	1,451,780
Income tax expense/(benefit)	(647,916)	0	(647,916)
Net Profit/(loss)	(2,099,757)	4,199,453	2,099,696
<b>Assets</b>			
Segment assets	48,655,912	35,598,684	84,254,596
Non-segment assets	0	0	0
Total Assets	48,655,912	35,598,684	84,254,596
<b>Liabilities</b>			
Segment liabilities *	31,903,296	18,121,467	50,024,763
Non-segment liabilities *	0	0	0
Total Liabilities	31,903,296	18,121,467	50,024,763
<b>Cash flow information</b>			
Net cash flows from/(used in) operating activities	2,161,719	856,340	3,018,059
Net cash flows from/(used in) investing activities	(49,104)	148,094	98,990
Net cash flows from/(used in) financing activities	(6,810,054)	(3,009,547)	(9,819,601)

\* excluding net assets attributable to APGT unit holders - refer note 2(r)



## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 3. SEGMENT INFORMATION (Continued)

##### (b) Segment Information (Continued)

(i) Primary Segment - Business Segments	Property Development \$	Property Investment \$	Total \$
<b>30 June 2005</b>			
<b>Revenue</b>			
Management fee income	340,000	0	340,000
Rental income	65,243	1,358,201	1,423,444
Interest income	118,470	184,641	303,111
Revaluation increment on investment property	0	1,086,926	1,086,926
Total Revenue and other income	523,713	2,629,768	3,153,481
<b>Result</b>			
Segment result before interest expense	(289,411)	2,222,268	1,932,857
Interest expense	0	(579,712)	(579,712)
Segment result after interest expense and before income tax expense	(289,411)	1,642,556	1,353,145
Income tax expense/(benefit)	(350,973)	0	(350,973)
Net Profit/(loss)	61,562	1,642,556	1,704,118
<b>Assets</b>			
Segment assets	57,092,553	36,472,287	93,564,840
Non-segment assets	0	0	0
Total Assets	57,092,553	36,472,287	93,564,840
<b>Liabilities</b>			
Segment liabilities	39,812,881	18,821,822	58,634,703
Non-segment liabilities	0	0	0
Total Liabilities	39,812,881	18,821,822	58,634,703
<b>Cash flow information</b>			
Net cash flows from/(used in) operating activities	(30,331,685)	577,619	(29,754,066)
Net cash flows from/(used in) investing activities	(11,496,556)	(24,806,203)	(36,302,759)
Net cash flows from/(used in) financing activities	45,764,383	32,726,781	78,491,164

##### (ii) Secondary Reporting Segment – Geographical segments

The Fund operates in one geographical segment, being Australia.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

	<b>Consolidated</b>		<b>Parent</b>	
	<b>30 June</b>	<b>Period to</b>	<b>30 June</b>	<b>Period to</b>
	<b>2006</b>	<b>30 June</b>	<b>2006</b>	<b>30 June</b>
	<b>\$</b>	<b>2005</b>	<b>\$</b>	<b>2005</b>
		<b>\$</b>		<b>\$</b>
<b>4. REVENUE AND EXPENSES</b>				
<b>(a) Revenue from operating activities</b>				
Management fee income	18,309,953	340,000	0	0
Rental income *	2,960,907	1,423,444	2,418,636	1,358,201
Interest income	512,162	303,111	457,133	184,641
Total Revenue from operating activities	21,783,022	2,066,555	2,875,769	1,542,842
<b>(b) Expenses</b>				
Amortisation of lease incentives	295,834	105,990	295,834	105,990
Borrowing expenses				
Interest and finance charges paid or payable to:				
Related parties	12,077	0	0	0
Other parties	1,107,439	579,712	1,107,012	579,712
Amortisation of borrowing costs	1,119,516	579,712	1,107,012	579,712
	56,893	22,026	25,408	14,831
Total borrowing expenses	1,176,409	601,738	1,132,420	594,543

\* Rental income is after deducting amortisation of lease incentives

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>5. INCOME TAX</b>				
The major components of income tax expense are:				
<b>Income Statement</b>				
<i>Current income tax</i>				
Current income tax charge	1,162,202	(8,803,121)	0	0
Use of carry forward losses	(1,162,202)	0	0	0
Recognition of losses as deferred tax asset	0	8,803,121	0	0
Adjustments in respect of current income tax of previous years	0	0	0	0
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	(1,810,118)	8,452,148	0	0
Movement in losses recognised	1,162,202	(8,803,121)	0	0
Income tax benefit reported in the income statement	(647,916)	(350,973)	0	0
A reconciliation between tax benefit and the product of accounting profit/(loss) before income tax multiplied by the Fund's applicable income tax rate is as follows:				
Accounting profit before income tax	1,451,780	1,353,145	4,199,453	1,642,556
Less: Profit relating to APGT (refer (i))	(4,199,453)	(1,642,556)	(4,199,453)	(1,642,556)
Adjusted accounting profit/(loss)	(2,747,673)	(289,411)	0	0
At the Fund's statutory income tax rate of 30% (2005: 30%)	(824,302)	(86,823)	0	0
Adjustments in respect of current income tax of previous years	0	0	0	0
Expenditure not allowed for tax purposes	39	0	0	0
Other items (net)	176,347	(264,150)	0	0
Income tax expense/(benefit) reported in the income statement	(647,916)	(350,973)	0	0

(i) 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.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

5. INCOME TAX (CONTINUED)	Consolidated		Income Statement	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<b>Deferred income tax</b>				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Capitalisation of work in progress	8,004,087	8,722,114	718,027	(8,722,114)
	8,004,087	8,722,114		
<i>Deferred tax assets</i>				
Formation costs and share issue costs	54,737	67,934	(13,197)	67,934
Prepayments	50,161	0	50,161	0
Accrued expenses	51,810	3,000	48,810	3,000
Provision for doubtful debts	10,420	0	10,420	0
Work in progress expensed	1,194,927	199,031	995,897	199,032
	1,362,055	269,965	1,810,118	(8,452,148)
Losses available for offset against future taxable income	7,640,919	8,803,121	(1,162,202)	8,803,121
Gross deferred income tax assets	9,002,974	9,073,086		
Deferred tax income/(expense)			647,916	350,973

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 brought to account the tax effect of benefits from APGL's tax losses arising in Australia. The tax effect of these losses is \$7,640,919 (2005: \$8,803,121) and these are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

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 2006**

#### **5. INCOME TAX (CONTINUED)**

##### **Tax consolidation**

APGL and its 100% owned Australian resident subsidiary (LPBD) have formed a tax consolidated group with effect from 21 March 2005. 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 balance 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 2006

#### 6. EARNINGS PER SECURITY

Basic earnings per security amounts are calculated by dividing net profit 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 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 security comparisons:

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Net profit attributable to security holders of the Fund*	2,099,696	1,704,118
	<b>Number</b>	<b>Number</b>
Weighted average number of securities for basic earnings per security *	35,000,000	23,490,328

There have been no other transactions involving ordinary securities 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.

	<b>Consolidated</b>		<b>Parent</b>	
<b>7. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Capital distributions on stapled securities declared or paid during the year (totalling 8% per annum per stapled security paid quarterly in arrears):				
(a) Capital distributions paid during the year	2,101,918	559,999	2,101,918	559,999
(b) Capital distributions provided for during the year	698,082	650,352	698,082	650,352
	2,800,000	1,210,351	2,800,000	1,210,351

No dividends were paid or proposed during the year (2005: Nil). The company had no franking credits at 30 June 2006 (2005: Nil).

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

8. CASH AND CASH EQUIVALENTS	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank and on hand	5,466,827	12,183,068	4,993,084	8,498,197
Deposits at call	264,960	251,271	0	0
	<u>5,731,787</u>	<u>12,434,339</u>	<u>4,993,084</u>	<u>8,498,197</u>

Cash at bank and deposits at call earn interest at floating rates based on daily bank deposit rates.

At 30 June 2006 the Fund had available \$Nil (30 June 2005: \$Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation to Cash Flow Statement	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
For the purposes of the Cash Flow Statement, cash comprises the following:				
Cash at bank and on hand	5,466,827	12,183,068	4,993,084	8,498,197
Deposits at call	264,960	251,271	0	0
	<u>5,731,787</u>	<u>12,434,339</u>	<u>4,993,084</u>	<u>8,498,197</u>

#### Reconciliation of net profit after tax to net cash flows from operations

Net profit after income tax	2,099,696	1,704,118	4,199,453	1,642,556
Adjustment for:				
Amortisation of borrowing costs	56,893	22,026	25,408	14,831
Amortisation of lease fitout incentives	295,834	105,990	295,834	105,990
Borrowing costs capitalised	(1,725,657)	(1,553,185)	0	(127,048)
Revaluation of property investment	(2,970,480)	(1,086,926)	(2,970,480)	(1,086,926)
Changes in assets and liabilities				
(Increase)/decrease in receivables	(438,790)	(577,183)	(569,494)	(237,324)
(Increase)/decrease in inventories	7,071,305	(28,314,383)	0	0
(Increase)/decrease in deferred tax asset	70,112	(9,073,086)	0	0
(Increase)/decrease in other assets	(1,389)	(44,856)	(889)	(42,756)
Increase/(decrease) in payables	(721,438)	341,305	(123,492)	308,296
Increase/(decrease) in provisions	(718,027)	8,722,114	0	0
	<u>3,018,059</u>	<u>(29,754,066)</u>	<u>856,340</u>	<u>577,619</u>

Net cash used in operating activities

#### Disclosure of financing facilities

Refer to Note 15.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>9. TRADE AND OTHER RECEIVABLES</b>				
<b>Current</b>				
Trade debtors (i)	141	173	141	173
Other debtors (ii)	187,581	422,390	18,270	82,530
Provision for doubtful debts	(34,732)	0	0	0
Straight line rent receivable (iii)	429,438	154,621	429,438	154,621
Deposit on conditional contract for purchase of property (iv)	0	800,000	0	800,000
Amount receivable from related parties (ii)	140,706	116,095	72,701	0
	<u>723,134</u>	<u>1,493,279</u>	<u>520,550</u>	<u>1,037,324</u>
<b>Non-Current</b>				
Unsecured notes issued by related party (v)	<u>0</u>	<u>0</u>	<u>1,500,000</u>	<u>0</u>
(i) Trade debtors are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.				
(ii) These are non-interest bearing and are generally settled between 30 and 60 days of amounts becoming due and payable.				
(iii) Under AASB 117, rental income arising on investment properties is accounted for on a straight-line basis for "fixed increase leases" over the lease term. Contingent rental income and a straight line rent receivable are recognised in the periods in which they are earned.				
(iv) Deposit on conditional contract for purchase of property is interest bearing (to be split evenly with the vendor). This deposit was refunded to the Fund as the purchase of the property did not occur due to failure to meet conditions of the contract.				
(v) On 16 December 2005 the Trust subscribed for 1,500,000 unsecured notes in APGL for a cost of \$1 per unsecured note. Interest is payable on the unsecured notes based on the 90 day bank bill rate plus a margin of 3% per annum. Interest payable on these unsecured notes is due on 1 July 2006. Interest payable accrued at 30 June 2006 was \$72,701 (2005: Nil).				

Details regarding the interest rate and credit risk of receivables are disclosed in Notes 18 and 19.

**Notes to the Financial Statements (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>10. INVENTORY</b>				
<b>Current</b>				
Work in progress at cost (Teneriffe)	26,680,290	32,025,937	0	0
Total inventories at lower of cost and net realisable value	26,680,290	32,025,937	0	0
Included in work in progress is capitalised borrowing costs of \$3,083,594 (2005: \$1,357,937).				
<b>Non-Current</b>				
Work in progress at cost (Palm Beach)	11,648,437	11,599,333	0	0
Total inventories at lower of cost and net realisable value	11,648,437	11,599,333	0	0
Included in work in progress is capitalised borrowing costs of \$Nil (2005: \$Nil).				
<b>11. OTHER ASSETS</b>				
<b>Current</b>				
Prepayments	582,261	42,756	274,639	42,656
Security deposits	2,700	2,100	100	100
	584,961	44,856	274,739	42,756
<b>Non-Current</b>				
Prepayments	26,183	0	26,183	0

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>12. INVESTMENT PROPERTY HELD DIRECTLY</b>				
Property investments held directly	27,637,878	25,315,492	27,637,878	25,315,492
<b>(a) Reconciliation of Carrying Amounts</b>				
<i>Reconciliation of carrying amounts of property investments</i>				
Opening balance at start of year	25,315,492	0	25,315,492	0
Capital acquisitions	0	25,905,975	0	25,905,975
Additions	1,906	7,099	1,906	7,099
Net profit from fair value adjustments	2,970,480	1,086,926	2,970,480	1,086,926
Transfer to lease fitout incentives	(650,000)	(1,684,508)	(650,000)	(1,684,508)
Closing balance at end of year	27,637,878	25,315,492	27,637,878	25,315,492

**(b) Assets pledged as security**

The assets of the Trust are pledged as security to Suncorp Metway Ltd under a first registered mortgage debenture granted by The Public Trustee of Queensland as Custodian for APGT.

Included in the balances of property investments are assets over which first mortgages have been granted as security over bank loans. The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first 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		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
Property Investments held directly	27,637,878	25,315,492	27,637,878	25,315,492
Lease fitout incentives (refer Note 13)	1,932,684	1,578,518	1,932,684	1,578,518
	29,570,562	26,894,010	29,570,562	26,894,010

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 12. INVESTMENT PROPERTY HELD DIRECTLY (continued)

##### (c) Details of Property Valuation

**Property Description:** 99 Melbourne Street South Brisbane Qld

**Date Acquired:** 21 December 2004

**2006**

**\$**

**Cost and additions to 30 June 2006:**

Property investments held directly	23,580,472
Lease fitout incentives	2,334,508

Total cost and additions to 30 June 2006	25,914,980
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**Book value at 30 June 2006:**

Property investments held directly (refer Note 12(a))	27,637,878
Lease fitout incentives (refer Note 13)	1,932,684
Straight line rent receivable (refer Note 9)	429,438

Total book value at 30 June 2006	30,000,000
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<b>Latest Independent Valuation</b> (dated 1 June 2006) *	30,000,000
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\* Fair value as assessed by Savills (Qld) Pty Ltd using a fair market value approach between a willing buyer and seller.



## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

		<b>Consolidated</b>		<b>Parent</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>13. LEASE FITOUT INCENTIVES</b>					
Lease fitout incentives		2,334,508	1,684,508	2,334,508	1,684,508
Less: amortisation		(401,824)	(105,990)	(401,824)	(105,990)
		<u>1,932,684</u>	<u>1,578,518</u>	<u>1,932,684</u>	<u>1,578,518</u>
<b>(a) Reconciliation of carrying amounts</b>					
<i>Reconciliation of carrying amounts of lease fitout incentives</i>					
Opening balance at start of year		1,578,518	0	1,578,518	0
Transfer from property investment held directly		650,000	1,684,508	650,000	1,684,508
Amortisation		(295,834)	(105,990)	(295,834)	(105,990)
		<u>1,932,684</u>	<u>1,578,518</u>	<u>1,932,684</u>	<u>1,578,518</u>
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>14. TRADE AND OTHER PAYABLES</b>					
<b>Current</b>					
Trade creditors (i)		166,647	28,042	17,910	5,634
Prepaid income (ii)		173,918	174,650	173,918	174,650
Other creditors and accruals (iii)		1,891,963	2,611,760	234,019	144,765
Accrued capital distribution (iv)		698,082	650,352	698,082	650,352
		<u>2,930,610</u>	<u>3,464,804</u>	<u>1,123,929</u>	<u>975,401</u>
<b>Non – Current</b>					
Prepaid income (ii)		<u>1,015,828</u>	<u>1,890,119</u>	<u>1,015,828</u>	<u>1,890,119</u>
<p>(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.</p> <p>(ii) Prepaid income is non-interest bearing and recognised as income over the period to which the lease relates.</p> <p>(iii) Other creditors and accruals are non-interest bearing and are generally settled between 30 and 60 days of amounts becoming due and payable.</p> <p>(iv) Accrued capital distribution represents an 8% annual capital return paid quarterly to security holders.</p>					

Details regarding the interest rate and credit risk of payables is disclosed in Notes 18 and 19.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

15. INTEREST-BEARING LOANS AND BORROWINGS		Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>Current</b>					
<i>Secured borrowings:</i>					
Related party loan	(i)	11,256,422	19,989,658	0	0
Less: Net borrowing costs		(29,520)	(61,005)	0	0
Secured bank loan	(iii)	7,777,000	7,777,000	0	0
<i>Unsecured borrowings:</i>					
Related party loan – Leyshon Pty Ltd	(ii)	1,512,077	0	0	0
		<u>20,515,979</u>	<u>27,705,653</u>	<u>0</u>	<u>0</u>
<b>Non Current</b>					
<i>Secured borrowings:</i>					
Secured bank loan	(iv)	16,068,520	16,068,520	16,068,520	16,068,520
Less: Net borrowing costs		(86,809)	(112,218)	(86,809)	(112,218)
		<u>15,981,711</u>	<u>15,956,302</u>	<u>15,981,711</u>	<u>15,956,302</u>

- (i) The loan facility is provided by Leyshon Properties Pty Ltd as trustee for London Woolstore Trust ('LWT'). The loan is secured by a second mortgage over the London Woolstore property. Interest on the loan is initially paid by LWT and is then reimbursed by APGL in accordance with the Development agreement dated 8 November 2004. The loan facility expires on 31 October 2006 and expected to be repaid before that date.
- (ii) This loan facility is unsecured and is repayable in full by 31 December 2006. Effective interest rate applicable to the loan facility is 5.75% p.a.
- (iii) The loan facility is provided by St George Bank Limited. Security provided to the lender is a guarantee and indemnity from APGL, first registered mortgage by LPBD over the commercial property located at Palm Beach Shopping Centre 1102 & 1112 Gold Coast Highway, Palm Beach and set off deed over \$250,000 funds on deposit with St George Bank Limited given by LPBD. The loan facility expires on 28 September 2006 but is expected to be extended thereafter.
- (iv) The loan facility is provided by Suncorp-Metway Ltd (SML). Security provided to the lender is a guarantee and indemnity from Public Trustee of Queensland as Custodian for APGL via first registered mortgage over the 99 Melbourne Street Property. Refer to Note 12(b).

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 15. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

##### *Financing facilities available*

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

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Facilities used	35,101,942	43,835,178	16,068,520	16,068,520
Total facilities	35,101,942	43,835,178	16,068,520	16,068,520

##### *Assets pledged as security*

Details of assets pledged as security are disclosed in note 12(b).

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>16. OTHER LIABILITIES</b>				
<b>Non - Current</b>				
Loan - Palm Beach Developments Pty Ltd (i)	1,576,548	895,711	0	0

(i) Pursuant to a Development Agreement between Palm Beach Developments Pty Ltd ("PBD") and LPBD, PBD is to contribute 20% of the equity for the Palm Beach project in return for being entitled to a development fee equating to 20% of the profits of the project.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

17. MEMBERS' INTERESTS	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>(a) Attributable to unit holders of APTG</b>				
<i>Units on issue</i>				
Units issued	17,500,000	17,500,000	17,500,000	17,500,000
Less: Transaction costs	(281,740)	(281,740)	(281,740)	(281,740)
Capital repayment	(4,010,351)	(1,210,351)	(4,010,351)	(1,210,351)
	<u>13,207,909</u>	<u>16,007,909</u>	<u>13,207,909</u>	<u>16,007,909</u>

Unit holders have the right to receive distributions, and in the event of termination of APTG, to participate in the proceeds from the sale of all surplus assets in proportion to the number of units held. Units entitle their holder to one vote, either in person or by proxy, at a meeting of APTG.

<i>Movement in units issued</i>	Number	\$
At 1 July 2004	0	0
25,297,000 units issued 20 December 2004	25,297,000	12,648,500
6,350,000 units issued 1 April 2005	6,350,000	3,175,000
2,000,000 units issued 19 May 2005	2,000,000	1,000,000
1,353,000 units issued 30 June 2005	1,353,000	676,500
Less: Transaction costs	0	(281,740)
At 1 July 2005	<u>35,000,000</u>	<u>17,218,260</u>
No movements for year		0
At 30 June 2006		<u>17,218,260</u>

<i>Movement in capital repayments</i>	
At 1 July 2004	0
31 December 2004 quarter distribution paid 27 January 2005	(60,990)
31 March 2005 quarter distribution paid 18 April 2005	(499,009)
30 June 2005 quarter distribution paid 19 July 2005	(650,352)
At 30 June 2005	<u>(1,210,351)</u>
30 September 2005 quarter distribution paid 27 October 2005	(705,753)
31 December 2005 quarter distribution paid 31 January 2006	(705,754)
31 March 2006 quarter distribution paid 28 April 2006	(690,411)
30 June 2006 quarter distribution paid 31 July 2006	(698,082)
At 30 June 2006	<u>(4,010,351)</u>
<b>Total issued and paid up units</b>	<u>13,207,909</u>

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Undistributed earnings</b>				
Balance at the beginning of year	1,642,556	0	1,642,556	0
Net profit attributable to the unit holders	4,199,453	1,642,556	4,199,453	1,642,556
	<u>5,842,009</u>	<u>1,642,556</u>	<u>5,842,009</u>	<u>1,642,556</u>

Undistributed income represents accounting profits derived that have not been distributed to unit holders.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>17. MEMBERS' INTERESTS (Continued)</b>		
<b>(b) Attributable to members of APGL</b>		
Issued and Paid up shares (i)	17,218,110	17,218,110
Retained earnings (ii)	(2,038,195)	61,562
	<hr/>	<hr/>
Total Equity	15,179,915	17,279,672
	<hr/>	<hr/>
<i>(i) Ordinary shares</i>		
Issued and fully paid	17,500,000	17,500,000
Less: Transaction costs	(281,890)	(281,890)
	<hr/>	<hr/>
	17,218,110	17,218,110
	<hr/>	<hr/>
<i>Movement in ordinary shares on issue</i>	<b>Number</b>	<b>\$</b>
At 1 July 2004	0	0
25,297,000 shares issued 21 December 2004	25,297,000	12,648,500
6,350,000 shares issued 1 April 2005	6,350,000	3,175,000
2,000,000 shares issued 19 May 2005	2,000,000	1,000,000
1,353,000 shares issued 30 June 2005	1,353,000	676,500
Less: Transaction costs	0	(281,890)
	<hr/>	<hr/>
At 1 July 2005	35,000,000	17,218,110
No movements for year	0	0
	<hr/>	<hr/>
At 30 June 2006	35,000,000	17,218,110
	<hr/>	<hr/>
Shareholders have the right to receive distributions, and in the event of termination of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Shares entitle their holder to one vote, either in person or by proxy.		
	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<i>(ii) Retained earnings</i>		
Balance 1 July	61,562	0
Net profit/(loss) for the year	(2,099,757)	61,562
	<hr/>	<hr/>
Balance 30 June	(2,038,195)	61,562
	<hr/>	<hr/>

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial instruments, other than derivatives, comprise bank loans, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Fund's operations. The Fund has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Fund also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate risks arising from the Fund's operations and its sources of finance. It is, and has been throughout the year under review, the Fund's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Fund's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial report.

##### *Cash flow interest rate risk*

The Fund's exposure to the risk of changes in market interest rates relates primarily to the Fund's long-term debt obligations with a floating interest rate.

##### *Credit risk*

The Fund trades only with recognised, creditworthy third parties.

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

There are no significant concentrations of credit risk within the Fund.

##### *Liquidity risk*

The Fund's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.



## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 19. FINANCIAL INSTRUMENTS

##### Fair values

The Fund's recognised financial assets and liabilities included in the Balance Sheet are carried at values which directors consider approximates their net fair value.

The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of loans and other financial assets have been calculated using market interest rates.

##### Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

As at 30 June 2006	Floating Rate	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average interest rate %
<b>CONSOLIDATED</b>									
<b>FINANCIAL ASSETS</b>									
<i>Floating rate</i>									
Cash and cash equivalents	5,731,787	-	-	-	-	-	-	5,731,787	5.65%
<i>Weighted average interest rate</i>	5.65%	-	-	-	-	-	-		
<b>FINANCIAL LIABILITIES</b>									
<i>Floating rate</i>									
Secured bank loan	16,068,520	-	-	-	-	-	-	16,068,520	7.08%
Interest rate swap	(16,068,520)	-	-	-	16,068,520	-	-	-	N/A
Unsecured loan from related party	-	1,512,077	-	-	-	-	-	1,512,077	5.75%
Secured loan from related party	11,256,422	-	-	-	-	-	-	11,256,422	8.56%
Secured bank loan	7,777,000	-	-	-	-	-	-	7,777,000	7.98%
	19,033,422	1,512,077	-	-	16,068,520	-	-	36,614,019	
<i>Weighted average interest rate</i>	7.75%	5.75%	-	-	-	-	-		
<b>PARENT</b>									
<b>FINANCIAL ASSETS</b>									
<i>Floating rate</i>									
Cash and cash equivalents	4,993,084	-	-	-	-	-	-	4,993,084	5.65%
<i>Weighted average interest rate</i>	5.65%	-	-	-	-	-	-		
<b>FINANCIAL LIABILITIES</b>									
<i>Floating rate</i>									
Secured bank loan	16,068,520	-	-	-	-	-	-	16,068,520	7.08%
Interest rate swap	(16,068,520)	-	-	-	16,068,520	-	-	-	N/A
	-	-	-	-	16,068,520	-	-	16,068,520	
<i>Weighted average interest rate</i>	N/A	-	-	-	-	-	-		

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 19. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2005	Floating rate	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average interest rate %
<b>CONSOLIDATED</b>									
<b>FINANCIAL ASSETS</b>									
<i>Floating rate</i>									
Cash and cash equivalents	12,434,339	-	-	-	-	-	-	12,434,339	5.30%
<i>Weighted average interest rate</i>	5.30%	-	-	-	-	-	-		
<b>FINANCIAL LIABILITIES</b>									
<i>Floating rate</i>									
Secured bank loan	16,068,520	-	-	-	-	-	-	16,068,520	6.89%
Interest rate swap	(16,068,520)	-	-	-	-	16,068,520	-	-	N/A
Secured loan from related party	19,989,658	-	-	-	-	-	-	19,989,658	8.37%
Secured bank loan	7,777,000	-	-	-	-	-	-	7,777,000	7.68%
	27,766,658	-	-	-	-	16,068,520	-	43,835,178	
<i>Weighted average interest rate</i>	8.18%	-	-	-	-	-	-		
<b>PARENT</b>									
<b>FINANCIAL ASSETS</b>									
<i>Floating rate</i>									
Cash and cash equivalents	8,498,197	-	-	-	-	-	-	8,498,197	5.30%
<i>Weighted average interest rate</i>	5.30%	-	-	-	-	-	-		
<b>FINANCIAL LIABILITIES</b>									
<i>Floating rate</i>									
Secured bank loan	16,068,520	-	-	-	-	-	-	16,068,520	6.89%
Interest rate swap	(16,068,520)	-	-	-	-	16,068,520	-	-	N/A
	-	-	-	-	-	16,068,520	-	16,068,520	
<i>Weighted average interest rate</i>	N/A	-	-	-	-	-	-		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Fund that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 20. COMMITMENTS AND CONTINGENCIES

##### Capital Commitments

There are no outstanding capital commitments for expenditure except for the following:

- London Woolstore Project. – \$57,177 at 30 June 2006 (2005: \$6,684,990).
- Palm Beach Project – \$177,272 at 30 June 2006 (2005: \$Nil).

##### Contingencies

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

##### Operating lease commitments – Fund as lessor

Some of the property owned by the Fund is leased to third parties under operating leases.

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Future minimum rental revenues under non-cancellable operating leases are as follows:	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
- not later than one year	2,628,269	2,440,235	2,183,473	2,047,579
- later than one year and not later than five years	10,065,272	9,745,287	9,517,954	9,072,898
- later than five years	4,393,368	7,619,239	4,393,368	7,619,239
<b>Total</b>	<b>17,086,909</b>	<b>19,804,761</b>	<b>16,094,795</b>	<b>18,739,716</b>

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 21. RELATED PARTY DISCLOSURE

APGT is the parent entity of APGL and LPBD. APTG is the ultimate parent.  
LCL is the Trustee and Responsible Entity of APTG.

*Shareholdings of LCL are as follows:*

	%	No. of Shares
Leyshon Pty Ltd	45.0	450
W G Collins Pty Ltd atf W G Collins Discretionary Trust	22.5	225
O'Reilly Enterprises Pty Ltd atf O'Reilly Family Trust	22.5	225
G & M Rees Investments Pty Ltd atf G & M Investment Trust	7.5	75
Glendower Investments Pty Ltd atf Glendower Super Fund	2.5	25
	100	1,000

#### Directors

The Directors of APGL and LPBD during the year were:

N E Summerson (appointed 3 May 2006)

R. Bryan

G. M. McMahon

W.G. Collins

M. O'Reilly

S. E. Bryan

K.R Pickard

S. K. Smith (Director until resignation on 3 May 2006. Alternate Director for S. E. Bryan from 3 May 2006).

The Directors of LCL during the year were:

N. E. Summerson

G. M. McMahon

W.G. Collins

M. O'Reilly

#### Other transactions

##### Development Management Fees

During the year APGL and LPBD paid \$1,100,000 (2005: 1,312,777) and \$1,233,334 (2005: Nil) respectively to LCL for development management fees. LCL is the Asset Manager of APGL and LPBD. G. McMahon, N. Summerson, M O'Reilly and W. Collins are Directors and shareholders in LCL. R. Bryan is a shareholder in LCL.

Transactions between APGL, LPBD and LCL result from normal dealings in accordance with the Development Management Agreements.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

#### **21. RELATED PARTY DISCLOSURE (Continued)**

##### **Other transactions (Continued)**

###### Acquisition Fees

During the year, APGT paid LCL acquisition fees of Nil (2005: \$490,000).

###### Development Agreement

During the year APGL reimbursed London Woolstore Trust for costs of \$11,823,973 (2005: \$32,021,464) incurred in the development of the London Woolstore project. During the year London Woolstore Trust paid APGL a management fee (Project Delivery Fee) of \$18,309,953 (2005: Nil) in respect of settlements of the London Woolstore project.

Transactions between APGL and Leyshon Properties Pty Ltd as trustee for London Woolstore Trust result from normal dealings with those companies in accordance with the Development Agreement.

###### Management Fees

APGL received no management fees (2005: \$340,000) from Leyshon Properties Pty Ltd as trustee for London Woolstore Trust for various property management services in relation to the London Woolstore property. These management fees were determined on normal commercial terms.

###### Loans

APGL has provided a loan of \$6,865,894 (2005: \$4,084,500) to its controlled entity, LPBD. This loan is unsecured and interest free, with no set repayment terms.

###### Other fees

During the year ending 30 June 2006 LCL received property management fees of \$24,000 (21 December 2004 to 30 June 2005: \$6,000) and asset management fees of \$124,792 (21 December 2004 to 30 June 2005: \$61,250) from APGT.

Transactions between APGT and LCL result from normal dealings with those entities as the Trust's asset and property manager in accordance with the Asset Management Agreement and Property Management Agreement.

###### Unsecured Notes

On 16 December 2005 APGT subscribed for 1,500,000 unsecured notes issued by APGL at a cost of \$1 each. Interest is payable on the notes based on the 90 day bank bill rate plus a margin of 3% pa. Interest payable on the notes at 30 June 2006 was \$72,701 (2005: Nil). This transaction eliminates on consolidation.

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 22. AUDITOR'S REMUNERATION

The auditor of APGF is Ernst & Young

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Amounts received or due and receivable by Ernst &amp; Young for:</i>				
• an audit or review of the financial report of the Fund	94,156	40,170	43,302	20,170
• other services in relation to the Fund				
- taxation services	53,030	56,500	33,100	35,875
- restructuring advice (takeover/capital raising)	232,928	3,834	100,798	0
	<u>380,114</u>	<u>100,504</u>	<u>177,200</u>	<u>56,045</u>



## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 23. DIRECTORS AND EXECUTIVES DISCLOSURES

##### APGT

The key management personnel of LCL, the Trustee and Responsible Entity of APTG, during the year were:

##### *Directors*

N. E. Summerson	Chairman
G. M. McMahon	Managing Director
W. G. Collins	Director
M. O'Reilly	Director

##### *Executive*

C. N. Little	Financial Controller/Company Secretary
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LCL, as the Responsible Entity of APTG, is considered to be included in key management personnel of APTG. Compensation is paid to LCL in the form of fees which are disclosed in Note 18 (a).

The Directors and key management personnel of LCL are not remunerated directly or indirectly by APTG and none of their remuneration has been charged as an expense to APTG. The Directors and key management personnel received remuneration from entities related to the Responsible Entity, LCL, under contracts of employment with those entities. As no other key management personnel are remunerated either directly or indirectly by APTG, no compensation as defined in AASB 124 *Related Parties* is paid by APTG to those key management personnel.

##### APGL

The key management personnel of APGL during the year were:

##### *Directors*

N. E. Summerson	Chairman
G. M. McMahon	Managing Director
W. G. Collins	Director
M. O'Reilly	Director
R. Bryan	Director
S. E. Bryan	Director
K. R. Pickard	Director

##### *Executives*

C. N. Little	Financial Controller/Company Secretary
M. S. Rundle	Manager - Property Development

The key management personnel of APGL are not remunerated directly or indirectly by APGL and none of their remuneration has been charged as an expense to APGL. The key management personnel received remuneration from entities related to APGL, under contracts of employment with those entities. As no other key management personnel are remunerated either directly or indirectly by APGL, no compensation as defined in AASB 124 *Related Parties* is paid by APGL to those key management personnel.

## **Notes to the Financial Statements (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2006**

#### **24. SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

##### **Extraordinary General Meeting**

On 19 July 2006, 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 with all resolutions being approved. The purpose of the EGM was to introduce and approve a number of resolutions relating to significant transactions and milestone events for the Fund. The resolutions related to the following:

##### **Capital Raising**

The Fund issued a Prospectus and Product Disclosure Statement dated 19 July 2006 seeking 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. On 18 September 2006, APGF announced that it had to date allotted 26,834,906 Stapled Securities raising \$28.45 million.

The issue price of \$1.06 per Stapled Security reflects the Fund's current underlying net asset value. The issue price of \$1.06 per Stapled Security will be allocated \$1.05 to APGT and \$0.01 to APGL. This allocation reflects the Fund Managers' focus on building a quality portfolio that will produce long term capital growth and stable rental income streams.

##### **Blue Tower Trust Takeover Bid**

On 19 July 2006, the Fund announced a Takeover bid for all of the issued units in Blue Tower Trust. The \$74.2 million Capital Raising was not contingent on the success of the Blue Tower Trust Takeover bid. Conversely, the Takeover bid was not dependent on the success of the Capital Raising as it was a scrip takeover bid.

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 would equate to the total value of the units in Blue Tower Trust. On 18 September 2006, APGF announced that it had received acceptances from BTT unitholders in respect of 99.99% of units on issue and that the takeover was unconditional.

##### **Modification to the Trust Deed and Constitution**

The Trust Deed of APGT and the Constitution of APGL required modification to document and record the capital raising and the takeover as detailed above.

##### **Name Change for the Fund**

Subsequent to year end, the name of the Fund was changed to 'Australian Property Growth Fund' with a corresponding name change to APGT and APGL. These name changes reflect the vision in which the Fund Managers are seeking to position and grow the Fund.

The directors are not aware of any other 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 2006

#### 25. TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Fund prepared its financial statements in accordance with Australian Generally Accepted Accounting Principles ('AGAAP'). These financial statements for the year ended 30 June 2006 are the first the Fund is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS').

Accordingly, the Fund has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Fund has started from an opening balance sheet as at 1 July 2004, the Fund's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the Fund in restating its previously published AGAAP financial statements for the year ended 30 June 2005. There were no adjustments made by the Fund in restating its AGAAP balance sheet at 1 July 2004 as the fund was not operating at that time.

AIFRS require that one of the entities in a stapled structure be treated as the parent entity. For the half year financial report to 31 December 2005, APGL was accounted for as the parent entity. The directors have reconsidered and determined given the size and significance of APGT to the APGF stapled fund, it is deemed more appropriate to consider APGT as the acquirer entity upon entering the stapled arrangement on 21 December 2004. This change, which has no financial impact on the consolidated entity (and therefore no impact on the net assets of the stapled entity), has been applied under AIFRS as having been in effect from the date of the stapling of the APGT units and APGL shares.

#### *Exemptions applied*

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Fund has taken the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the Fund has adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

#### *Explanation of material adjustments to the cash flow statement*

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005	Note	CONSOLIDATED			PARENT	
		AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$
Net profit after tax	a,b, c,d	864,673	839,445	1,704,118	506,999	1,135,557
<b>Net profit for the year</b>		864,673	839,445	1,704,118	506,999	1,135,557

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 25. TRANSITION TO AIFRS (continued)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005*		CONSOLIDATED			PARENT		
		AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$	AIFRS \$
ASSETS							
Current Assets							
Cash and cash equivalents		12,434,339	0	12,434,339	8,498,197	0	8,498,197
Trade and other receivables	c	1,338,658	154,621	1,493,279	882,703	154,621	1,037,324
Inventory	g	32,025,937	0	32,025,937	0	0	0
Other		44,856	0	44,856	42,756	0	42,756
Total Current Assets		45,843,790	154,621	45,998,411	9,423,656	154,621	9,578,277
Non-Current Assets							
Property investments held directly	d	27,000,000	(1,684,508)	25,315,492	27,000,000	(1,684,508)	25,315,492
Lease fitout incentive	d	0	1,578,518	1,578,518	0	1,578,518	1,578,518
Inventory	g	12,372,455	(773,122)	11,599,333	0	0	0
Deferred tax asset	f	9,512,207	(439,121)	9,073,086	0	0	0
Other	b,e	174,323	(174,323)	0	112,217	(112,217)	0
Total Non-Current Assets		49,058,985	(1,492,556)	47,566,429	27,112,217	(218,207)	26,894,010
TOTAL ASSETS		94,902,775	(1,337,935)	93,564,840	36,535,873	(63,586)	36,472,287
LIABILITIES							
Current Liabilities							
Trade and other payables		3,464,804	0	3,464,804	975,401	0	975,401
Interest bearing loans and borrowings	e	19,989,658	(61,005)	19,928,653	0	0	0
Total Current Liabilities		23,454,462	(61,005)	23,393,457	975,401	0	975,401
Non-Current Liabilities							
Payables		1,890,119	0	1,890,119	1,890,119	0	1,890,119
Interest bearing loans and borrowings	e	23,845,520	(112,218)	23,733,302	16,068,519	(112,217)	15,956,302
Deferred tax liability	f	9,639,345	(917,231)	8,722,114	0	0	0
Other		895,711	0	895,711	0	0	0
Total Non-Current Liabilities		36,270,695	(1,029,449)	35,241,246	17,958,638	(112,217)	17,846,421
TOTAL LIABILITIES		59,725,157	(1,090,454)	58,634,703	18,934,039	(112,217)	18,821,822
NET ASSETS		35,177,618	(247,481)	34,930,137	17,601,834	48,631	17,650,465

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2006

#### 25. TRANSITION TO AIFRS (continued)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005 (Cont)*	CONSOLIDATED			PARENT		
	AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$	AIFRS \$
<b>MEMBERS' INTERESTS</b>						
<b>Attributable to unit holders of APGT</b>						
Units on issue	16,007,909	0	16,007,909	16,007,909	0	16,007,909
Asset revaluation reserve <i>a</i>	1,086,926	(1,086,926)	0	1,086,926	(1,086,926)	0
Undistributed earnings	506,999	1,135,557	1,642,556	506,999	1,135,557	1,642,556
<i>Breakdown of impact on undistributed earnings</i>						
Revaluation of investment property <i>a</i>		1,086,926			1,086,926	
Straight-line rent adjustment <i>c</i>		154,621			154,621	
Lease fitout incentive amortisation <i>d</i>		(105,990)			(105,990)	
<b>Attributable to members of APGL</b>						
Contributed equity	17,218,110	0	17,218,110	0	0	0
Retained earnings	357,674	(296,112)	61,562	0	0	0
<i>Breakdown of impact on retained earnings</i>						
Write-off formation costs <i>b</i>		(1,100)			0	
Income tax adjustment <i>f</i>		478,110			0	
Development cost write off <i>g</i>		(773,122)			0	
<b>TOTAL MEMBERS INTERESTS</b>	<b>35,177,618</b>	<b>(247,481)</b>	<b>34,930,137</b>	<b>17,601,834</b>	<b>48,631</b>	<b>17,650,465</b>

\* For illustrative purposes a reconciliation of the entire balance sheet has been presented.

**Notes to the Financial Statements (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**25. TRANSITION TO AIFRS (continued)**

*Impact of adopting AIFRS*

Outlined below are the areas impacted upon adoption of AIFRS, including the financial impact on equity and profit.

Reference	Item	AGAAP	AIFRS	Impact
<i>a</i>	Investment property	Fair value movements in investment properties were recognised in the asset revaluation reserve to the extent that there were revaluation increments/decrements to offset against.	Under AASB 140 <i>Investment Property</i> fair value movements in Investment Properties are recognised in the income statement.  An adjustment was required at transition to transfer these fair value movements from the asset revaluation reserve to retained earnings.	<i>Equity at 30 June 2005:</i> Decrease in Reserves and increase in retained earnings of \$1,086,926  <i>Profit for 30 June 2005:</i> Increase to profit of \$1,086,926
<i>b</i>	Formation costs	Formation costs were capitalised and amortised over 5 years.	Under AASB 138 <i>Intangible Assets</i> , formation costs are to be expensed as incurred.	<i>Profit for 30 June 2005:</i> Decrease to profit of \$1,100
<i>c</i>	Rental revenue	Revenues from rents and recoverable outgoings were recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.	Under AASB 117 Rental income arising on 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 periods in which it is earned.	<i>Profit for 30 June 2005:</i> Increase to profit of \$154,621

## Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2006

### 25. TRANSITION TO AIFRS (continued)

*Impact of adopting AIFRS (continued)*

Reference	Item	AGAAP	AIFRS	Impact
<i>d</i>	Lease fitout incentives	Lease incentives were included within the investment property and not amortised.	Lease incentives (re: fitout) will be separated out from property investments and will be amortised over the period of the lease.	<i>Profit for 30 June 2005:</i> Decrease to profit of \$105,990
<i>e</i>	Borrowing costs	Borrowing costs were capitalised, disclosed under non-current assets, and amortised over 5 years.	Under AASB 132, borrowing costs are capitalised, disclosed net against the relating interest bearing loan, and amortised over 5 years.	<i>Equity at 30 June 2005:</i> No impact  <i>Profit for 30 June 2005:</i> No impact
<i>f</i>	Income tax - change of Income Tax standard and effect of g below	Deferred tax balances were required to be recognised according to the income statement method.	Under AASB 112, Deferred tax balances are required to be recognised according to the balance sheet liability method.	<i>Profit for 30 June 2005:</i> Increase to profit of \$478,110
<i>g</i>	Development costs	Pre-development costs were capitalised to a project.	Under AASB 138, pre development costs are to be expensed until such time as the Fund commits to the development project.	<i>Profit for 30 June 2005:</i> Decrease to profit of \$773,122 before tax



## Directors' Declaration

In accordance with a resolution of the Directors of Leyshon Corporation Limited as Trustee and Responsible Entity for Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) and the Directors of Australian Property Growth Limited (formerly Leyshon Developments No.3 Limited), we state that:

(1) In the opinion of the Directors:

(a) the financial statements and notes set out on pages 32 to 80:

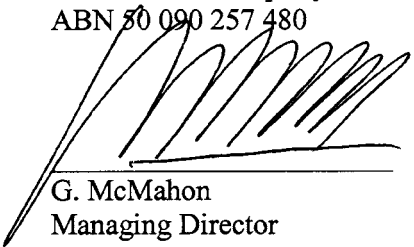
(i) give a true and fair view of the Trust and of the consolidated entity's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(ii) comply with Accounting Standards and Corporations Regulations 2001; and

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

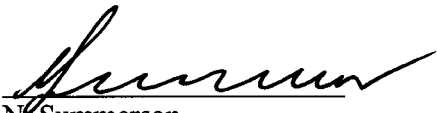
(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

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



G. McMahon  
Managing Director  
Brisbane, 27 September 2006

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



N. Summerson  
Chairman  
Brisbane, 27 September 2006

## **Independent audit report to the security holders of Australian Property Growth Fund (formerly Leyshon Property Fund No.3)**

comprising the financial report of Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) and its controlled entities

### **Scope**

#### *The financial report and trustee's responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in securityholder's interests, cash flow statement, accompanying notes to the financial statements, and the trustee's declaration for Australian Property Growth Fund (formerly Leyshon Property Fund No.3) (the "Fund") (comprising the consolidated financial report of Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) (the "Trust") and its controlled entities) for the year ended 30 June 2006. The Fund, as the consolidated entity, comprises both the Trust and the entities it controlled during that year.

The trustees of the Trust are responsible for preparing a financial report that presents fairly the financial position and performance of the Trust and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001 and trust deed. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion to the security holders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and trust deed, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the trustee.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the trustee and management of the Trust.

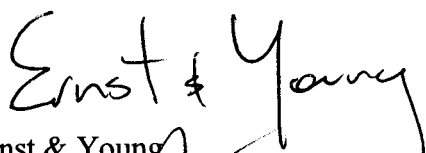
### Independence

We are independent of the Trust and the consolidated entity, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the trustees of the Trust a written Auditor's Independence Declaration, a copy of which is attached at page 31. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### Audit opinion

In our opinion:

1. the financial report of Australian Property Growth Fund (formerly Leyshon Property Fund No.3) (comprising the consolidated financial report of Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) and its controlled entities) is in accordance with:
  - (a) the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of Australian Property Growth Trust and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



RJ Roach  
Partner  
Brisbane

28 September 2006

## SECURITY HOLDER INFORMATION

Additional security holder information not shown elsewhere in this report is as follows.  
This information is current as at 30 October 2006.

### DISTRIBUTION OF SECURITY HOLDERS

Holdings Range	Number of Holders	Total Securities
1 – 1,000	1	1,000
1,001 – 5,000	43	149,487
5,001 – 10,000	26	180,749
10,001 – 100,000	16	893,951
100,001 and over	77	142,937,701
<b>TOTAL</b>	<b>163</b>	<b>144,162,888</b>

### LARGEST TEN SECURITY HOLDERS OF ORDINARY FULLY PAID SECURITIES

	Number of Securities	Percentage of Issued fully paid Securities
1. Leyshon Operations Pty Ltd	44,556,233	30.91
2. Keats Group Pty Ltd atf the Guy Keats Family Trust	32,770,528	22.73
3. Ashbar Constructions Pty Ltd	4,369,200	3.03
4. Dr Steve Mokrzecki	4,092,300	2.84
5. Troxfield Pty Ltd atf Rosebery Super Fund	2,939,317	2.04
6. Currabulla Pty Ltd	2,184,600	1.52
7. Peter Crowley	2,184,600	1.52
8. ANZ Nominees Limited	2,000,000	1.39
9. Gary Kemp	2,000,000	1.39
10. Johnson Hotels atf the Johnson Family Trust	2,000,000	1.39
<b>Total securities held by top 10 holders</b>	<b>99,096,778</b>	<b>68.73</b>
<b>Total ordinary fully paid securities</b>	<b>144,162,888</b>	

### SUBSTANTIAL SECURITY HOLDERS

Name of Security Holder	Number of Securities held
Leyshon Operations Pty Ltd	45,826,592
Keats Group Pty Ltd atf the Guy Keats Family Trust	32,770,528

## DIRECTORY

### RESPONSIBLE ENTITY OF AUSTRALIAN PROPERTY GROWTH TRUST

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Leyshon Corporation Limited  
ABN 50 090 257 480  
AFSL No. 229287  
Level 1, 295 Elizabeth Street  
BRISBANE 4000  
Telephone: (07) 3004 1222

### DIRECTORS OF THE RESPONSIBLE ENTITY

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Neil Summerson  
Geoff McMahon  
Michael O'Reilly  
William Collins

### DIRECTORS OF AUSTRALIAN PROPERTY GROWTH LIMITED

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Neil Summerson  
Geoff McMahon  
Robert Bryan  
Scott Bryan  
Michael O'Reilly  
William Collins  
Ken Pickard

### COMPANY SECRETARY

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Christina Little

### FUND MANAGER

---

Leyshon Corporation Limited

### CUSTODIAN

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The Public Trustee of Queensland

### STAPLED SECURITY HOLDER REGISTRY

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Leyshon Corporation Limited

### AUDITORS

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Ernst & Young





