



# AUSTRALIAN PROPERTY GROWTH FUND

*December 2006 Half Yearly Report*

## NEW QUALITY PROPERTY FUND LAUNCHED

September 2006 was a milestone month for Australian Property Growth Fund ("APGF").

APGF acquired the landmark Comalco Place commercial office building in the Brisbane CBD's 'golden triangle' district, making it the flagship asset of the newly launched Fund.

The Fund was officially launched on 18 September 2006 following the completion of a merger between the then Leyshon Property Fund No. 3 and Blue Tower Trust, previous owner of Comalco Place.

The name change to Australian Property Growth Fund reflects the vision of the Fund's managers to grow the Fund into a leading, Australia-focussed quality property group.

The half year to 31 December 2006 also saw positive revaluations of Comalco Place and 99 Melbourne Street, along with further progress at the London Woolstore and the Pavilions on 5th developments.

With a capital raising set to secure up to \$74 million for existing and future projects, the Fund is well positioned for national expansion.

### Key highlights of the half year to 31 December 2006:

- Capital raising launched to raise up to \$74.2 million for existing and future projects
- Merger with Blue Tower Trust to form Australian Property Growth Fund, with shareholders equity of \$170 million and assets of \$335 million (upon completion of the capital raising)
- Two quarterly distributions of 2.12 cents per stapled security paid 31 October 2006 and 31 January 2007, equating to 8% per annum return, 100% tax deferred
- Name change and new website launched ([www.apgf.com.au](http://www.apgf.com.au))
- Positive revaluations of flagship Comalco Place building (\$190 million) and 99 Melbourne Street (\$30.5 million)
- 90% of apartments now sold at London Woolstore development
- Development Agreement issued August 2006 for Pavilions on 5th, Palm Beach



**Geoff McMahon** - Managing Director

"Australian Property Growth Fund was founded with a clear goal – to become a leading quality property fund focussed on the Australian market.

The aim of the Fund is to produce sustainable returns to investors over the long term from our quality property portfolio of projects with moderate risk profiles.

Our core values are excellence, quality, integrity and professionalism, and we intend to ensure these flow through all our decisions and communication with stakeholders.

Using the proceeds of our capital raising, we aim to broaden the Fund outside Queensland by acquiring commercial properties with recurring cash flows.

With combined property industry experience of more than 80 years, the directors have been through numerous industry cycles and have worked together for over a decade.

We only buy when the property meets our investment parameters. The benefit to investors is that our value-driven approach ensures long-term capital growth and stable rental income streams.

We encourage you to read our Half Yearly Report and visit our new website, [www.apgf.com.au](http://www.apgf.com.au), to find out more about APGF and our future growth plans."





## UPDATE ON CURRENT TRUST PROJECTS

### **Comalco Place (Blue Tower), Brisbane CBD**

The merger with Blue Tower Trust has given Australian Property Growth Fund a flagship building commensurate with the Fund's focus on quality assets. The iconic Comalco Place is located in the heart of the Brisbane CBD's golden triangle, comprising a 37-level commercial office building and a separate two-level annex building.

The property has a net lettable area of 32,000 square metres and is currently fully occupied with a strong lease profile. Comalco Aluminium Limited is its naming tenant, with other tenants including AGL and Macquarie Bank. The weighted average remaining lease term is five years.

The building was acquired by Blue Tower Trust for \$113 million in November 2003.

Indicative of the Brisbane CBD commercial office market's strong growth, it was revalued in December 2006 at \$190 million.



### **99 Melbourne Street, South Brisbane**

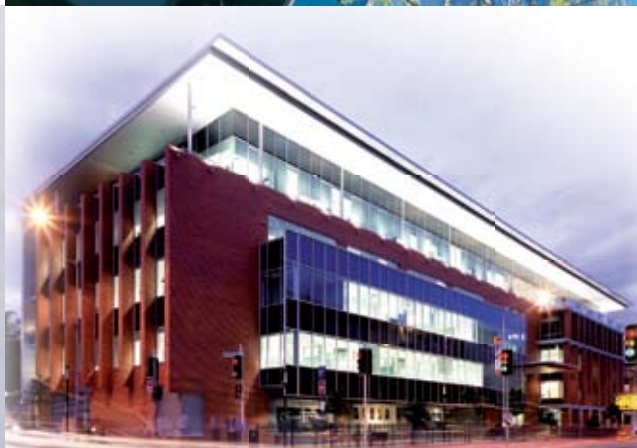
Located on a prime 2,700 square metre site adjacent to Brisbane's Exhibition and Convention Centre in South Brisbane, 99 Melbourne Street is a five-level office building comprising a net lettable area of 6,200 square metres.

Designed by architects Peddle Thorp to capitalise on the main street location, the award-winning 99 Melbourne Street opened fully leased in early 2005 after being constructed in 2004.

Australian Property Growth Fund acquired the building in December 2004 for \$24.5 million.

Its current valuation is \$30.5 million, reflecting the growth in the near-CBD South Bank precinct.

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





## UPDATE ON CURRENT DEVELOPMENT PROJECTS



### London Woolstore, Teneriffe, Brisbane

The historic two-storey AML&F Woolstore and two adjoining buildings located on the Brisbane River at Teneriffe were acquired in 2004.

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 for commercial offices.

Construction was completed in January 2006 and titles issued in late March 2006. With 90% of the apartments and retail outlets already sold and a sales contract executed on the two smaller commercial buildings, the project is expected to be fully sold out by mid-2007.

Total value on completion is \$50 million.



### Pavilions on 5th, Palm Beach, Gold Coast

The second of the Fund's development projects, Pavilions on 5th comprises a 9,800 square metre prime development site on the Gold Coast Highway at Palm Beach.

The site is to be developed into a 5,200 square metre retail and commercial complex, together with 194 residential apartments. Purchased in May 2005 for \$11.1 million, the end value of the completed development will be approximately \$110 million.

The project will be developed in two stages from 2007 to 2009. Council development approval was granted in August 2006 and the design development phase has been completed, with pre-selling of the apartments now underway.





## CORPORATE

### Capital Raising

On 19 July 2006, Australian Property Growth Fund issued a Prospectus and Product Disclosure Statement seeking to raise up to \$74.2 million through a non-renounceable two for one entitlement issue of 70 million stapled securities at \$1.06 each.

The proceeds will be invested in the Fund's existing and future projects, which may include the property sectors of commercial office, retail warehouse, industrial, retail and/or niche residential.

The capital raising remains open and investors are encouraged to consider the Prospectus carefully.

Copies of the Prospectus are available at [www.apgf.com.au](http://www.apgf.com.au), or alternatively by phoning APGF on (07) 3004-1222.



### Name Change and Merger

On 18 September 2006, the Fund's takeover of Blue Tower Trust was declared unconditional. 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 was equal to the total value of units in Blue Tower.

Upon the completion of the merger, the Fund's name was changed from Leyshon Property Fund No. 3 to Australian Property Growth Fund, reflecting the vision for the Fund's future direction.

APGF comprises a property trust, Australian Property Growth Trust, which invests in long-term property investments, and a funds management and development company, Australian Property Growth Limited.

### Financial Results

The Fund's net profit after tax for the half year ended 31 December 2006 was \$368,559.

This result was impacted by International Financial Reporting Standards requiring the expensing of pre-development costs on the Palm Beach project for the half year of approximately \$2.4 million.

A copy of the Fund's financial statements for the half year, which have been reviewed by the Fund's auditors, is available at [www.apgf.com.au](http://www.apgf.com.au), or alternatively by phoning APGF on (07) 3004-1222.

The 8% per annum distributions for the half year to 31 December 2006 of 2.12 cents per stapled security were paid to investors on 31 October 2006 and 31 January 2007. These payments are fully tax deferred.

### FUTURE PROJECTS

Australian Property Growth Fund is embarking on a nationwide expansion, with the current capital raising to provide up to \$74 million for existing and future projects.

Capital city markets on the eastern seaboard are currently a focus, with an emphasis on commercial properties with recurring cash flows and medium risk-return profiles.

Future projects will be undertaken by both the Trust and the Company. They must comply with specific project selection criteria, which include financial feasibility, targeted internal rate of return, demand and supply analysis, funding requirements, macroeconomic outlook and tenancy schedule and profile.

Favoured property sectors include commercial office, retail warehouse, industrial, retail and niche residential.

Strong global economic conditions are underpinning continued growth in the property industry, and the directors are confident in the future of APGF's property investments.

#### Responsible Entity of Australian Property Growth Trust

APGF Management Limited

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T: (07) 3004 1222

#### Directors of the Responsible Entity

Neil Summerson (Chairman)

Geoff McMahon (Managing Director)

Michael O'Reilly (Executive Director)

William Collins (Executive Director)

#### Directors of Australian Property Growth Limited

Neil Summerson (Chairman)

Geoff McMahon (Managing Director)

Michael O'Reilly (Executive Director)

William Collins (Executive Director)

Robert Bryan

Scott Bryan

Ken Pickard

#### Website

[www.apgf.com.au](http://www.apgf.com.au)