

Australian Property Growth Fund

Consolidated Annual Financial Report for the year ended 30 June 2007

**Comprising the consolidated financial report of
Australian Property Growth Trust ABN 95 909 819 176 and
Australian Property Growth Limited ABN 56 111 628 589
and their controlled entities**

Fund Information

This Consolidated Annual 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'). 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 Blue Tower Trust ('BTT').

APGT has a 99.99% ownership interest in BTT.

APGL has a 100% ownership interest in:

- APGL (Palm Beach) Pty Ltd (formerly Leyshon Palm Beach Developments Pty Ltd) ('APB')
- APGF Administration Pty Ltd (incorporated on 14 June 2007) ('APGA')
- APGF Property Limited (acquired on 22 June 2007) ('APL')
- Austgrowth Property Syndicates Limited (acquired on 22 June 2007) ('APS')
- Austgrowth Investment Management Pty Ltd (acquired on 22 June 2007) ('AIM')

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 3 to 12. The Directors' Report is not part of the financial 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 ('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 APTG and APGL for the year ended 30 June 2007.

DIRECTORS

The names of the Directors of APGM as the Trustee and Responsible Entity for APTG and APGL in office during the period are provided below. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

APGM as Trustee and Responsible Entity for APTG:

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 (appointed 5 December 1996) and Pioneer Permanent Building Society Limited (appointed 15 December 2006). 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. Geoff has been involved in over \$750 million worth of successful property projects.

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

William ('Bill') Collins resigned as an executive Director of the Board on 31 August 2007. Bill 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 resigned as an executive Director of the Board on 31 August 2007. Michael 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 thirty 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 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.

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

Adriano Cragnolini joined the Board as an executive director on 31 August 2007. Adriano has 15 years experience in senior management positions spread between public practice experience at Ernst & Young Australia, and in commerce working for a diversified property/hospitality group based in Papua New Guinea as well as a venture capital backed IT start-up company based in London. Adriano is a Chartered Accountant and a member of the Australasian Compliance Institute, in addition to being a fellow of the Financial Services Institute of Australasia.

Directors' Report (continued)

Names, qualifications, experience and special responsibilities (continued)

APGL:

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

Geoffrey Michael McMahon (Managing Director) – Refer APMG above.

William Gerard Collins – William Collins resigned as an executive Director of the Board on 31 August 2007. Refer APMG above.

Michael O'Reilly – Michael O'Reilly resigned as an executive Director of the Board on 31 August 2007. Refer APMG 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 (appointed 12 December 1994), Highlands Pacific Ltd (appointed 1 July 1998) and Queensland Gas Company Limited (appointed 22 September 1999). 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, FITA

Ken Pickard is the Managing Director of Moore Stephens (Queensland) Limited Chartered Accountants, a regionally based Queensland firm of approximately 180 staff providing a full range of financial services to clients. Ken was a partner of Ernst & Young from 1982, a position he held until the formation of his own firm, Pickards BDS in 1996, which subsequently became Moore Stephens in July 2007. 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 acts as alternate Director for Scott Bryan.

COMPANY SECRETARY

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

Adriano Cragnolini was appointed company secretary of APMG and APGL on 16 March 2007. Adriano has been a Chartered Accountant for 8 years.

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

Christina Little was company secretary of APMG and APGL until her resignation effective 16 March 2007.

Directors' Report (continued)

Relevant interests in units of APGT and shares of APGL

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

	Relevant interests
	<i>Fully paid units</i>
N Summerson	50,307,360
G McMahon	49,113,693
A Cragolini	9,434

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

	Relevant interests
	<i>Fully paid shares</i>
N Summerson	50,307,360
R Bryan	49,071,693
G McMahon	49,113,693
S Bryan	36,000
K Pickard	3,017,300
S Smith	36,000

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.

FUND INFORMATION

Structure of Australian Property Growth Fund (formerly Leyshon Property Fund No 3) ('APGF' or 'the 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') and APGF Administration Pty Ltd ('APGA') were incorporated as wholly owned subsidiaries of APGL on 21 March 2005 and 14 June 2007 respectively. On 22 June 2007, APGL acquired a 100% ownership interest in each of APGF Property Limited ('APL'), Austgrowth Property Syndicates Limited ('APS') and Austgrowth Investment Management Pty Ltd ('AIM').

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 (Comalco Place, Melbourne Street and future projects) supplemented by profits from property 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.

Directors' Report (continued)

Nature of Operations and Principal Activities

The Fund was established to invest in and develop a portfolio of quality property projects and businesses 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;
- Property funds management business managing 26 property trusts/syndicates containing 37 properties encompassing commercial office, industrial and retail property sectors in Sydney, Melbourne, Brisbane, Perth, Canberra and Cairns;
- London Woolstore at Vernon Terrace, Teneriffe Brisbane 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, Gold Coast. 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.

Employees

At balance date APGM had two employees (2006: two) and APGL had eight employees (2006: Nil).

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 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.

On 19 September 2006 APTG 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 \$73 million (incl acquisition costs of \$3.68 million), 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 property funds management and develop a portfolio of quality property development projects.

APGL's first project was the London Woolstore project at Vernon Terrace, Teneriffe, Brisbane. 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 were sold for \$5.7 million with settlement occurring on 31 July 2007.

As at 30 June 2007, 85 apartments had settled and four apartments were subject to an unconditional contract of sale. In addition, eight of the ground level retail shops had settled.

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.

Directors' Report (continued)

Review of Operations for the year (continued)

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. This offer was closed during June 2007, with the Fund having allotted 67,173,501 stapled securities raising \$71.2 million.

On 22 June 2007 APGL acquired the former Elderslie property funds management group ('EPFM'), comprising APL, APS and AIM, for \$31.8 million (including acquisition costs and net of settlement adjustments). The acquisition gives the Fund access to 37 additional properties currently valued at approximately \$480 million. The properties, located in Sydney, Melbourne, Brisbane, Perth, Canberra and Cairns, are contained in 26 property trusts or syndicates and encompass commercial office, industrial and retail property.

In addition to EPFM, APGL agreed to invest in two of Elderslie Property Investments Pty Ltd's property development projects in New South Wales. Both projects are quality residential land subdivisions.

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 2007 was \$40,277,047 (2006: \$2,099,696).

A summary of 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 2007 was \$42,327,487 (2006: \$4,199,453). Reflected in this result are revaluation increments on investment properties of \$78,227,613 (2006: \$2,970,480) less a performance fee payable of \$38,510,190. If APGT and/or BTT sell an investment property they own, then under the terms of the Asset Management Agreement, a performance fee may be payable to the Fund's Asset Manager, APGM. The amount of the performance fee is dependent on the Fund's internal rate of return at that time. The amount of \$38,510,190 has been taken up in the accounts as an expense representing the performance fee payable based on valuations at 30 June 2007.

(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 2007 is \$2,104,940 (2006 \$2,099,757). This result was impacted by Australian Accounting Standards requiring pre-development costs at Palm Beach of \$4,618,323 (2006: \$4,042,497) to be expensed as incurred.

(c) Property Funds Management

The net profit attributable to the security holders from the property funds management operations for the period from 22 June 2007 (date of acquisition) to 30 June 2007 was \$54,500 (2006: \$Nil).

Directors' Report (continued)

Distributions/Dividends

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. This distribution was a capital distribution.

Distributions to security holders during the year were paid quarterly including a distribution of 2.14 cents per stapled security paid on 31 October 2006 in respect of the quarter ended 30 September 2006, a distribution of 2.14 cents per stapled security paid on 31 January 2007 in respect of the quarter ended 31 December 2006 and a distribution of 2.09 cents per stapled security paid on 27 April 2007 in respect of the quarter ended 31 March 2007.

A final distribution was declared for the year ended 30 June 2007 of 2.11 cents per stapled security in respect of the quarter ended 30 June 2007 and was paid on 31 July 2007.

All distributions declared for the year ended 30 June 2007 were paid from APGT as tax deferred distributions.

No dividends were paid or proposed during the year.

SECURITIES ON ISSUE

A total of 167,707,124 stapled securities were on issue at 30 June 2007 (30 June 2006: 35,000,000). There were 132,707,124 stapled securities issued during the year (2006: nil). For further details refer Note 20.

FUND ASSETS

At 30 June 2007, the Fund held assets to the value of \$412,623,755 (2006: \$76,250,509). The basis for valuation of assets is disclosed in Note 2 to the financial statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

APGM received fees during the year relating to property management and asset management (including acquisitions) from APGT and BTT and development management from APGL. Fees paid to its associates out of the Fund during the financial year are disclosed in Note 24 to the financial statements. No fees were directly paid by the Fund to the Directors of APGM or APGL during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- acquisition of 99.99% interest in BTT for \$73 million on 19 September 2006, funded by \$69.4 million from the issue of 65,533,623 stapled securities and \$3.68 million from cash reserves;
- acquisition of 100% interest in EPFM for \$31.8 million (including acquisition costs and net of settlement adjustments) on 22 June 2007, funded \$19.5 million from new borrowings and \$12.3 million from cash reserves;
- investment in two property development (residential land subdivisions) projects in New South Wales; and
- issue of 67,173,501 stapled securities raising \$71.2 million in new capital.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 July 2007 the Fund announced the \$60.75 million acquisition of the Westpac Concord Campus in Concord West Sydney. Located at 7 King Street Concord, the commercial/business park development includes approximately 16,500 m² of office accommodation and 485 car parks. The acquisition is due to settle on 2 October 2007.

On 23 August 2007 the Fund announced the \$30.5 million acquisition of the landmark Royal Bank Chambers building in the Melbourne CBD. Located at 287-301 Collins Street, the 13 level Art-Deco style office building is fully occupied by ANZ Bank and offers an outstanding investment opportunity in the Melbourne office market. The acquisition is due to settle on 1 October 2007.

On 31 August 2007 William Collins and Michael O'Reilly resigned as executive Directors of the Boards of APGL and APGM. Adriano Cragolini joined the Board of APGM as an executive Director on 31 August 2007.

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.

Directors' Report (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The investment strategy of the Fund will be maintained in accordance with the APGT and APGL constitutions and investment objectives. In the foreseeable future it is expected that APGT will continue its property investment business and APGL will continue its property development and property funds management business. The Fund will continue to review growth opportunities to grow its property investment, property development and property funds management businesses.

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.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of APGM 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 APGM 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 APGM and whose role is to supervise APGM's compliance with the compliance plan and the Corporations Act.

The Compliance Committee reports to APGM'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 2007 five compliance committee meetings were held and all compliance committee members attended these meetings.

Directors' Report (continued)

CORPORATE GOVERNANCE (continued)

Audit and Risk Management Committee

APGM (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);
- Bill Collins (from the start of the financial year until he resigned on 31 August 2007); and
- Geoff McMahon (joined the committee on 31 August 2007).

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 2007 two Audit and Risk Management Committee meetings were held for each entity and both members of the committees at the time, Neil Summerson and Bill Collins, attended each of these meetings.

Code of corporate governance

Overview

The Directors of APGM 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 APGM 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 APGM 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

At 30 June 2007 the Board of APGM had four Directors (including the Chairman) one of whom was a non-executive Director. The Board of APGL had seven Directors (including the Chairman) four of whom were 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 Chief Financial Officer 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.

MEETINGS OF DIRECTORS

APGM

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

Directors	Number of meetings eligible to attend	Number of meetings attended
N E Summerson	7	4
G M McMahon	7	7
A. J. Cragolini (appointed 31 August 2007)	0	0
W G Collins	7	7
M O'Reilly	7	6

Directors' Report (continued)

MEETINGS OF DIRECTORS (continued)

APGL

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

Directors	Number of meetings eligible to attend	Number of meetings attended
N E Summerson	4	4
R Bryan	4	3
G M McMahon	4	4
W G Collins	4	4
M O'Reilly	4	4
S Bryan	4	0
K Pickard	4	4
S Smith *	4	4

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

- S Smith - represents meetings eligible to attend in the capacity of Alternate Director for Scott Bryan. Sally attended four meetings as alternate for Scott Bryan during the year.

REMUNERATION REPORT

The Directors and key management personnel of APGM as Responsible Entity of APGT and the Directors and key management personnel of APGL are not remunerated directly by the Fund (refer Note 27).

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at Page 13.

Non-Audit Services

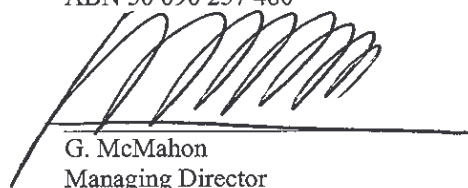
The following non-audit services were provided by the Fund's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit 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	\$115,310
Corporate advice (takeover/capital raising)	\$213,254
Property/business acquisition advice	\$ 67,980


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.

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



G. McMahon
Managing Director
Brisbane, 4 September 2007

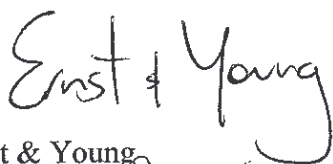
On behalf of the Board
Australian Property Growth Limited
ABN 56 111 628 589



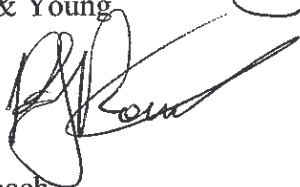
R. Bryan
Director
Brisbane, 4 September 2007

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

In relation to our audit of the financial report of Australian Property Growth Fund for the financial year ended 30 June 2007, 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.

A handwritten version of the Ernst & Young logo, with the letters 'Ernst & Young' written in a cursive script.

Ernst & Young

A handwritten signature, likely of R J Roach, written in black ink over a white background.

R J Roach

Partner

4 September 2007

Income Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
Development management fee income		21,967,147	18,309,953	0	0
Property and funds management fee income		140,214	0	0	0
Rental income		15,444,754	2,960,907	2,579,035	2,418,636
Interest and distribution income		3,003,494	512,162	1,145,873	457,133
Total Revenue	4 (a)	40,555,609	21,783,022	3,724,908	2,875,769
Revaluation increment on investment properties		78,227,613	2,970,480	3,325,856	2,970,480
Fair value movement in investments		0	0	76,618,563	0
Fair value movement in derivatives		0	286,268	0	286,268
Total Revenue and Other Income		118,783,222	25,039,770	83,669,327	6,132,517
Air conditioning expenses		(419,756)	(3,150)	(22,392)	(3,150)
Audit fees		(260,998)	(88,817)	(132,510)	(33,312)
Borrowing expenses	4 (b)	(8,459,305)	(1,176,409)	(1,230,903)	(1,132,420)
Consultancy fees		(404,009)	(57,346)	(200,141)	(34,216)
Development costs expensed	4 (b)	(26,508,411)	(21,271,602)	0	0
Electricity		(151,240)	(93,514)	(74,079)	(88,894)
Insurance		(172,460)	(46,228)	(31,279)	(30,761)
Land tax		(196,019)	(37,800)	(44,625)	(37,800)
Leasing expenses		(180,123)	(5,586)	(6,672)	(5,586)
Lift expenses		(256,561)	0	(13,998)	0
Management fees		(1,118,665)	(158,788)	(184,955)	(158,788)
Performance fee	2 (n)	(38,510,190)	0	(38,510,190)	0
Rates		(567,238)	(111,419)	(84,583)	(81,022)
Recoverable outgoings		(958,341)	(232,869)	(224,271)	(232,869)
Repairs and maintenance		(260,054)	(59,294)	(30,013)	(36,580)
Other expenses		(957,699)	(245,168)	(268,921)	(57,666)
Total Expenses		(79,381,069)	(23,587,990)	(41,059,532)	(1,933,064)
Profit from operating activities before income tax		39,402,153	1,451,780	42,609,795	4,199,453
Income tax benefit	2(j),5	879,984	647,916	0	0
Net profit from operating activities after income tax		40,282,137	2,099,696	42,609,795	4,199,453
Profit attributable to minority interest		(5,090)	0	0	0
Profit after income tax attributable to security holders		40,277,047	2,099,696	42,609,795	4,199,453
Represented by:					
Earnings attributable to members of APGT		42,327,487	4,199,453	42,609,795	4,199,453
Profit/(loss) attributable to members of APGL		(2,050,440)	(2,099,757)	0	0
		40,277,047	2,099,696	42,609,795	4,199,453
Earnings per stapled security (cents)					
- Basic earnings per stapled security	6	31.7	6.0		
- Diluted earnings per stapled security	6	31.7	6.0		
Capital Distributions per stapled security (cents)	7	0.0	8.0		
Tax Deferred Distributions per stapled security (cents)	7	8.5	0.0		

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

Balance Sheet

AS AT 30 JUNE 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	52,056,172	5,731,787	2,606,311	4,993,084
Trade and other receivables	9	1,568,444	293,696	45,603	91,112
Inventory	10	6,561,300	26,680,290	0	0
Other	11	254,548	578,289	70,207	268,067
Total Current Assets		60,440,464	33,284,062	2,722,121	5,352,263
NON-CURRENT ASSETS					
Trade and other receivables	9	13,495,302	0	59,800,000	1,500,000
Inventory	10	11,599,334	11,648,437	0	0
Property investment held directly	15	296,300,000	30,032,855	33,300,000	30,032,855
Plant and equipment	12	16,484	0	7,779	0
Interest rate swap		1,109,046	286,268	437,582	286,268
Investments in subsidiaries	13	0	0	149,705,223	0
Other assets	13	12,168,392	0	0	0
Goodwill	14	15,553,218	0	0	0
Deferred tax asset	5	1,941,515	998,887	0	0
Total Non-current Assets		352,183,291	42,966,447	243,250,584	31,819,123
TOTAL ASSETS		412,623,755	76,250,509	245,972,705	37,171,386
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	7,871,013	2,930,610	3,955,702	1,123,929
Borrowings and interest bearing loans	17	12,538,650	20,515,979	0	0
Provisions	18	110,731	0	0	0
Total Current Liabilities		20,520,394	23,446,589	3,955,702	1,123,929
NON-CURRENT LIABILITIES					
Payables	16	39,353,511	1,015,828	39,353,511	1,015,828
Borrowings and interest bearing loans	17	149,771,161	15,981,711	16,007,118	15,981,711
Provisions	18	111,556	0	0	0
Other	19	2,414,954	1,576,548	0	0
Total Non-current Liabilities		191,651,182	18,574,087	55,360,629	16,997,539
TOTAL LIABILITIES		212,171,576	42,020,676	59,316,331	18,121,468
NET ASSETS ATTRIBUTABLE TO MEMBERS OF THE FUND		200,452,179	34,229,833	186,656,374	19,049,918
REPRESENTED BY:					
Attributable to members of APGL					
Contributed equity	20	17,874,458	17,218,110	0	0
Accumulated losses		(4,088,636)	(2,038,195)	0	0
Total attributable to members of APGL		13,785,822	15,179,915	0	0
Attributable to unit holders of APGT					
Units on issue	20	151,291,167	13,207,909	151,291,167	13,207,909
Hedging reserve		433,870	0	151,316	0
Undistributed earnings		34,931,584	5,842,009	35,213,891	5,842,009
Total attributable to unit holders of APGT		186,656,621	19,049,918	186,656,374	19,049,918
Minority interests		9,736	0	0	0
TOTAL MEMBERS' INTERESTS		200,452,179	34,229,833	186,656,374	19,049,918

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 2007

	Securities Issued \$	CONSOLIDATED Undistributed Income \$	Other Reserves \$	Minority Interests \$	Total Security Holders' Interests \$
At 1 July 2005 *	33,226,019	1,704,118	0	0	34,930,137
Profit/(loss) for the year attributable to members of APGL	0	(2,099,757)	0	0	(2,099,757)
Earnings for the year attributable to unit holders of APGT	0	4,199,453	0	0	4,199,453
Total income for the year attributable to security holders	0	2,099,696	0	0	2,099,696
Capital distributions to security holders	(2,800,000)	0	0	0	(2,800,000)
At 30 June 2006 *	30,426,019	3,803,814	0	0	34,229,833
At 1 July 2006	30,426,019	3,803,814	0	0	34,229,833
Net gain from cash flow hedges	0	0	433,870	19	433,889
Total income and expense for the year recognised directly in equity	0	0	433,870	19	433,889
Profit/(loss) for the year attributable to members of APGL	0	(2,050,440)	0	0	(2,050,440)
Earnings for the year attributable to unit holders of APGT	0	42,327,487	0	5,090	42,332,577
Total income for the year attributable to security holders	0	40,277,047	0	5,090	40,282,137
Initial recognition of minority interest on acquisition of BTT	0	0	0	4,627	4,627
Securities issued	140,610,571	0	0	0	140,610,571
Transaction costs	(1,870,965)	0	0	0	(1,870,965)
Tax deferred distributions to security holders	0	(13,237,913)	0	0	(13,237,913)
At 30 June 2007	169,165,625	30,842,948	433,870	9,736	200,452,179

* 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 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 2007

	Securities Issued \$	PARENT Undistributed Income \$	Other Reserves \$	Total Security Holders' Interests \$
At 1 July 2005 *	16,007,909	1,642,556	0	17,650,465
Earnings for the year attributable to unit holders of APGT	0	4,199,453	0	4,199,453
Total income/(expense) 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)
At 30 June 2006 *	13,207,909	5,842,009	0	19,049,918
At 1 July 2006	13,207,909	5,842,009	0	19,049,918
Net gain from cash flow hedges	0	0	151,316	151,316
Total income and expense for the year recognised directly in equity	0	0	151,316	151,316
Earnings for the year attributable to unit holders of APGT	0	42,609,795	0	42,609,795
Total income for the year attributable to security holders	0	42,609,795	0	42,609,795
Securities issued	139,938,836	0	0	139,938,836
Transaction costs	(1,855,578)	0	0	(1,855,578)
Tax deferred distributions to security holders	0	(13,237,913)	0	(13,237,913)
At 30 June 2007	151,291,167	35,213,891	151,316	186,656,374

* 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 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 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Receipt of development management fees		24,232,971	21,226,912	0	0
Receipt of property and funds management fees		134,912	0	0	0
Receipts from customers		18,618,482	2,911,939	2,685,770	2,346,872
Payments to suppliers & employees		(17,855,470)	(18,350,901)	(1,635,191)	(916,034)
Borrowing costs paid		(8,890,772)	(3,427,455)	(1,198,758)	(1,104,332)
Trust distributions received		0	0	9,999	0
Interest and bill discounts received		3,099,868	657,564	1,208,449	529,834
Net cash flows from operating activities	8	19,339,991	3,018,059	1,070,269	856,340
Cash flows from investing activities					
Payments for property plant and equipment		(9,132)	0	(9,132)	0
Payments for investment property additions		(303,353)	(1,906)	(11,440)	(1,906)
Payment of loans to controlled entities		0	0	(59,800,000)	0
Payment of loans to other parties		(13,495,302)	0	0	0
Acquisition of BTT, net of cash acquired	28	(2,695,237)	0	(3,680,000)	0
Acquisition of EPFM, net of cash acquired	28	(27,702,261)	0	0	0
Payments for unsecured notes acquired		0	0	0	(1,500,000)
Receipts for unsecured notes redeemed		0	0	1,500,000	0
Payments for lease fitout incentives		(274,546)	(650,000)	0	(650,000)
Deposit refunded for new development		0	800,000	0	800,000
Payments for inventories		0	(49,104)	0	0
Net cash flows from/(used in) investing activities		(44,479,831)	98,990	(62,000,572)	(1,351,906)
Cash flows from financing activities					
Proceeds from borrowings		20,321,716	11,773,363	0	0
Payment of costs of new borrowings		(63,947)	0	0	0
Repayment of borrowings		(6,493,422)	(20,506,599)	0	0
Proceeds from borrowings – related parties		0	2,230,804	0	0
Repayment of borrowings – related parties		(1,500,000)	0	0	0
Distributions paid to security holders		(10,390,345)	(2,752,270)	(10,390,345)	(2,752,270)
Proceeds from the issue of securities		71,203,911	0	70,532,176	0
Payment of security issue costs		(1,613,688)	(564,899)	(1,598,301)	(257,277)
Net cash flows from/(used in) financing activities		71,464,225	(9,819,601)	58,543,530	(3,009,547)
Net increase/(decrease) in cash held		46,324,385	(6,702,552)	(2,386,773)	(3,505,113)
Cash and cash equivalents at beginning of the year		5,731,787	12,434,339	4,993,084	8,498,197
Cash and cash equivalents at end of the year	8	52,056,172	5,731,787	2,606,311	4,993,084

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 2007

1. CORPORATE INFORMATION

The Consolidated Annual Financial Report of Australian Property Growth Fund (formerly Leyshon Property Fund No. 3) ('APGF' or 'the Fund') for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of Directors on 4 September 2007.

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

(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 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').

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ending 30 June 2007. The Directors have assessed the impact of these new or amended standards (to the extent relevant to the Fund) and have concluded that the only amendments that will impact the amounts recognised in the financial statements will be:

Ref	Title	Summary	Applic'n Date of Standard	Impact on entity Financial Report	Applic'n Date for entity*
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 Jan 07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the entity's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Entity's financial report.	1 Jul 07

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Ref	Title	Summary	Applic'n Date of Standard	Impact on entity Financial Report	Applic'n Date for entity*
AASB 2007-3	Amendment to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 Jan 09	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the entity's financial statements. However, the new standard is expected to have an impact on the entity's segment disclosures as segment information based on management reports are more detailed than those currently reported under AASB 114.	1 Jul 09
AASB 7	<i>Financial Instruments: Disclosures</i>	New standard replacing disclosure requirements of AASB132.	1 Jan 07	Refer to AASB 2005-10 above.	1 Jul 07
AASB 8	<i>Operating Segments</i>	This new standard will replace AASB 114 <i>Segment Reporting</i> and adopts a management approach to segment reporting.	1 Jan 09	Refer to AASB 2007-3 above.	1 Jul 09

* 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) Significant accounting judgements, estimates and assumptions

In the process of applying the Fund's accounting policies management has made various judgements, estimations and assumptions. Where significant, further information on these judgements, estimates and assumptions are disclosed in the relevant notes to the financial statements. The significant estimates are in relation to the measurement of the fair value of investment properties, exit fee asset, performance fee liability and derivatives, and in determining the allocation of costs associated with revenue recognition on property development.

(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.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing consolidated financial statements, all intercompany balances and transactions, income and expenses, profit and losses resulting from intra-group transactions have been eliminated in full.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

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

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 30 June 2007.

The acquisition of a 100% interest in the former Elderslie property funds management group ('EPFM'), comprising APGF Property Limited ('APL'), Austgrowth Property Syndicates Limited ('APS') and Austgrowth Investment Management Pty Ltd ('AIM'), on 22 June 2007 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 EPFM for the period from the acquisition date to 30 June 2007.

Minority interests not held by the group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent securityholders' equity.

(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

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.

(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. Other management fee revenue is recognised upon attaining control of the right to receive payment of the fee. 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 2007

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

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

Collectibility of trade receivables is reviewed on an ongoing basis. 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.

(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 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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
- 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 and BTT are not liable to pay income tax provided their taxable income and taxable realised gains are fully distributed to unit holders.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

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.

Investments in subsidiaries for which the primary undertaking is to hold investment properties are accounted for on the above basis.

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets

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

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

Loans and Receivables

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

Available for Sale Investments

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

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

Impairment

The Fund assesses at each 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

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.

If APGT and/or BTT sell an investment property they own, then under the terms of the Asset Management Agreement, a performance fee may be payable to the Fund's Asset Manager, APGM. The amount of the performance fee is dependent on the Fund's internal rate of return at that time. The performance fee payable is accrued by the Fund based on current property valuations at each balance date.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Interest bearing loans and borrowings

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.

(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.

(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.

(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.

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 2007

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 securities.

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 securities and dilutive potential ordinary securities, adjusted for any bonus element.

(t) Leasing fees expense

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

(u) Leasing incentives

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

(v) Business Combinations

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

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment Reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(x) Distributions

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

(y) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Fund's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Fund's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Fund are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Fund at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Fund's primary or the Fund's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

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

Impairment losses for goodwill are not subsequently reversed.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

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 affected the segment information.

(b) Segment Information

(i) Primary Segment - Business Segments	Property Development	Property Investment	Property Funds Management	Total
	\$	\$	\$	\$
30 June 2007				
Revenue				
Development management fee income	21,967,147	0	0	21,967,147
Property and funds management fee income	0	0	140,214	140,214
Rental income	469,699	14,975,055	0	15,444,754
Interest income	1,656,181	1,345,256	2,057	3,003,494
Revaluation increment on investment property	0	78,227,613	0	78,227,613
Total Revenue and other income	24,093,027	94,547,924	142,271	118,783,222
Result				
Segment result before interest expense	(2,950,775)	50,287,023	77,903	47,414,151
Interest expense	(57,552)	(7,954,446)	0	(8,011,998)
Segment result after interest expense and before income tax expense	(3,008,327)	42,332,577	77,903	39,402,153
Income tax expense/(benefit)	(903,387)	0	23,403	(879,984)
Net Profit/(loss)	(2,104,940)	42,332,577	54,500	40,282,137
Assets				
Segment assets	76,561,838	302,840,905	33,221,012	412,623,755
Non-segment assets	0	0	0	0
Total Assets	76,561,838	302,840,905	33,221,012	412,623,755
Liabilities				
Segment liabilities	15,520,465	175,974,547	20,676,564	212,171,576
Non-segment liabilities	0	0	0	0
Total Liabilities	15,520,465	175,974,547	20,676,564	212,171,576
Cash flow information				
Net cash flows from/(used in) operating activities	16,191,627	3,004,211	144,153	19,339,991
Net cash flows from/(used in) investing activities	(13,495,302)	(3,282,268)	(27,702,261)	(44,479,831)
Net cash flows from/(used in) financing activities	51,784,643	241,089	19,438,493	71,464,225

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

3. SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

(i) Primary Segment - Business Segments

	Property Development \$	Property Investment \$	Total \$
30 June 2006			
Revenue			
Development 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
Result			
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
Assets			
Segment assets	40,651,825	35,598,684	76,250,509
Non-segment assets	0	0	0
Total Assets	40,651,825	35,598,684	76,250,509
Liabilities			
Segment liabilities *	23,899,209	18,121,467	42,020,676
Non-segment liabilities *	0	0	0
Total Liabilities	23,899,209	18,121,467	42,020,676
Cash flow information			
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.

(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 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
4. REVENUE AND EXPENSES				
(a) Revenue from operating activities				
Development management fee income	21,967,147	18,309,953	0	0
Property and funds management fee income	140,214	0	0	0
Rental income	15,444,754	2,960,907	2,579,035	2,418,636
Interest income	3,003,494	512,162	1,135,874	457,133
Trust distribution income	0	0	9,999	0
Total Revenue from operating activities	40,555,609	21,783,022	3,724,908	2,875,769
(b) Expenses				
Depreciation of plant and equipment	1,353	0	1,353	0
Borrowing expenses				
Interest and finance charges paid or payable to:				
Related parties	19,375	12,077	0	0
Other parties	7,992,623	1,107,439	1,205,495	1,107,012
Amortisation of borrowing costs	8,011,998	1,119,516	1,205,495	1,107,012
	447,307	56,893	25,408	25,408
Total borrowing expenses	8,459,305	1,176,409	1,230,903	1,132,420
Development costs expensed				
London Woolstore project	21,778,567	17,229,105	0	0
Palm Beach and other projects	4,729,844	4,042,497	0	0
	26,508,411	21,271,602	0	0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
5. INCOME TAX				
The major components of income tax expense are:				
Income Statement				
<i>Current income tax</i>				
Current income tax charge	6,274,616	1,162,202	0	0
Use of carry forward losses	(6,274,616)	(1,162,202)	0	0
Deferred tax asset acquired - EPFM (refer Note 28 (ii))	62,644	0	0	0
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	(7,217,244)	(1,810,118)	0	0
Movement in losses recognised	6,274,616	1,162,202	0	0
Income tax benefit reported in the income statement	(879,984)	(647,916)	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	39,402,153	1,451,780	42,609,795	4,199,453
Less: Profit relating to APGT (refer (i))	(42,332,577)	(4,199,453)	(42,609,795)	(4,199,453)
Adjusted accounting profit/(loss)	(2,930,424)	(2,747,673)	0	0
At the Fund's statutory income tax rate of 30% (2006: 30%)	(879,127)	(824,302)	0	0
Adjustments in respect of current income tax of previous years:				
Expenditure not allowed for tax purposes	1,549	39	0	0
Other items (net)	(2,406)	176,347	0	0
Income tax expense/(benefit) reported in the income statement	(879,984)	(647,916)	0	0

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

5. INCOME TAX (CONTINUED)	Consolidated		Income Statement	
	2007	2006	2007	2006
	\$	\$	\$	\$
CONSOLIDATED				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Capitalisation of work in progress	1,968,390	8,004,087	6,035,697	718,027
<i>Deferred tax assets</i>				
Formation costs and share issue costs	88,858	54,737	34,121	(13,197)
Prepayments	0	50,161	(50,161)	50,161
Borrowing costs	15,306	0	15,306	0
Accrued expenses	89,623	51,810	37,813	48,810
Leave liabilities	66,686	0	66,686	0
Provision for doubtful debts	0	10,420	(10,420)	10,420
Work in progress expensed	2,283,129	1,194,927	1,088,202	995,897
	2,543,602	1,362,055	7,217,244	1,810,118
Losses available for offset against future taxable income	1,366,303	7,640,919	(6,274,616)	(1,162,202)
Gross deferred income tax assets	3,909,905	9,002,974		
Net deferred income tax assets	1,941,515	998,887		
Deferred tax income/(expense)			942,628	647,916

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 \$1,366,303 (2006: \$7,640,919) 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:

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

Tax consolidation

APGL and its 100% owned Australian resident subsidiary (APB) have formed a tax consolidated group with effect from 21 March 2005. APGA joined the tax consolidated group on 14 June 2007, and APL, APS and AIM joined the tax consolidated group on 22 June 2007. 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 2007

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:

	Consolidated	
	2007	2006
	\$	\$
Net profit attributable to security holders of the Fund *	40,277,047	2,099,696
	Number	Number
Weighted average number of securities for basic earnings per security *	127,021,132	35,000,000

There have been no 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.

7. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Distributions on stapled securities declared or paid during the year totalling 8.48 cents (2006: 8 cents) per annum per stapled security:				
(a) Capital distributions paid during the year	0	2,101,918	0	2,101,918
(b) Tax deferred distributions paid during the year	9,692,263	0	9,692,263	0
(c) Capital distributions provided for during the year	0	698,082	0	698,082
(d) Tax deferred distributions provided for during the year	3,545,650	0	3,545,650	0
	<u>13,237,913</u>	<u>2,800,000</u>	<u>13,237,913</u>	<u>2,800,000</u>

No dividends were paid or proposed during the year (2006: Nil). The company had no franking credits at 30 June 2007 (2006: Nil).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

8. CASH AND CASH EQUIVALENTS	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and on hand	29,684,580	5,466,827	2,606,311	4,993,084
Deposits at call	22,371,592	264,960	0	0
	<u>52,056,172</u>	<u>5,731,787</u>	<u>2,606,311</u>	<u>4,993,084</u>

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

At 30 June 2007 the Fund had available \$4,599,501 (30 June 2006: \$Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation to Cash Flow Statement	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
For the purposes of the Cash Flow Statement, cash comprises the following:				
Cash at bank and on hand	29,684,580	5,466,827	2,606,311	4,993,084
Deposits at call	22,371,592	264,960	0	0
	<u>52,056,172</u>	<u>5,731,787</u>	<u>2,606,311</u>	<u>4,993,084</u>

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

Net profit after income tax	40,282,137	2,099,696	42,609,795	4,199,453
Adjustment for:				
Amortisation of borrowing costs	447,307	56,893	25,408	25,408
Amortisation of lease fitout incentives	407,334	295,834	295,836	295,834
Depreciation expense	1,353	0	1,353	0
Borrowing costs capitalised	(471,303)	(1,725,657)	0	0
Fair value movement in investments	0	0	(76,618,563)	0
Revaluation of property investment	(78,227,613)	(2,970,480)	(3,325,856)	(2,970,480)
Changes in assets and liabilities				
(Increase)/decrease in receivables	958,812	(438,790)	(186,848)	(569,494)
(Increase)/decrease in inventories	20,639,397	7,071,305	0	0
(Increase)/decrease in deferred tax asset	5,155,713	70,112	0	0
(Increase)/decrease in other assets	490,406	(1,389)	(52,746)	(889)
Increase/(decrease) in payables	35,645,420	(721,438)	38,321,890	(123,492)
Increase/(decrease) in provisions	46,725	0	0	0
Increase/(decrease) in deferred tax liability	(6,035,697)	(718,027)	0	0
Net cash from operating activities	<u>19,339,991</u>	<u>3,018,059</u>	<u>1,070,269</u>	<u>856,340</u>

Disclosure of financing facilities

Refer to Note 17.

Non-cash financing and investing activities

Settlement of subsidiary purchase with shares – refer Note 28.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
9. TRADE AND OTHER RECEIVABLES				
Current				
Trade debtors (i)	201,126	141	1,170	141
Other debtors (ii)	1,289,442	187,581	44,433	18,270
Provision for doubtful debts	0	(34,732)	0	0
Amount receivable from related parties (ii)	77,876	140,706	0	72,701
	1,568,444	293,696	45,603	91,112
Non-Current				
Unsecured notes issued by related party (iii)	0	0	0	1,500,000
Unsecured loan provided to related party (iv)	0	0	59,800,000	0
Loans receivable (v)	13,495,302	0	0	0
	13,495,302	0	59,800,000	1,500,000

- (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) 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. These unsecured notes were repaid on 19 September 2006. Interest payable accrued at 30 June 2007 was \$Nil (2006: Nil).
- (iv) This loan from APGT to APGL is unsecured and interest free, with no set repayment terms.
- (v) On 22 June 2007 APGL advanced two loans to Elderslie Property Investments Pty Ltd ('EPI'). These loans are interest free with no fixed repayment dates. The loans are part of an arrangement whereby APGL can benefit from the development of two of EPI's residential land subdivisions – Dolphin Point and Springfield Meadows. The loans are secured by registered second mortgages over the respective development properties. In addition to the loans described above, APGL has:
- provided St George Bank Limited ("St George") with an unlimited guarantee and indemnity in respect of loans provided by St George to EPI to finance the development of each of these projects. St George has provided EPI with a \$6 million facility for Dolphin Point (\$5.2 million drawn at 30 June 2007) and a \$10.8 million facility for Springfield Meadows (\$8.7 million drawn at 30 June 2007). These loans are secured by a registered first mortgage over the respective development properties and a first registered fixed charge over the assets and undertakings of EPI, limited to its interest in the Dolphin Point and Springfield Meadows development projects.
 - agreed that in the event of a default by EPI in respect of the facilities provided by St George (described above), St George will have no right of recourse against EPI other than the registered first mortgage and first registered fixed charge over the developments described above.
 - entered into put and call arrangements with EPI in respect of the Dolphin Point development property giving EPI the right to require APGL to purchase the property and APGL the right to require EPI to sell the property for total consideration of \$12 million. There are three separate put and call options, one for each of the three remaining stages the project. The options expire on 1 March 2008.
- At 30 June 2007, the Directors expect that future net cash flows from the development projects will be sufficient to fully repay the St George loans and the loans provided by APGL to EPI and so the guarantees provided by APGL are not expected to result in any liability to APGL.

Details regarding the interest rate and credit risk of receivables are disclosed in Notes 21 and 22.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
10. INVENTORY				
Current				
Work in progress at cost (Teneriffe)	6,561,300	26,680,290	0	0
Total inventories at lower of cost and net realisable value	6,561,300	26,680,290	0	0
Included in work in progress is capitalised borrowing costs of \$1,224,346 (2006: \$3,083,594).				
Non-Current				
Work in progress at cost (Palm Beach/Other)	11,599,334	11,648,437	0	0
Total inventories at lower of cost and net realisable value	11,599,334	11,648,437	0	0
Included in work in progress is capitalised borrowing costs of \$Nil (2006: \$Nil).				
Inventory expense				
Inventories recognised as an expense for the year ended 30 June 2007 totalled \$26,396,890 (2006: \$21,271,602) for the Fund and \$Nil (2006: \$Nil) for the parent. This expense has been included in the development costs expensed line item in the income statement.				
11. OTHER ASSETS				
Current				
Prepayments	202,948	575,589	20,107	267,967
Deposit on property acquisition	50,000	0	50,000	0
Security deposits	1,600	2,700	100	100
	254,548	578,289	70,207	268,067
12. PLANT AND EQUIPMENT				
Leasehold improvements at cost	9,132	0	9,132	0
Accumulated depreciation	(1,353)	0	(1,353)	0
	7,779	0	7,779	0
Computer Software at cost	1,116	0	0	0
Accumulated depreciation	0	0	0	0
	1,116	0	0	0
Computer equipment at cost	7,589	0	0	0
Accumulated depreciation	0	0	0	0
	7,589	0	0	0
TOTAL PLANT AND EQUIPMENT	16,484	0	7,779	0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

12. PLANT AND EQUIPMENT (Continued)

Reconciliation of carrying amounts (net of accumulated depreciation) at the beginning and the end of the period:

	Leasehold improvements (\$)	Computer Software (\$)	Computer equipment (\$)	Total (\$)
Balance as at 1 July 2006	0	0	0	0
Additions	9,132	0	0	9,132
Acquisitions with subsidiaries	0	1,116	7,589	8,705
Depreciation expense	(1,353)	0	0	(1,353)
Balance as at 30 June 2007	7,779	1,116	7,589	16,484

13. OTHER ASSETS AND SUBSIDIARIES

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Non-Current				
Investment in controlled entities (i)	0	0	149,705,223	0
Exit fee asset (ii)	12,168,392	0	0	0
	12,168,392	0	149,705,223	0

(i) Investment in controlled entities

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

Name	Country of Regist.	Equity Interest		Investment	
		2007 %	2006 %	2007 \$	2006 \$
Blue Tower Trust	Australia	99.99	0	149,705,223	0
Australian Property Growth Limited and its controlled entities:	Australia	100 *	100 *	0	0
APGL (Palm Beach) Pty Ltd	Australia	100 *	100 *	1	1
APGF (Victoria) Pty Ltd	Australia	99 *	0	0	0
APGF Administration Pty Ltd	Australia	100 *	0	0	0
APGF Property Limited	Australia	100 *	0	24,309,606	0
Austgrowth Property Syndicates Limited	Australia	100 *	0	6,643,717	0
Austgrowth Investment Management Pty Ltd	Australia	100 *	0	875,321	0
				31,828,645	1

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

Details of acquisitions of controlled entities during the period are as follows:

- Blue Tower Trust – Refer Note 28(i)
- APGF Property Limited, Austgrowth Property Syndicates Limited and Austgrowth Investment Management Pty Ltd – refer Note 28(ii)
- APGF (Victoria) Pty Ltd was incorporated on 15 December 2006 and has remained dormant since incorporation.
- APGF Administration Pty Ltd was incorporated on 14 June 2007 to employ staff involved in the operation of APL, APS and AIM. The company has employed eight staff commencing 21 June 2007.

(ii) Exit Fee Asset

This asset represents the fair value of fees payable to APL and APS in the event of the termination of the Asset Management Agreements or the sale of the underlying assets by syndicates or trusts for which APL or APS act as Asset Manager. The fair value is determined based on management's assessment of the current valuation of the assets held by the respective trusts and syndicates, taking into account recent market transactions for assets with similar characteristics, and applying the relevant fee percentage (the lower of the termination fee and the asset disposal fee) as prescribed by each Asset Management Agreement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

14. INTANGIBLE ASSETS	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Non-Current				
Goodwill				
Opening balance	0	0	0	0
Acquisition of subsidiaries	15,553,218	0	0	0
Impairment	0	0	0	0
Closing Balance	15,553,218	0	0	0

(i) Description of Goodwill

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

(ii) Impairment testing

For the purposes of impairment testing, goodwill acquired through business combinations have been allocated to one individual cash generating unit, the Property Funds Management ('PFM') unit. PFM is a reportable segment (refer Note 3). The amount of goodwill allocated to this unit is \$15.6 million (2006: \$Nil).

The goodwill was acquired in a transaction which occurred on 22 June 2007. The Directors consider that the key assumptions used to assess the value of the acquisition are still current and applicable at 30 June 2007. Accordingly no impairment losses are required to be recognised in the accounts as at 30 June 2007.

The recoverable amount of the PFM unit has been determined based on fair value less costs to sell. The fair value has been arrived at taking in account multiples of earnings and percentages of assets under management. The key assumptions that the fair value is most sensitive to are:

- applicable multiples and percentages used - the multiples and percentages used are based on averages paid on recent transactions of similar businesses.
- expected earnings - the earnings multiple has been applied to future expected earnings as forecast by management. This is based on historical results adjusted for the expected impact of management's future plans for the unit.
- assets under management - the asset values are based on management's assessment of current market values of the underlying assets owned by the syndicates managed by the PFM unit. These assessments are based on recent market transactions.

The Directors are of the view that no reasonable possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

15. INVESTMENT PROPERTY HELD DIRECTLY	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Property investments held directly	296,300,000	30,032,855	33,300,000	30,032,855
<i>Included in the carrying amount of investment properties are the following components:</i>				
Property asset (at valuation)	288,726,615	27,637,878	30,975,173	27,637,878
Lease fitout incentives (at written down value)	2,620,678	1,932,684	1,636,849	1,932,684
Straight line rent receivable *	3,087,173	429,438	661,795	429,438
Rental incentives (at written down value)	906,506	0	0	0
Leasing fees (at written down value)	959,028	32,855	26,183	32,855
	296,300,000	30,032,855	33,300,000	30,032,855

* Asset arising from recording lease income on straight line basis

(a) Reconciliation of Carrying Amounts

Reconciliation of carrying amounts of property investments

Opening balance at start of year	30,032,855	27,079,361	30,032,855	27,079,361
Capital acquisitions – Comalco Place	187,188,666	0	0	0
Additions	1,438,323	284,447	243,796	284,447
Amortisation	(407,334)	(295,834)	(295,835)	(295,834)
Leasing fees expensed	(180,123)	(5,599)	(6,672)	(5,599)
Net gain from fair value adjustments	78,227,613	2,970,480	3,325,856	2,970,480
Closing balance at end of year	296,300,000	30,032,855	33,300,000	30,032,855

(b) Assets pledged as security

The assets of APGT and BTT are pledged as security to Suncorp-Metway Ltd under registered mortgage debentures granted by The Public Trustee of Queensland as Custodian for APGT and BTT.

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

The carrying value of the assets pledged as securities are:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Property investments held directly	296,300,000	30,032,855	33,300,000	30,032,855

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

15. INVESTMENT PROPERTY HELD DIRECTLY (continued)

(c) Details of Property Valuation as at 30 June 2007

Property Description	Comalco Place	99 Melbourne Street	Total
Date Acquired	19 September 2006	21 December 2004	
Cost and additions to 30 June 2007	188,116,082	25,916,739	214,032,821
Book value at 30 June 2007	263,000,000	33,300,000	296,300,000
Latest Valuation *	263,000,000	33,300,000	296,300,000

* Fair value as assessed as at 30 June 2007 by Savills (Qld) Pty Ltd using a fair market value approach between a willing buyer and seller.

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
16. TRADE AND OTHER PAYABLES				
Current				
Trade creditors (i)	581,744	166,647	21,383	17,910
Prepaid income (ii)	803,918	173,918	172,587	173,918
Other creditors and accruals (iii)	2,939,701	1,891,963	216,082	234,019
Accrued distribution (iv)	3,545,650	698,082	3,545,650	698,082
	<u>7,871,013</u>	<u>2,930,610</u>	<u>3,955,702</u>	<u>1,123,929</u>
Non – Current				
Prepaid income (ii)	843,321	1,015,828	843,321	1,015,828
Performance fee (v)	38,510,190	0	38,510,190	0
	<u>39,353,511</u>	<u>1,015,828</u>	<u>39,353,511</u>	<u>1,015,828</u>

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Prepaid income is non-interest bearing and recognised as income over the period to which the lease relates.
- (iii) Other creditors and accruals are non-interest bearing and are generally settled between 30 and 60 days of amounts becoming due and payable.
- (iv) Accrued distribution represents a tax deferred distribution for the June 2007 quarter (2006: capital distribution).
- (v) If APGT and/or BTT sell an investment property they own, then under the terms of the Asset Management Agreement, a performance fee may be payable to the Fund's Asset Manager, APGM. The amount of the performance fee is dependent on the Fund's internal rate of return at that time. The performance fee payable has been accrued by the Fund based on current property valuations at balance date (refer Note 15).

Details regarding the interest rate and credit risk of payables is disclosed in Notes 21 and 22.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

17. BORROWINGS AND INTEREST-BEARING LOANS		Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current					
<i>Secured borrowings:</i>					
Related party loan	(i)	4,763,000	11,256,422	0	0
Less: Net borrowing costs		(1,350)	(29,520)	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)	0	1,512,077	0	0
		12,538,650	20,515,979	0	0
Non Current					
<i>Secured borrowings:</i>					
Secured bank loan	(iv)	150,569,019	16,068,520	16,068,520	16,068,520
Less: Net borrowing costs		(797,858)	(86,809)	(61,402)	(86,809)
		149,771,161	15,981,711	16,007,118	15,981,711

- (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 was repaid in full on 31 July 2007.
- (ii) This loan facility is unsecured and was repaid in full on 19 September 2006.
- (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 APB over the commercial property located at Palm Beach Shopping Centre, 1102 & 1112 Gold Coast Highway, Palm Beach and a set off deed over an amount of \$250,000 on deposit with St George Bank Limited given by APB. The loan facility expires on 30 September 2007 but is expected to be extended thereafter.
- (iv) The loan facilities are provided by Suncorp-Metway Limited. Details of the loans and security provided to the lender is:
- A fully drawn facility for \$16,068,520 (2006: \$16,068,520 fully drawn) expiring on 31 December 2009. 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, Brisbane Property. Refer to Note 15(b).
 - A facility totalling \$119,600,000 (2006: \$119,600,000) of which \$115,000,499 had been drawn down at 30 June 2007 (2006: \$96,000,499). The loan facility expires on 31 October 2008. Security provided to the lender is a guarantee and indemnity from Public Trustee of Queensland as Custodian for BTT via registered mortgage over the 12 Creek Street, Brisbane Property. Refer to Note 15(b).
 - A fully drawn facility for \$19,500,000 (2006: \$Nil) established on 22 June 2007 as part of the funding arrangements for the EPFM acquisition. The loan facility expires on 22 June 2010. Security provided to the lender is a fixed and floating charge over all of APGL's assets and undertakings, excluding property development assets, and a share mortgage granted over all of the shares issued by APL, APS and AIM.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

17. BORROWINGS AND INTEREST-BEARING LOANS

(Continued)

Financing facilities available

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

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Facilities unused	4,599,501	0	0	0
Facilities used	163,109,019	35,101,942	16,068,520	16,068,520
Total facilities	167,708,520	35,101,942	16,068,520	16,068,520

Assets pledged as security

Details of assets pledged as security are disclosed in note 15(b) and note 17.

18. PROVISIONS

Current

Annual leave

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Annual leave	110,731	0	0	0

Non – Current

Long service leave

Long service leave	111,556	0	0	0
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19. OTHER LIABILITIES

Non - Current

Loan - Palm Beach Developments Pty Ltd (i)

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Loan - Palm Beach Developments Pty Ltd (i)	2,414,954	1,576,548	0	0

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

20. MEMBERS' INTERESTS	2007 Number	2007 \$	2006 Number	2006 \$
CONSOLIDATED				
Units issued in APGT (i)	167,707,124	151,291,167	35,000,000	13,207,909
Shares issued in APGL (ii)	167,707,124	17,874,458	35,000,000	17,218,110
		<u>169,165,625</u>		<u>30,426,019</u>
PARENT				
Units issued in APGT (i)	167,707,124	151,291,167	35,000,000	13,207,909

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

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

<i>Movements in securities on issue</i>	Units in APGT		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	67,173,501	70,532,176	67,173,501	671,735
Transaction costs on share issue	0	(1,855,578)	0	(15,387)
At 30 June 2007	167,707,124	151,291,167	167,707,124	17,874,458

On 19 September 2006 APGT acquired a 99.99% ownership interest in 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 has been fully allocated to units in APGT.

In addition, during the year ended 30 June 2007, 67,173,501 stapled securities were issued by the Fund at an issue price of \$1.06 per stapled security (2006: Nil). The funds raised have been allocated on the basis of \$1.05 per unit in APGT (\$70.53 million) and \$0.01 per share in APGL (\$0.67 million).

Movement in capital repayments

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)
Year ended 30 June 2006	<u>(2,800,000)</u>
Year ended 30 June 2007	<u>0</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

21. 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.

The Fund's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost effective manner, the Fund enters into interest rate swaps, in which the Fund agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The swaps are designated to hedge underlying debt obligations and are arranged for debt obligations exceeding 3 years..

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 loans.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

22. 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 2007	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash and cash equivalents	52,055,771	-	-	-	-	-	52,055,771	5.67%
<i>Weighted average interest rate</i>	5.67%	-	-	-	-	-		
FINANCIAL LIABILITIES								
<i>Floating rate</i>								
Secured bank loans	7,777,000	115,000,499	35,568,520	-	-	-	158,346,019	7.67%
Secured loan from related party	4,763,000	-	-	-	-	-	4,763,000	8.39%
	12,540,000	115,000,499	35,568,520	-	-	-	163,109,019	
<i>Weighted average interest rate</i>	8.39%	7.59%	7.78%	-	-	-		
PARENT								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash and cash equivalents	2,606,311	-	-	-	-	-	2,606,311	6.13%
<i>Weighted average interest rate</i>	6.13%	-	-	-	-	-		
FINANCIAL LIABILITIES								
<i>Floating rate</i>								
Secured bank loan	-	-	16,068,520	-	-	-	16,068,520	7.59%
<i>Weighted average interest rate</i>	-	-	7.59%	-	-	-		

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

22. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2006	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash and cash equivalents	5,731,787	-	-	-	-	-	5,731,787	5.65%
<i>Weighted average interest rate</i>	5.65%	-	-	-	-	-		
FINANCIAL LIABILITIES								
<i>Floating rate</i>								
Secured bank loan	-	-	-	16,068,520	-	-	16,068,520	7.08%
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%
	20,545,499	-	-	16,068,520	-	-	36,614,019	
<i>Weighted average interest rate</i>	8.13%	-	-	7.08%	-	-		
PARENT								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash and cash equivalents	4,993,084	-	-	-	-	-	4,993,084	5.73%
<i>Weighted average interest rate</i>	5.73%	-	-	-	-	-		
FINANCIAL LIABILITIES								
<i>Floating rate</i>								
Secured bank loan	-	-	-	16,068,520	-	-	16,068,520	7.08%
<i>Weighted average interest rate</i>	-	-	-	7.08%	-	-		

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.

At 30 June 2007 the Fund had interest rate swaps in place for notional amounts of \$91,500,000 and \$16,068,520 whereby it receives fixed rates of 6.04% and 5.56% respectively and pays a variable rate equal to AUD Bank Bill rate on the notional amounts. The swaps are being used to hedge the changes in interest cash flows on part of its borrowings. The borrowings and the interest rate swaps have the same critical terms.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

23. COMMITMENTS AND CONTINGENCIES

Capital Commitments

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

- London Woolstore Project. – \$Nil at 30 June 2007 (2006: \$57,177).
- Palm Beach Project – \$Nil at 30 June 2007 (2006: \$177,272).
- Comalco Place - \$389,000 (2006: \$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 or disclosed in the notes to the financial statements, including the option arrangement described in Note 9 (v).

Operating lease commitments – Fund as lessor

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

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Future minimum rental revenues under non-cancellable operating leases are as follows:				
- not later than one year	17,872,903	2,628,269	2,446,610	2,183,473
- later than one year and not later than five years	47,783,025	10,065,272	9,943,569	9,517,954
- later than five years	10,869,899	4,393,368	2,583,336	4,393,368
Total	76,525,827	17,086,909	14,973,515	16,094,795

24. RELATED PARTY DISCLOSURES

APGT is the parent entity of the entities listed in Note 13 (i).

Trustee and Responsible Entity

APGM is the Trustee and Responsible Entity of APTG and BTT.

Shareholdings of APGM during the year ended 30 June 2007 were:	%	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

On 31 August 2007 Leyshon Pty Ltd's shareholding increased to 90% when it acquired the share owned by W G Collins Pty Ltd atf W G Collins Discretionary Trust and O'Reilly Enterprises Pty Ltd atf O'Reilly Family Trust.

Key Management Personnel

Details relating to directors and key management personnel of APGM and APGL are included in note 27.

Other transactions

Development Management Fees

During the year APGL and APB paid \$Nil (2006: \$1,100,000) and \$1,233,334 (2006: \$1,233,334) respectively to APGM for development management fees. APGM is the Asset Manager of APGL and APB.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

24. RELATED PARTY DISCLOSURES (Continued)

Other transactions (Continued)

Acquisition Fees

During the year, APGT paid APGM fees of \$3,680,000 (2006: \$Nil) in respect of APGT's acquisition of BTT.

Development Agreement

During the year APGL reimbursed London Woolstore Trust for costs of \$2,677,854 (2006: \$11,823,973) incurred in the development of the London Woolstore project. During the year London Woolstore Trust paid APGL a management fee (Project Delivery Fee) of \$21,967,147 (2006: \$18,309,953) in respect of settlements of the London Woolstore project.

Finance for the London Woolstore project has been arranged by Leyshon Properties Pty Ltd as trustee for London Woolstore Trust in accordance with the Development Agreement (refer Note 17(i)).

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.

Loans

APGL has provided loans of \$9,999,355 (2006: \$6,865,894) to its controlled entities. These loans are unsecured and interest free, with no set repayment terms.

APGT has provided a loan of \$59,800,000 (2006: \$Nil) to APGL. This loan is unsecured and interest free, with no set repayment terms.

Other fees

During the year ending 30 June 2007 APGM received property management fees of \$26,915 (2006: \$24,000) and asset management fees of \$151,375 (2006: \$124,792) from APGT.

APGT acquired BTT on 19 September 2006. During the period 20 September 2006 to 30 June 2007 APGM received property management fees of \$161,282, leasing fees of \$118,327 and asset management fees of \$751,027 from BTT.

If APGT and/or BTT sell an investment property they own, then under the terms of the Asset Management Agreement, a performance fee may be payable to the Fund's Asset Manager, APGM. The amount of the performance fee is dependent on the Fund's internal rate of return at that time. The performance fee payable based on valuations at 30 June 2007 would total approximately \$38.5 million. In accordance with Australian Accounting Standards this amount has been reflected in the Fund's liabilities at 30 June 2007.

Transactions between APGT, BTT and APGM result from normal dealings with those entities as the Trusts' asset and property manager in accordance with the Asset Management and Property Management Agreements.

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. These unsecured notes were repaid on 19 September 2006. Interest payable on the notes at 30 June 2007 was \$Nil (2006: \$72,701). This transaction eliminates on consolidation.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

25. AUDITOR'S REMUNERATION

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
The auditor of APGF is Ernst & Young. Amounts received or due and receivable by Ernst & Young for:				
• an audit or review of the financial report of the Fund and any other entity in the Fund	196,881	90,189	104,760	39,335
• other services in relation to the Fund and any other entity in the Fund				
- other audit services – compliance plan and AFSL audits	27,500	3,967	13,750	3,967
- taxation services	115,310	53,030	50,360	33,100
- corporate advice (takeover/capital raising)	213,254	232,928	162,396	100,798
- property/business acquisition advice	67,980	0	30,440	0
	<u>620,925</u>	<u>380,114</u>	<u>361,706</u>	<u>177,200</u>
Amounts received or due and receivable by non Ernst & Young audit firms for:				
• an audit or review of the financial report of the Fund and any other entity in the Fund	17,550	0	0	0
• other services in relation to the Fund and any other entity in the Fund				
- other audit services – compliance plan and AFSL audits	5,750	0	0	0
- taxation services	3,158	0	0	0
- other services	650	0	0	0
	<u>27,108</u>	<u>0</u>	<u>0</u>	<u>0</u>

26. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 July 2007 the Fund announced the \$60.75 million acquisition of the Westpac Concord Campus in Concord West Sydney. Located at 7 King Street Concord, the commercial/business park development includes approximately 16,500 m² of office accommodation and 485 car parks. The acquisition is due to settle on 2 October 2007.

On 23 August 2007 the Fund announced the \$30.5 million acquisition of the landmark Royal Bank Chambers building in the Melbourne CBD. Located at 287-301 Collins Street, the 13 level Art-Deco style office building is fully occupied by ANZ Bank and offers an outstanding investment opportunity in the Melbourne office market. The acquisition is due to settle on 1 October 2007.

On 31 August 2007 William Collins and Michael O'Reilly resigned as executive Directors of the Boards of APGL and APGM. Adriano Cragolini joined the Board of APGM as an executive Director on 31 August 2007.

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 2007

27. DIRECTORS AND EXECUTIVES DISCLOSURES

APGT

The key management personnel of APGM, 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 (Resigned 31 August 2007)
M. O'Reilly	Director (Resigned 31 August 2007)

Executives

A. J. Cragolini	Chief Financial Officer/Company Secretary (16 March 2007 to 30 June 2007)
C. N. Little	Financial Controller/Company Secretary (1 July 2006 to 16 March 2007)

APGM, as the Responsible Entity of APTG, is considered to be included in key management personnel of APTG. Compensation is paid to APGM in the form of fees which are disclosed in Note 24.

The Directors and key management personnel of APGM 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, APGM, 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 (Resigned 31 August 2007)
M. O'Reilly	Director (Resigned 31 August 2007)
R. Bryan	Director
S. E. Bryan	Director
K. R. Pickard	Director
S. K. Smith	Alternate Director for S. E. Bryan

Executives

A. J. Cragolini	Chief Financial Officer/Company Secretary (16 March 2007 to 30 June 2007)
C. N. Little	Financial Controller/Company Secretary (1 July 2006 to 16 March 2007)
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 2007

28. BUSINESS COMBINATIONS

(i) 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 \$76,351,344 to the net result of the Fund. If the acquisition of BTT had taken place at the beginning of the financial year, the profit of the Fund would have been \$43,497,176 (excluding an asset management fee of \$17,663,269 paid by BTT when it was acquired by APGT) and the revenue would have been \$124,758,528.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

28. BUSINESS COMBINATIONS (Continued)

(ii) ACQUISITION OF ELDERSLIE FUNDS MANAGEMENT

On 22 June 2007 APGL acquired a 100% interest in the former Elderslie property funds management group ('EPFM'), comprising APL, APS and AIM. The total cost of the acquisition was \$31,828,644 and comprised a cash payment of \$32,500,000 plus costs directly attributable to the acquisition and less settlement adjustments.

At the date of acquisition EPFM managed 26 property trusts and syndicates containing 37 properties with total assessed property valuations of approximately \$480 million.

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

	Recognised on Acquisition \$	Carrying Value \$
Cash and cash equivalents	5,081,994	5,081,994
Trade and other receivables	163,736	163,736
Other assets	21,906	21,906
Plant and equipment	8,706	8,706
Deferred tax asset	62,644	62,644
Exit fee asset (Note 13)	12,168,392	0
	<u>17,507,378</u>	<u>5,338,986</u>
Trade and other payables	1,056,390	1,056,390
Provisions	175,562	175,562
	<u>1,231,952</u>	<u>1,231,952</u>
Fair value of identifiable net assets	16,275,426	4,107,034
Goodwill arising on acquisition (Note 14)	15,553,218	
	<u>31,828,644</u>	
Cost of acquisition		
- Purchase price (settled by cash payment)	32,500,000	
- Settlement adjustment (included in receivables)	(955,611)	
- Costs associated with the acquisition	284,255	
Total cost of acquisition	<u>31,828,644</u>	
The cash outflow on acquisition is as follows:		
- Net cash acquired with EPFM	5,081,994	
- Cash paid	(32,784,255)	
Net cash outflow	<u>(27,702,261)</u>	

From the date of acquisition, EPFM has contributed a profit of \$105,025 to the net result of the Fund. If the acquisition of EPFM had taken place at the beginning of the financial year, the profit of the Fund would have been \$41,902,900 and the revenue would have been \$122,957,970.

Directors' Declaration

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


- (1) In the opinion of the Directors:
 - (a) the financial statements and notes set out on pages 14 to 53 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) compliance 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 2007.

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, 4 September 2007

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



R. Bryan
Director
Brisbane, 4 September 2007

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

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

We have audited the accompanying financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund") during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in securityholder's interests and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration. The Fund, as the consolidated entity, comprises both the Trust and the entities it controlled during the year.

The trust has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on page 12 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of APGF Management Limited, the Responsible Entity of the Fund ("the directors") are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and trust deed. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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

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

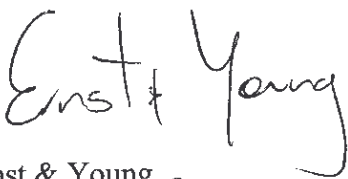
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors 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 audit report was signed. In addition to our audit of the financial report and the remuneration disclosures, 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.

Auditor's Opinion

In our opinion:

1. the financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust and its controlled entities) is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Trust and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on page 12 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.



Ernst & Young



Ric Roach

Partner

Brisbane

5 September 2007