

Australian Property Growth Fund

(formerly Leyshon Property Fund No. 3)

**Interim Consolidated Financial Report
for the half year ended 31 December 2006**

**Comprising the consolidated financial report of
Australian Property Growth Trust
(formerly Leyshon Property Trust No. 3) ABN 95 909 819 176
and Australian Property Growth Limited
(formerly Leyshon Developments No. 3 Limited) ABN 56 111 628 589
and their controlled entities**

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'). APTG has a 99.99% ownership interest in Blue Tower Trust ('BTT'). APGL has a 100% ownership interest in APGL (Palm Beach) Pty Ltd (formerly Leyshon Palm Beach Developments Pty Ltd) ('APB'). Under AIFRS, APTG is the nominated parent entity of the stapled structure. APGF Management Limited (formerly Leyshon Corporation Limited) ('APGM') is the Trustee and Responsible Entity of APTG and BTT. The Fund's structure is described further in the Directors' Report.

Corporate Information for both APGM (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 APGF Management Limited (formerly Leyshon Corporation Limited) ('APGM') 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 and their controlled entities for the half year ended 31 December 2006.

DIRECTORS

The names of the Directors in office at the date of this report of APGM 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.

APGM as Trustee and Responsible Entity for APGT:

Neil Edwin Summerson (Non-executive Chairman)
Geoffrey Michael McMahon (Managing Director)
William Gerard Collins
Michael O'Reilly

APGL:

Neil Edwin Summerson (Non-executive Chairman)
Geoffrey Michael McMahon (Managing Director)
William Gerard Collins
Michael O'Reilly
Robert Bryan
Scott Edward Bryan
Kenneth Ross Pickard
Sally Kathleen Smith (Alternate for Scott Edward Bryan)

COMPANY SECRETARY

Christina Natalie Little acts as company secretary for both APGM and APGL.

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, 27 June 2005, 4 September 2006 and 13 February 2007. Units were issued under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006. On 19 September 2006 APGT acquired a 99.99% ownership interest in BTT.

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006. APGL (Palm Beach) Pty Limited ("APB") 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.

Directors' Report (continued)

FUND INFORMATION (continued)

Structure of Australian Property Growth Fund (continued)

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 (Comalco Place, Melbourne Street and future projects) supplemented by profits from funds management and 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 APGM in its own capacity is the Manager of the Fund and Asset Manager of the projects of the Fund.

Nature of Operations and Principal Activities

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

- Comalco Place at 12 Creek Street, Brisbane, a 37 level commercial office building located in the heart of Brisbane's "golden triangle".
- 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 5,000m² 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 – 2009; and
- Future projects which satisfy the Fund Managers' project selection criteria.

Review of Operations for the period

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 APTG commenced business with the acquisition of a brand new five level 6,200m² office building at 99 Melbourne Street, South Brisbane for \$24.5 million. The building has been fully tenanted since 1 December 2005.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

On 19 September 2006 APGT acquired a 99.99% ownership interest in BTT through the issue 65,533,623 stapled securities at an issue price of \$1.0591 each, being 2.1846 stapled securities for every unit in BTT acquired. The cost of the acquisition was \$69.4 million (plus acquisition costs), which equates to the valuation on the building at that time, less BTT's borrowings and working capital. BTT owns the 37 level 32,000m² commercial office building known as Comalco Place situated at 12 Creek Street, Brisbane. This building has been fully tenanted since 1 February 2006.

APGL was established to undertake funds management 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 1900's 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.

As at 19 February 2007, 76 apartments had settled, five apartments were subject to an unconditional contract of sale and five apartments were subject to a conditional contract for sale. In addition, eight of the ground level retail shops had settled and one was subject to an unconditional 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 9,819m² and currently operates as the Palm Beach Plaza Shopping Centre.

The Palm Beach site is to be developed into an approximate 5,000m² 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 2007 and the project is planned to be developed in two stages over 2007 – 2009.

On 19 July 2006 the Fund issued a Prospectus and Product Disclosure Statement 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. At 31 December 2006, the Fund has allotted 46,810,736 stapled securities raising \$49.62 million. The funds have been allocated on the basis of \$1.05 per unit in APGT (total to date \$49.15 million) and \$0.01 per share in APGL (total to date \$0.47 million).

Results

The net operating result of the Fund is presented in the Condensed Income Statement. The net profit attributable to the security holders for the half year ended 31 December 2006 was \$368,559 (2005: \$732,459). A summary of results for the period 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 half year ended 31 December 2006 was \$1,831,227 (2005: \$1,945,437).

(b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders for the half year ended 31 December 2006 is \$1,462,668 (2005 \$1,212,978 loss). This loss resulted from pre-development costs on the Palm Beach Project that are required to be expensed until such time as the Directors resolve to proceed with construction.

Directors' Report (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

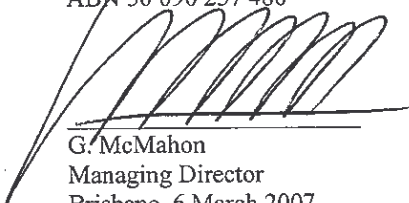
The Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 19.


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

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



G. McMahon
Managing Director
Brisbane, 6 March 2007

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



N. Summerson
Chairman
Brisbane, 6 March 2007

Condensed Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

		Consolidated	
	Note	2006 \$	2005 \$
Revenue			
Development management fee income		17,205,144	0
Rental income		5,856,969	1,487,567
Interest income		933,120	301,751
Total Revenue		23,995,233	1,789,318
Revaluation increment on investment properties		484,336	1,448,339
Fair value movement in derivatives		0	9,917
Total Revenue and Other Income		24,479,569	3,247,574
Less Expenses			
Audit fees		130,597	52,342
Borrowing expenses	4	3,146,536	595,805
Development costs expensed	4	19,290,270	1,942,652
Electricity		68,354	24,509
Insurance		65,157	32,147
Land tax		76,728	18,900
Management fees		410,350	79,916
Rates		207,151	29,678
Recoverable outgoings		364,613	115,953
Repairs and maintenance		92,067	18,904
Other expenses		886,935	124,108
Total Expenses		24,738,758	3,034,914
Profit/(loss) from operating activities before income tax		(259,189)	212,660
Income tax benefit		627,782	519,799
Net profit from operating activities after income tax		368,593	732,459
Profit attributable to minority interest		34	0
Profit after income tax attributable to security holders		368,559	732,459
Represented by:			
Earnings attributable to members of APGT		1,831,227	1,945,437
Loss attributable to members of APGL		(1,462,668)	(1,212,978)
		368,559	732,459
Earnings per stapled security (cents)			
- Basic earnings per stapled security		0.4	2.1
- Diluted earnings per stapled security		0.4	2.1
Capital Distributions per stapled security (cents)	5	0.0	4.0
Tax Deferred Distributions per stapled security (cents)	5	4.2	0.0

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

Condensed Balance Sheet

AS AT 31 DECEMBER 2006

		Consolidated	
	Note	31 December 2006 (\$)	30 June 2006 (\$)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		50,624,053	5,731,787
Trade and other receivables		7,422,035	723,134
Inventories		10,957,647	26,680,290
Other		634,898	584,961
Total Current Assets		69,638,633	33,720,172
NON-CURRENT ASSETS			
Inventories		11,599,334	11,648,437
Property investments held directly	7	210,723,163	27,637,878
Lease fitout incentives	7	2,579,569	1,932,684
Interest rate swap		993,288	286,268
Deferred tax asset		4,913,963	9,002,974
Other		849,134	26,183
Total Non-current Assets		231,658,451	50,534,424
TOTAL ASSETS		301,297,084	84,254,596
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		6,142,362	2,930,610
Interest bearing loans and borrowings		12,514,300	20,515,979
Total Current Liabilities		18,656,662	23,446,589
NON-CURRENT LIABILITIES			
Payables		929,574	1,015,828
Deferred tax liability		3,287,294	8,004,087
Interest bearing loans and borrowings		130,200,199	15,981,711
Other		2,020,973	1,576,548
Total Non-current Liabilities		136,438,040	26,578,174
TOTAL LIABILITIES		155,094,702	50,024,763
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		146,202,382	34,229,833
REPRESENTED BY:			
Attributable to members of APGL			
Contributed equity	8	17,671,088	17,218,110
Accumulated losses		(3,500,864)	(2,038,195)
Total attributable to members of APGL		14,170,224	15,179,915
Attributable to unit holders of APGT			
Units on issue	8	130,266,878	13,207,909
Hedging reserve		318,115	0
Undistributed earnings		1,442,489	5,842,009
Total attributable to unit holders of APGT		132,027,482	19,049,918
Minority interests		4,676	0
TOTAL MEMBERS' INTERESTS		146,202,382	34,229,833

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

Condensed Statement of Changes in Security Holders' Interests

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED

	Securities Issued \$	Undistributed Income \$	Other Reserves \$	Minority Interests \$	Total \$
At 1 July 2005*	33,226,019	1,704,119	0	0	34,930,138
Loss for the half year attributable to members of APGL	0	(1,212,978)	0	0	(1,212,978)
Earnings for the half year attributable to unit holders of APGT	0	1,945,437	0	0	1,945,437
Total income for the half year attributable to security holders	0	732,459	0	0	732,459
Capital distributions to security holders	(1,411,507)	0	0	0	(1,411,507)
At 31 December 2005*	31,814,512	2,436,578	0	0	34,251,090
At 1 July 2006	30,426,019	3,803,814	0	0	34,229,833
Net gain from cash flow hedges	0	0	318,115	15	318,130
Total income and expense for the period recognised directly in equity	0	0	318,115	15	318,130
Loss for the half year attributable to members of APGL	0	(1,462,668)	0	0	(1,462,668)
Earnings for the half year attributable to unit holders of APGT	0	1,831,227	0	34	1,831,261
Total income for the half year attributable to security holders	0	368,559	0	34	368,593
Initial recognition of minority interest on acquisition of BTT	0	0	0	4,627	4,627
Tax deferred distributions to security holders	0	(6,230,748)	0	0	(6,230,748)
Securities issued	119,026,040	0	0	0	119,026,040
Transaction costs	(1,514,093)	0	0	0	(1,514,093)
At 31 December 2006	147,937,966	(2,058,375)	318,115	4,676	146,202,382

* Due to the application of AASB 132 and AASB 139 APGT unit holders' funds were classified as liabilities up until an alteration of the Trust Deed effective 1 July 2006.

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

Condensed Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

		Consolidated	
	Note	2006 \$	2005 \$
Cash flows from operating activities			
Receipt of development management fees		15,816,416	0
Receipts from customers		8,027,374	1,338,833
Payments to suppliers & employees		(10,565,463)	(9,482,454)
Borrowing costs paid		(3,226,682)	(1,969,401)
Interest and bill discounts received		704,632	302,631
Net cash flows from/(used in) operating activities		10,756,277	(9,810,391)
Cash flows from investing activities			
Payments for investment property additions		(77,369)	554
Acquisition of subsidiary, net of cash acquired	11	(2,695,237)	0
Deposit refunded for new development		0	800,000
Payments for inventories		0	(1,639,556)
Net cash flows used in investing activities		(2,772,606)	(839,002)
Cash flows from financing activities			
Proceeds from borrowings		0	7,895,681
Repayment of borrowings		(6,493,922)	0
Proceeds from borrowings – related parties		319,409	406,157
Repayment of borrowings – related parties		(1,500,000)	0
Distributions paid to security holders		(3,779,456)	(1,356,106)
Proceeds from the issue of securities		49,619,380	0
Payment of security issue costs		(1,256,816)	(0)
Net cash flows from financing activities		36,908,595	6,945,732
Net increase/(decrease) in cash held		44,892,266	(3,703,661)
Cash and cash equivalents at beginning of the period		5,731,787	12,434,339
Cash and cash equivalents at end of the period		50,624,053	8,730,678

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

Australian Property Growth Trust (formerly Leyshon Property Trust No. 3) ('APGT' or 'the Trust') is an Australian registered Trust. APGF Management Limited (formerly Leyshon Corporation Limited) ('APGM'), 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

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Australian Property Growth Fund (formerly Leyshon Property Fund No. 3) ('APGF' or 'the Fund') as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of the Fund as at 30 June 2006. The half year financial report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006 except for the adoption of amending standards mandatory for annual reporting periods beginning on or after 1 July 2006 as described in note 2(b). For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

The half year financial report is to be read in conjunction with any public announcements by the Fund during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and the BSX Listing Rules.

(a) Basis of preparation

The half year consolidated 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, applicable Accounting Standards, including *AASB 134 Interim Financial Reporting* and other mandatory professional reporting requirements. The half year consolidated 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 half year consolidated financial report is presented in Australian dollars.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2006:

Ref	Title	Summary	Application Date of Standard*	Impact on Group financial report	Application Date for Group*
AASB 2005-10	Amendment to Australian Accounting Standards AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	Amendments arise from the release in August 2005 of AASB 7 <i>Financial Instruments Disclosures</i> .	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 7	<i>Financial Instruments: Disclosures</i>	New standard replacing disclosure requirements of AASB132.	1 January 2007	As above.	1 July 2007
UIG 10	Interim Financial Reporting and Impairment	Addresses whether an entity should reverse impairment losses recognised in an interim period if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at a subsequent reporting date.	1 November 2006	The Group has not recognised impairment losses to date. These amendments are not expected to have an impact on the Group's financial report in future reporting periods unless the Group recognises impairment losses in interim reports in the future.	1 July 2007

* designates the beginning of the applicable annual reporting period.

These revisions have been assessed to require no change in accounting policies nor are they expected to result in any significant impact on reported results.

(c) 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 the reporting date (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.

The acquisition of a 99.99% interest in Blue Tower Trust ('BTT') on 19 September 2006 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly the consolidated financial statements include the results of BTT for the period from the acquisition date to 31 December 2006.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

3. SEGMENT INFORMATION

Business Segments	Property Development \$	Property Investment \$	Total \$
31 December 2006			
Revenue			
Development management fee income	17,205,144	0	17,205,144
Rental income	231,962	5,625,007	5,856,969
Interest income	49,380	883,740	933,120
Revaluation increment on investment properties	0	484,336	484,336
Total Revenue and other income	17,486,486	6,993,083	24,479,569
Result			
Segment result before interest expense	(2,040,417)	4,803,603	2,763,186
Less: Interest expense	50,033	2,972,342	3,022,375
Segment result after interest expense and before income tax expense	(2,090,450)	1,831,261	(259,189)
Income tax benefit	627,782	0	627,782
Net Profit/(loss)	(1,462,668)	1,831,261	368,593
31 December 2005			
Revenue			
Rental income	299,849	1,187,718	1,487,567
Interest income	79,410	222,341	301,751
Revaluation increment on investment properties	0	1,448,339	1,448,339
Fair value movement in derivatives	0	9,917	9,917
Total Revenue and other income	379,259	2,868,315	3,247,574
Result			
Segment result before interest expense	(1,732,777)	2,501,373	768,596
Less: Interest expense	0	555,936	555,936
Segment result after interest expense and before income tax expense	(1,732,777)	1,945,437	212,660
Income tax benefit	519,799	0	519,799
Net Profit/(loss)	(1,212,978)	1,945,437	732,459

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	2006	2005
	\$	\$
4. EXPENSES		
Amortisation of lease incentives *	173,897	147,918
Borrowing expenses		
Interest and finance charges paid or payable:		
Related parties	19,375	0
Other parties	3,003,000	555,936
	3,022,375	555,936
Amortisation of borrowing costs	124,161	39,869
Total borrowing expenses	3,146,536	595,805
Development costs expensed		
London Woolstore project	16,838,298	0
Palm Beach and other projects	2,451,972	1,942,652
	19,290,270	1,942,652

* Rental income is after deducting amortisation of lease incentives

	Consolidated	
	2006	2005
	\$	\$
5. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED		
Distributions on stapled securities declared or paid during the half year totalling 4.24 cents (2005: 4 cents) per stapled security:		
(a) Capital distributions paid during the half year	0	705,753
(b) Tax deferred distributions paid during the half year	3,081,373	0
(c) Capital distributions provided for during the half year	0	705,754
(d) Tax deferred distributions provided for during the half year	3,149,375	0
	6,230,748	1,411,507

6. INTEREST-BEARING LOANS AND BORROWINGS

During the half year, APGL repaid the following interest bearing debt:

- on 19 September 2006 APGL repaid unsecured notes issued to APGT amounting to \$1,500,000.
- on 19 September 2006 APGL repaid a loan facility provided by Leyshon Pty Ltd amounting to \$1,500,000.
- APGL made repayments on a loan facility provided for the London Woolstore Project. The repayments totalling \$6,493,922 reduced the outstanding balance of the facility from \$11,256,422 at 1 July 2006 to \$4,762,500 at 31 December 2006.

During the half year, APGL borrowed \$6,500,000 from APGT.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

7. INVESTMENT PROPERTY HELD DIRECTLY

Details of Property Valuations at 31 December 2006

Property Description	Comalco Place	99 Melbourne Street	Total
Date Acquired	19 September 2006	21 December 2004	
Cost and additions to 31 December 2006:			
Property investments held directly	182,523,580	23,585,392	
Lease fitout incentives	980,000	2,334,508	
Total cost and additions to 31 December 2006	183,503,580	25,919,900	
Book value at 31 December 2006:			
Property investments held directly	182,613,869	28,109,294	210,723,163
Lease fitout incentives (written down value)	794,803	1,784,766	2,579,569
Straight line rent receivable (included in trade and other receivables)	2,091,194	576,421	2,667,615
Rental Incentives (included in trade and other receivables)	934,379	0	934,379
Rental Incentives (included in other assets)	27,996	0	27,996
Leasing Fees (included in other assets)	1,037,759	29,519	1,067,278
Total book value at 31 December 2006	187,500,000	30,500,000	218,000,000
Outstanding lease incentives *	2,559,994	0	2,559,994
Latest Valuation *	190,059,994	30,500,000	220,559,994

* Fair value at 31 December 2006 as assessed by the APGM Directors in accordance with AASB 140 *Investment Property* and based on the assumption that the present value of future lease incentives of \$2,559,994 contracted for at the date of valuation are paid out in full.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

8. ISSUED SECURITIES	Consolidated		Consolidated	
	31 December 2006 Number	31 December 2006 \$	30 June 2006 Number	30 June 2006 \$
Units issued in APTG (i)	147,344,359	130,266,878	35,000,000	13,207,909
Shares issued in APGL (ii)	147,344,359	17,671,088	35,000,000	17,218,110
		147,937,966		30,426,019

(i) Units carry one vote per unit and carry the right to distributions.

(ii) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movements in securities on issue

	Units in APTG		Shares in APGL	
	Number	\$	Number	\$
At 1 July 2005	35,000,000	16,007,909	35,000,000	17,218,110
Capital distributions to security holders	0	(2,800,000)	0	0
No movements in issued securities	0	0	0	0
At 30 June 2006	35,000,000	13,207,909	35,000,000	17,218,110
Issued in exchange for issued units of BTT	65,533,623	69,406,660	65,533,623	0
Issued for cash under prospectus and product disclosure statement	46,810,736	49,151,272	46,810,736	468,107
Transaction costs on share issue	0	(1,498,963)	0	(15,129)
At 31 December 2006	147,344,359	130,266,878	147,344,359	17,671,088

During the period 1 July to 31 December 2006, 46,810,736 stapled securities were issued by the Fund at an issue price of \$1.06 per stapled security (1 July 2005 to 30 June 2006: Nil). The funds raised have been allocated on the basis of \$1.05 per unit in APTG (total to date \$49.15 million) and \$0.01 per share in APGL (total to date \$0.47 million).

In addition, on 19 September 2006 APTG acquired a 99.99% ownership interest in Blue Tower Trust ("BTT") via a takeover in which 65,533,623 stapled securities were issued to existing BTT investors at an issue price of \$1.0591 each. The value of the stapled securities issued have been fully allocated to units in APTG.

9. CAPITAL COMMITMENTS AND CONTINGENCIES

Except for a commitment to provide a fitout contribution under a tenant lease (\$289,170), the Directors are of the opinion that there are no material capital commitments, contingent liabilities or contingent assets as at balance date that are not already provided for in the financial statements.

10. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

11. ACQUISITION OF BTT

On 19 September 2006 the Fund acquired a 99.99% interest in BTT, an Australian registered Trust. The total cost of the acquisition was \$73,086,660 and comprised an issue of stapled securities and costs directly attributable to the acquisition. The Fund issued 65,533,623 stapled securities with a fair value of \$1.0591 each. This value was based on Directors' assessment of the fair value of the net assets of BTT at the date of acquisition, and took into account the independent valuation and the independent experts report included in the Prospectus and Product Disclosure Statement issued on 19 July 2006.

BTT owns the 37 level commercial office building known as Comalco Place situated at 12 Creek Street, Brisbane.

The fair value of the identifiable assets and liabilities of BTT as at the date of acquisition are:

	Recognised on Acquisition \$	Carrying Value \$
Property investments held directly	182,523,580	180,053,501
Lease fitout incentives	820,782	820,782
Cash and cash equivalents	984,763	984,763
Trade and other receivables	4,642,559	4,642,559
Interest rate swap	388,889	95,427
Other	1,353,152	1,353,152
	<u>190,713,725</u>	<u>187,950,184</u>
Trade and other payables	3,523,792	3,523,792
Interest bearing liabilities	114,098,648	114,098,648
	<u>117,622,440</u>	<u>117,622,440</u>
Fair value of identifiable net assets (100% of BTT)	<u>73,091,285</u>	<u>70,327,744</u>
Cost of acquisition		
- Stapled securities issued at fair value	69,406,660	
- Costs associated with the acquisition	3,680,000	
Total cost of acquisition (99.99% of BTT)	<u>73,086,660</u>	
The cash outflow on acquisition is as follows:		
- Net cash acquired with BTT	984,763	
- Cash paid	(3,680,000)	
Net cash outflow	<u>2,695,237</u>	


From the date of acquisition, BTT has contributed a profit of \$522,519 to the net result of the Fund. If the acquisition had taken place at the beginning of the half year, the profit of the Fund would have been \$3,583,632 (excluding an asset management fee of \$17,663,269 paid when APGT acquired BTT) and the revenue would have been \$30,454,875.

Directors' Declaration

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

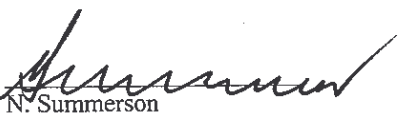
- (a) the financial statements and notes of the consolidated entity set out on pages 7 to 17 are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the 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.

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



G. McMahon
Managing Director
Brisbane, 6 March 2007

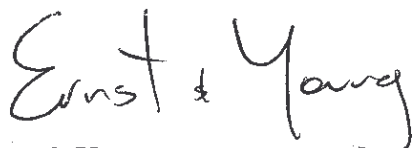
On behalf of the Board
Australian Property Growth Limited
ABN 56 111 628 589



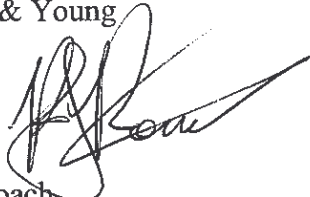
N. Summerson
Chairman
Brisbane, 6 March 2007

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

In relation to our review of the financial report of Australian Property Growth Fund (formerly Leyshon Property Fund No. 3) for the half-year ended 31 December 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



R J Roach

Partner

6 March 2007

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

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying 31 December 2006 financial report of Australian Property Growth Fund and the entities it controlled during the period ended 31 December 2006, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in security holders' interests and condensed cash flow statement for the six months ended on that date, other selected explanatory notes and the Directors' declaration.

Trustees' Responsibility for the 31 December 2006 Financial Report

The trustees of the trust are responsible for the preparation and fair presentation of the 31 December 2006 financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the 31 December 2006 financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 31 December 2006 financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the six months ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Australian Property Growth Fund and the entities it controlled during the six months, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 31 December 2006 financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

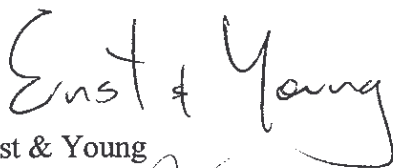
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the trustees of the trust a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

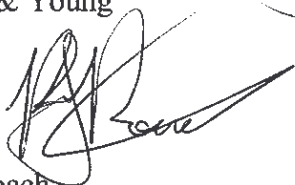
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Australian Property Growth Fund and the entities it controlled during the period ended 31 December 2006, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the six months ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



R J Roach

Partner

Brisbane

8 March 2007