Australian Property Growth Limited

ABN 56 111 628 589

Consolidated Annual Financial Report
for the year ended 30 June 2007

Corporate Information

This Consolidated Annual Financial Report covers Australian Property Growth Limited (formerly Leyshon Developments No. 3 Limited) ('APGL') and the entities it controlled during the financial year.

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')

APGL's functional and presentation currency is AUD ($).

A description of APGL's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 3 to 10. The Directors' Report is not part of the financial report.

Corporate Information for 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 Australian Property Growth Limited (formerly Leyshon Developments No. 3 Limited) ('APGL' or 'the company') has pleasure in submitting the Balance Sheet of APGL and its controlled entities as at 30 June 2007, and related Income Statement, Statement of Changes in Shareholders' Interests, Cash Flow Statement and notes for the year then ended and report as follows:

DIRECTORS

The names of the Directors 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

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.

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.

Directors' Report (continued)

Names, qualifications, experience and special responsibilities (continued)

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 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 APGL until her resignation effective 16 March 2007.

RELEVANT INTERESTS IN SHARES OF APGL

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

	Relevant interests
	Fully paid shares
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 APGL.

Directors' Report (continued)

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.

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 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').

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 Blue Tower Trust ('BTT').

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 APGF Management Limited ('APGM') in its own capacity is the Manager of the Fund and Asset Manager of the projects of the Fund.

Employees

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

PRINCIPAL ACTIVITIES

The company was established to develop a portfolio of quality property projects and businesses including:

- 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 5,000m^2 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.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Review of Operations for the year

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.

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 consolidated entity is presented in the Income Statement. Net loss attributable to the shareholders for the year ended 30 June 2007 was $2,050,440 (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.

Dividends

No dividends were paid or proposed during the period.

SHARES ON ISSUE

A total of 167,707,124 shares were on issue at 30 June 2007 (30 June 2006: 35,000,000). There were 132,707,124 shares issued during the year (2006: Nil). For further details refer Note 19.

Directors' Report (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- 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 132,707,124 shares raising $0.67 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 31 August 2007 William Collins and Michael O'Reilly resigned as executive Directors of the Board of APGL.

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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The investment strategy of the consolidated entity will be maintained in accordance with the constitution and investment objectives. In the foreseeable future it is expected that the consolidated entity will continue its property development and property funds management business. The consolidated entity will continue to review opportunities to grow its property funds management business.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the consolidated entity 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 consolidated entity.

OPTIONS

No options over issued shares or interests in the company 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 consolidated entity has not given or agreed to give any indemnity to an officer or auditor of the consolidated entity 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 consolidated entity were continued throughout the year. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable. The consolidated entity has not given or agreed to indemnify the auditors.

Directors' Report (continued)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of APGL support the principles of corporate governance.

Scope of responsibility of the Board

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.

Audit and Risk Management Committee

APGL has established an Audit and Risk Management Committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. The members of the committee are:

- Neil Summerson (Chairman); and
- 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 committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting.

During the year ended 30 June 2007 two Audit and Risk Management Committee meetings were held and both members of the committee at the time, Neil Summerson and Bill Collins, attended each of these meetings.

Code of corporate governance

Overview

The Directors of APGL are committed to maintaining a high standard of corporate governance that yields the best results for the consolidated entity's shareholders and other stakeholders.

To achieve its objectives, the consolidated entity endeavours to be an organisation that rewards its shareholders, 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 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 consolidated entity'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 the Directors in governing the consolidated entity. 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 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 consolidated entity. Written approval of the Chairman is required prior to a Director or Committee Member seeking independent professional advice.

The consolidated entity 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 shareholders and the consolidated entity.

Directors' Report (continued)

CORPORATE GOVERNANCE (continued)

Code of corporate governance (continued)

Principle 3: Ethical and Responsible Decision Making

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

Principle 4: Financial Reporting

The Managing Director and Chief Financial Officer must annually state in writing to the Boards that the consolidated entity's annual audited statutory financial reports present a true and fair view, in all material respects, of the consolidated entity's financial position and operational results in accordance with the relevant accounting standards.

The APGL Audit and Risk Management Committee operates under a written charter approved by the Board. The Audit and Risk Management Committee is charged with making recommendations to the Board on the adequacy of the external audits and the independence of the external auditors, internal audits, and risk management and compliance procedures. APGL's Audit and Risk Management Committee also monitors and liaises with APGM's Compliance Committee to ensure that the conditions of APGM's AFSL are adhered to at all times.

Principle 5: Timely and Balanced Disclosure

The consolidated entity 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 consolidated entity is committed to creating and maintaining an informed market in its shares and enhancing corporate governance by encouraging a culture of transparency in relation to its corporate activities. The consolidated entity will also provide relevant information to media organisations, to ensure the broadest possible communication with shareholders and the general market.

The Managing Director and Company Secretary are responsible for communications with BSX.

Principle 6: Respect Rights of Shareholders

The consolidated entity will promote effective communication with shareholders, by providing them with ready access to balanced, understandable information about the consolidated entity and encourage their participation at general meetings.

Principle 7: Recognise and Manage Risk

The Board believes that risk management is a critical part of the consolidated entity's operations and a comprehensive risk management program has been developed. Management of risk is a key function of the Audit and Risk Management Committee under their charter.

Principle 8: Management Effectiveness

Annual performance reviews are conducted for employees as applicable.

Principle 9: Remuneration

APGL currently does not have a formal Remuneration and Nomination Committee. The Board discharges 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 consolidated entity and its shareholders and to drive its relationships with shareholders, stakeholders and the community.

Directors' Report (continued)

MEETINGS OF DIRECTORS

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 period 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 25).

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at Page 11.

Non-Audit Services

The following non-audit services were provided by the consolidated entity'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	$ 29,400
Corporate advice (takeover/fundraising)	$ 50,859
Property/business acquisition advice	$ 37,540

This statement is made in accordance with a resolution of the Directors.

G. McMahon
Managing Director

R. Bryan
Director

Brisbane
4 September 2007

ERNST & YOUNG

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Brisbane QLD 4000
Australia

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Auditor's Independence Declaration to the Directors of Australian Property Growth Limited

In relation to our audit of the financial report of Australian Property Growth Limited 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.

Ernst & Young

Ernst & Young

R J Roach
Partner
4 September 2007

Income Statement
FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Parent	
		2007	2006	2007	2006
	Note	$	$	$	$
Development management fee income		21,967,147	18,309,953	21,967,147	18,309,953
Property and funds management fee income		140,214	0	0	0
Rental income		469,699	542,271	0	0
Interest income		1,658,238	127,730	1,631,456	108,563
Total Revenue	4 (a)	24,235,298	18,979,954	23,598,603	18,418,516
Amortisation of borrowing costs	4 (b)	(92,755)	(31,485)	(92,755)	(31,485)
Audit fees		(77,410)	(55,505)	(64,060)	(53,185)
Cleaning		(31,289)	(34,034)	0	0
Consultancy fees		(158,204)	(23,130)	(149,684)	(15,780)
Development costs expensed	4 (b)	(26,508,411)	(21,271,602)	(21,890,088)	(17,229,105)
Doubtful debts expense		1,272	(34,732)	0	0
Interest expense	4 (b)	(88,210)	(85,205)	(88,210)	(85,205)
Legal costs		(37,984)	(51,755)	(20,891)	(43,593)
Personnel expenses		(71,972)	0	0	0
Rates		(190)	(30,397)	0	0
Repairs and maintenance		(36,085)	(22,714)	0	0
Other expenses		(64,484)	(87,068)	(72,399)	(46,845)
Total Expenses		(27,165,722)	(21,727,627)	(22,378,087)	(17,505,198)
Profit/(loss) from operating activities before income tax		(2,930,424)	(2,747,673)	1,220,516	913,318
Income tax benefit/(expense)	2(i), 5	879,984	647,916	(365,567)	(450,342)
Net profit/(loss) from operating activities after income tax		(2,050,440)	(2,099,757)	854,949	462,976
Earnings per share (cents per share)					
- Basic earnings per share	6	(1.6)	(6.0)		
- Diluted earnings per share	6	(1.6)	(6.0)		

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

Balance Sheet

AS AT 30 JUNE 2007

		Consolidated		Parent	
		2007	2006	2007	2006
ASSETS	Note	$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	8	47,100,056	738,703	41,443,029	296,563
Trade and other receivables	9	1,330,004	275,285	1,043,448	140,706
Inventory	10	6,561,300	26,680,290	6,561,300	26,680,290
Other	11	25,025	310,222	200	307,822
Total Current Assets		55,016,385	28,004,500	49,047,977	27,425,381
NON-CURRENT ASSETS					
Trade and other receivables	9	13,495,302	0	23,494,657	6,865,894
Inventory	10	11,599,334	11,648,437	0	49,104
Plant and equipment	12	8,705	0	0	0
Deferred tax asset	5	1,941,515	998,888	0	0
Investments	13	0	0	31,828,645	0
Other assets	13	12,168,392	0	0	1
Goodwill	14	15,553,218	0	0	0
Total Non-current Assets		54,766,466	12,647,325	55,323,302	6,914,999
TOTAL ASSETS		109,782,851	40,651,825	104,371,279	34,340,380
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	15	1,682,443	1,879,383	252,895	1,640,801
Borrowings and interest bearing loans	16	72,338,650	22,015,979	64,561,650	14,238,979
Provisions	17	110,731	0	0	0
Total Current Liabilities		74,131,824	23,895,362	64,814,545	15,879,780
NON-CURRENT LIABILITIES					
Deferred tax liability	5	0	0	467,812	221,670
Borrowings and interest bearing loans	16	19,338,695	0	19,338,695	0
Provisions	17	111,555	0	0	0
Other	18	2,414,954	1,576,548	0	0
Total Non-current Liabilities		21,865,204	1,576,548	19,806,507	221,670
TOTAL LIABILITIES		95,997,028	25,471,910	84,621,052	16,101,450
NET ASSETS		13,785,823	15,179,915	19,750,227	18,238,930
REPRESENTED BY:					
EQUITY					
Contributed equity	19	17,874,458	17,218,110	17,874,458	17,218,110
Retained earnings/(accumulated losses)		(4,088,635)	(2,038,195)	1,875,769	1,020,820
TOTAL EQUITY		13,785,823	15,179,915	19,750,227	18,238,930

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

Statement of Changes in Shareholders' Interests

FOR THE YEAR ENDED 30 JUNE 2007

		CONSOLIDATED	
	Shares Issued $	**Retained Profits/ (Accumulated Losses) $**	**Total Equity $**
At 1 July 2005	17,218,110	61,562	17,279,672
Profit/(loss) for the period attributable to members of APGL	0	(2,099,757)	(2,099,757)
At 30 June 2006	17,218,110	(2,038,195)	15,179,915
At 1 July 2006	17,218,110	(2,038,195)	15,179,915
Profit/(loss) for the period attributable to members of APGL	0	(2,050,440)	(2,050,440)
Shares issued	671,735	0	671,735
Transaction costs	(15,387)	0	(15,387)
At 30 June 2007	**17,874,458**	**(4,088,635)**	**13,785,823**

		PARENT	
	Shares Issued $	**Retained Profits/ (Accumulated Losses) $**	**Total Equity $**
At 1 July 2005	17,218,110	557,844	17,775,954
Profit for the period attributable to members of APGL	0	462,976	462,976
At 30 June 2006	17,218,110	1,020,820	18,238,930
At 1 July 2006	17,218,110	1,020,820	18,238,930
Profit for the period attributable to members of APGL	0	854,949	854,949
Shares issued	671,735	0	671,735
Transaction costs	(15,387)	0	(15,387)
At 30 June 2007	**17,874,458**	**1,875,769**	**19,750,227**

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Cash flows from operating activities					
Receipt of development management fees		24,232,971	21,226,912	24,232,971	21,226,912
Receipt of property and funds management fees		134,912	0	0	0
Receipts from customers		533,849	565,067	0	0
Payments to suppliers & employees		(8,965,191)	(17,434,865)	(4,980,824)	(13,923,812)
Interest and other finance costs paid		(1,258,999)	(2,323,123)	(606,114)	(1,726,084)
Interest and bill discounts received		1,658,238	127,730	1,631,456	108,563
Net cash flows from operating activities	8	16,335,780	2,161,721	20,277,489	5,685,579
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	26	(27,702,261)	0	(32,784,255)	0
Payment of loans to other parties		(13,495,302)	0	(13,495,302)	0
Payments for inventories		0	(49,104)	0	(49,104)
Net cash flows used in investing activities		(41,197,563)	(49,104)	(46,279,557)	(49,104)
Cash flows from financing activities					
Proceeds from borrowings		20,321,716	0	19,500,000	0
Payment of borrowing costs		(61,507)	0	(61,507)	0
Proceeds from borrowings – related parties		59,800,000	14,004,166	59,800,000	13,273,363
Repayment of borrowings – related parties		(7,993,421)	(20,506,599)	(7,993,421)	(20,506,599)
Proceeds from issue of unsecured notes		0	1,500,000	0	1,500,000
Repayment of unsecured notes		(1,500,000)	0	(1,500,000)	0
Loan to controlled entity		0	0	(3,252,886)	(2,881,886)
Proceeds from the issue of shares		671,735	0	671,735	0
Payment of share issue costs		(15,387)	(307,623)	(15,387)	(307,623)
Net cash flows from/(used in) financing activities		71,223,136	(5,310,056)	67,148,534	(8,922,745)
Net increase/(decrease) in cash held		46,361,353	(3,197,439)	41,146,466	(3,286,270)
Cash and cash equivalents at beginning of the year		738,703	3,936,142	296,563	3,582,833
Cash and cash equivalents at end of the year	8	47,100,056	738,703	41,443,029	296,563

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 Limited (formerly Leyshon Developments No. 3 Limited) ('APGL' or the 'company') and controlled entities for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of Directors on 4 September 2007.

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 requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared on the basis of historical costs.

The financial report is to be read in conjunction with any public announcements by the entity 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 consolidated entity) 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 *Financial Instruments Disclosures.*	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
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 *Operating Segments.*	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

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 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB132.	1 Jan 07	Refer to AASB 2005-10 above.	1 Jul 07
AASB 8	*Operating Segments*	This new standard will replace AASB 114 *Segment Reporting* 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 consolidated entity'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. Significant estimates are in relation to the measurement of fair value of the exit fee asset 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 entity comprising APGL (the parent entity) and its controlled entities as at 30 June each year (the 'consolidated entity').

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.

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

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity 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 period 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

Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the years in which it is earned.

Revenues from rents 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 period 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.

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax

Current tax assets and liabilities for the current and prior periods 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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.

(k) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either trading 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 consolidated entity 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 consolidated entity 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 consolidated entity 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Consolidated entity prior to the end of the financial period that are unpaid and arise when the Consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) 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.

(n) 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.

(o) Provisions

Provisions are recognised when the Consolidated entity 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 Consolidated entity 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.

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.

(p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated entity.

Each issued share confers upon the share holder an equal interest in the company, and is of equal value. A share does not confer any interest in any particular asset or investment of the company. The rights, obligations and restrictions attached to each share holder are identical in all respects.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to shareholders, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit attributable to shareholders, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

(r) 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.

(s) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Consolidated entity'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 Consolidated entity'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 Consolidated entity 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 Consolidated entity at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Consolidated entity's primary or the Consolidated entity'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 consolidated entity's policies described in Note 2. During the year there were no changes in segment accounting policies that materially effected the segment information.

(b) Segment Information

(i) Primary Segment - Business Segments	Property Development $	Property Funds Management $	Total $
30 June 2007			
Revenue			
Development management fee income	21,967,147	0	21,967,147
Property and funds management fee income	0	140,214	140,214
Rental income	469,699	0	469,699
Interest income	1,656,181	2,057	1,658,238
Total Revenue and other income	24,093,027	142,271	24,235,298
Result			
Segment result before interest expense	(2,920,117)	77,903	(2,842,214)
Interest expense	(88,210)	0	(88,210)
Segment result after interest expense and before income tax expense	(3,008,327)	77,903	(2,930,424)
Income tax expense/(benefit)	(903,387)	23,403	(879,984)
Net Profit/(loss)	(2,104,940)	54,500	(2,050,440)
Assets			
Segment assets	76,561,838	33,221,013	109,782,851
Non-segment assets	0	0	0
Total Assets	76,561,838	33,221,013	109,782,851
Liabilities			
Segment liabilities	75,320,465	20,676,563	95,997,028
Non-segment liabilities	0	0	0
Total Liabilities	75,320,465	20,676,563	95,997,028
Cash flow information			
Net cash flows from/(used in) operating activities	16,191,627	144,153	16,335,780
Net cash flows from/(used in) investing activities	(13,495,302)	(27,702,261)	(41,197,563)
Net cash flows from/(used in) financing activities	51,784,643	19,438,493	71,223,136

During the year ended 30 June 2006, APGL and the consolidated entity operated in one business segment, being the industry of property development.

(ii) Secondary Reporting Segment – Geographical segments
APGL and the consolidated entity operate in one geographical segment, being Australia.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
4. REVENUE AND EXPENSES				
(a) Revenue from operating activities				
Development management fee income	21,967,147	18,309,953	21,967,147	18,309,953
Property and funds management fee income	140,214	0	0	0
Rental income	469,699	542,271	0	0
Interest income	1,658,238	127,730	1,631,456	108,563
Total Revenue from operating activities	24,235,298	18,979,954	23,598,603	18,418,516
(b) Expenses				
Amortisation of borrowing costs	92,755	31,485	92,755	31,485
Interest and finance charges paid or payable to:				
Related parties	50,033	84,778	50,033	84,778
Other parties	38,177	427	38,177	427
	88,210	85,205	88,210	85,205
Development costs expensed				
London Woolstore project	21,778,567	17,229,105	21,778,567	17,229,105
Palm Beach and other projects	4,729,844	4,042,497	111,521	0
	26,508,411	21,271,602	21,890,088	17,229,105

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				
Current income tax				
Current income tax charge	6,274,616	1,162,202	6,394,041	1,148,819
Use of tax losses	(6,274,616)	(1,162,202)	(6,394,041)	(1,148,819)
Deferred tax asset acquired - EPFM (refer Note 26)	62,643	0	0	0
Net tax losses transferred from controlled entities	0	0	119,425	90,393
Deferred income tax				
Relating to origination and reversal of temporary differences	(7,217,243)	(1,810,118)	(6,028,474)	(788,870)
Movement in losses recognised	6,274,616	1,162,202	6,274,616	1,148,819
Income tax expense/(benefit) reported in the income statement	(879,984)	(647,916)	365,567	450,342
A reconciliation between tax expense/(benefit) and the product of accounting profit/(loss) before income tax multiplied by the Consolidated entity's applicable income tax rate is as follows:				
Accounting profit/(loss) before income tax	(2,930,424)	(2,747,673)	1,220,516	913,318
At the Consolidated entity's statutory income tax rate of 30% (2006: 30%)	(879,127)	(824,302)	366,155	273,995
Adjustments in respect of current income tax of previous years:				
Expenditure not allowed for tax purposes	1,549	39	1,468	0
Other items (net)	(2,406)	176,347	(2,056)	176,347
Income tax expense/(benefit) reported in the income statement	(879,984)	(647,916)	365,567	450,342

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

5. INCOME TAX (CONTINUED)	Balance Sheet 2007 $	Balance Sheet 2006 $	Income Statement 2007 $	Income Statement 2006 $
CONSOLIDATED				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Capitalisation of work in progress	1,968,390	8,004,087	6,035,697	718,027
Deferred tax assets				
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	1,194,928	1,088,201	995,897
	2,543,602	1,362,056	7,217,243	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	9,002,975		
Net deferred income tax assets	1,941,515	998,888		
Deferred tax income/(expense)			942,627	647,916
PARENT				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Capitalisation of work in progress	1,968,390	8,004,087	6,035,697	718,026
Deferred tax assets				
Formation costs and share issue costs	88,167	54,527	33,640	(13,127)
Borrowing costs	15,306	0	15,306	0
Prepayments	0	50,161	(50,161)	50,161
Accrued expenses	30,802	36,810	(6,008)	33,810
	134,275	141,498	6,028,474	788,870
Losses available for offset against future taxable income	1,366,303	7,640,919	(6,274,616)	(1,148,819)
Gross deferred income tax assets	1,500,578	7,782,417		
Net deferred income tax liabilities	467,812	221,670		
Deferred tax income/(expense)			(246,142)	(359,949)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

5. INCOME TAX (CONTINUED)

The Consolidated entity has brought to account the tax effect of benefits from 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 Company 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 period, 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.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to share holders of the company by the weighted average number of ordinary outstanding shares during the period.

Diluted earnings per share amounts are calculated by dividing net profit for the period attributable to share holders of the company by the weighted average number of ordinary outstanding shares during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

The following represents the income and share data used in the basic and diluted earnings per share comparisons:

	Consolidated	
	2007	**2006**
	$	**$**
Net profit/(loss) attributable to share holders of the company*	(2,050,440)	(2,099,757)
	Number	**Number**
Weighted average number of shares for basic earnings per share *	127,021,132	35,000,000

There have been no transactions involving ordinary shares or potential shares 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 share.

7. DIVIDENDS PAID OR PROPOSED

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

	Consolidated		Parent	
	2007	2006	2007	2006
8. CASH AND CASH EQUIVALENTS	$	$	$	$
Cash at bank and on hand	24,733,786	473,743	19,076,759	296,563
Deposits at call	22,366,270	264,960	22,366,270	0
	47,100,056	738,703	41,443,029	296,563

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

At 30 June 2007 the Consolidated entity had available $Nil (2006: $Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

	Consolidated		Parent	
Reconciliation to Cash Flow Statement	2007	2006	2007	2006
	$	$	$	$
For the purposes of the Cash Flow Statement, cash comprises the following:				
Cash at bank and on hand	24,733,786	473,743	19,076,759	296,563
Deposits at call	22,366,270	264,960	22,366,270	0
	47,100,056	738,703	41,443,029	296,563
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Net profit/(loss) after income tax	(2,050,440)	(2,099,757)	854,949	462,976
Adjustment for:				
Amortisation of borrowing costs	92,755	31,485	92,755	31,485
Borrowing costs capitalised	(471,303)	(1,725,657)	(471,303)	(1,725,657)
Tax benefit transferred from subsidiaries	0	0	119,425	0
Changes in assets and liabilities				
(Increase)/decrease in receivables	2,881	130,704	52,866	116,509
(Increase)/decrease in inventories	20,639,397	7,071,305	20,639,397	7,071,305
(Increase)/decrease in deferred tax asset	5,155,713	70,111	6,281,839	1,178,467
(Increase)/decrease in other assets	307,103	(500)	307,622	0
Increase/(decrease) in payables	(1,351,354)	(597,943)	(1,564,364)	(731,479)
Increase/(decrease) in current tax liability	0	0	0	0
Increase/(decrease) in provisions	46,725	0	0	0
Increase/(decrease) in deferred tax liability	(6,035,697)	(718,027)	(6,035,697)	(718,027)
Net cash used in operating activities	16,335,780	2,161,721	20,277,489	5,685,579

Disclosure of financing facilities
Refer to Note 16.

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)	233,889	0	0	0
Other debtors	(i)	1,018,239	169,311	963,585	0
Provision for doubtful debts		0	(34,732)	0	0
Amount receivable from related parties	(i)	77,876	140,706	79,863	140,706
		1,330,004	275,285	1,043,448	140,706
Non-Current					
Amount receivable from controlled entity	(ii)	0	0	9,999,355	6,865,894
Loans receivable	(iii)	13,495,302	0	13,495,302	0
		13,495,302	0	23,494,657	6,865,894

(i) Trade debtors and amounts receivable from related parties are non-interest bearing and are generally settled on 30 and 60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

(ii) This amount is non-interest bearing and has no fixed repayment date.

(iii) 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 20 and 21.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
10. INVENTORY				
Current				
Work in progress at cost (Teneriffe)	6,561,300	26,680,290	6,561,300	26,680,290
Total inventories at lower of cost and net realisable value	6,561,300	26,680,290	6,561,300	26,680,290
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	49,104
Total inventories at lower of cost and net realisable value	11,599,334	11,648,437	0	49,104
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 consolidated entity and $21,778,567 (2006: $17,229,105) for the parent. This expense has been included in the development costs expensed line item in the income statement.

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
11. OTHER ASSETS				
Current				
Prepayments	23,525	307,622	0	307,622
Security deposits	1,500	2,600	200	200
	25,025	310,222	200	307,822
12. PLANT AND EQUIPMENT				
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	8,705	0	0	0

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

	Computer software ($)	Computer equipment ($)	Total ($)
Balance as at 1 July 2006	0	0	0
Acquisitions with subsidiaries	1,116	7,589	8,705
Depreciation expense	0	0	0
Balance as at 30 June 2007	1,116	7,589	8,705

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

13. OTHER ASSETS AND SUBSIDIARIES		Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Non-Current					
Investment in controlled entities	(i)	0	0	31,828,645	1
Exit fee asset	(ii)	12,168,392	0	0	0
		12,168,392	0	31,828,645	1

(i) Investment in controlled entities

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

Name	Country of Regist.	Equity Interest 2007 %	Equity Interest 2006 %	Investment 2007 $	Investment 2006 $
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

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

- APGF Property Limited, Austgrowth Property Syndicates Limited and Austgrowth Investment Management Pty Ltd – refer Note 26
- 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

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
14. INTANGIBLE ASSETS	**$**	**$**	**$**	**$**
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.

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
15. TRADE AND OTHER PAYABLES	**$**	**$**	**$**	**$**
Current				
Trade creditors (i)	492,557	148,737	104,355	91,995
Other creditors and accruals (ii)	1,189,886	1,730,646	148,540	1,548,806
	1,682,443	1,879,383	252,895	1,640,801

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(ii) Other creditors and accruals are non-interest bearing and are generally settled between 30 and 60 days of amounts becoming due and payable.

Details regarding the interest rate and credit risk of payables is disclosed in Notes 20 and 21.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Parent	
16. BORROWINGS AND INTEREST-BEARING LOANS		**2007**	**2006**	**2007**	**2006**
		$	**$**	**$**	**$**
Current					
Secured borrowings:					
Related party loan	(i)	4,763,000	11,256,422	4,763,000	11,256,422
Less: Net borrowing costs		(1,350)	(29,520)	(1,350)	(29,520)
Secured bank loan	(iii)	7,777,000	7,777,000	0	0
Unsecured borrowings:					
Unsecured notes (refer Note 23)		0	1,500,000	0	1,500,000
Related party loan	(ii)	0	1,512,077	0	1,512,077
Related party loan	(iv)	59,800,000	0	59,800,000	0
		72,338,650	22,015,979	64,561,650	14,238,979
Non –Current					
Secured borrowings:					
Secured bank loan	(v)	19,500,000	0	19,500,000	0
Less: Net borrowing costs		(161,305)	0	(161,305)	0
		19,338,695	0	19,338,695	0

(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 facility provided by Leyshon Pty Ltd 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) This loan from APGT to APGL is unsecured and interest free, with no set repayment terms.

(v) The loan facility is provided by Suncorp-Metway Limited. The 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.

Financing facilities available

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

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Facilities used	32,040,000	19,033,422	24,263,000	11,256,422
Total facilities	32,040,000	19,033,422	24,263,000	11,256,422

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Parent	
		2007	2006	2007	2006
17.	**PROVISIONS**	$	$	$	$
	Current				
	Annual leave	110,731	0	0	0
	Non – Current				
	Long service leave	111,555	0	0	0

		Consolidated		Parent	
		2007	2006	2007	2006
18.	**OTHER LIABILITIES**	$	$	$	$
	Non - Current				
	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.

19.	**MEMBERS' INTERESTS**	2007 Number	2007 $	2006 Number	2006 $
	CONSOLIDATED				
	Shares issued in APGL (i)	167,707,124	17,874,458	35,000,000	17,218,110
	PARENT				
	Shares issued in APGL (i)	167,707,124	17,874,458	35,000,000	17,218,110

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

Movements in securities on issue	Shares in APGL Number	Shares in APGL $
At 1 July 2005	35,000,000	17,218,110
No movements in issued securities	0	0
At 30 June 2006	35,000,000	17,218,110
Issued in exchange for issued units of BTT	65,533,623	0
Issued for cash under prospectus and product disclosure statement	67,173,501	671,735
Transaction costs on share issue	0	(15,387)
At 30 June 2007	167,707,124	17,874,458

On 19 September 2006 APGT acquired a 99.99% ownership interest in Blue Tower Trust ("BTT") via a takeover in which 65,533,623 stapled securities were issued to existing BTT investors at an issue price of $1.0591 each. The value of the stapled securities issued 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).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated entity's principal financial instruments comprise bank and related party loans and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Consolidated entity's operations. The Consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Consolidated entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Consolidated entity'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 statements.

Cash flow interest rate risk

The Consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated entity's short to medium-term debt obligations with a floating interest rate. Given the short term nature of these debt obligations, no formal hedging instruments have been employed as they are not cost effective taking into account the variable cash flows from development projects.

Credit risk

The Consolidated entity trades only with recognised, creditworthy third parties.

It is the Consolidated entity'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 Consolidated entity's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Consolidated entity.

Liquidity risk

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

Fair values

The Consolidated entity'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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

21. FINANCIAL INSTRUMENTS

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								
Floating rate								
Cash and cash equivalents	47,099,655	-	-	-	-	-	47,099,655	5.65%
Weighted average interest rate	5.65%	-	-	-	-	-		
FINANCIAL LIABILITIES								
Floating rate								
Secured loan from related party	4,763,000	-	-	-	-	-	4,763,000	8.39%
Secured bank loan	-	-	19,500,000	-	-	-	19,500,000	7.94%
Secured bank loan	7,777,000	-	-	-	-	-	7,777,000	8.39%
	12,540,000	-	19,500,000	-	-	-	32,040,000	
Weighted average interest rate	8.39%	-	7.94%	-	-	-		
PARENT								
FINANCIAL ASSETS								
Floating rate								
Cash and cash equivalents	41,443,029	-	-	-	-	-	41,443,029	5.81%
Weighted average interest rate	5.81%	-	-	-	-	-		
FINANCIAL LIABILITIES								
Floating rate								
Secured bank loan	-	-	19,500,000	-	-	-	19,500,000	7.94%
Secured loan from related party	4,763,000	-	-	-	-	-	4,763,000	8.39%
	4,763,000	-	19,500,000	-	-	-	24,263,000	
Weighted average interest rate	8.39%	-	7.94%	-	-	-		

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

21. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (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								
Floating rate								
Cash and cash equivalents	738,703	-	-	-	-	-	738,703	5.30%
Weighted average interest rate	5.30%	-	-	-	-	-		
FINANCIAL LIABILITIES								
Floating rate								
Unsecured loan from related party	1,512,077	-	-	-	-	-	1,512,077	5.75%
Unsecured notes	1,500,000	-	-	-	-	-	1,500,000	8.98%
Secured loan from related party	11,256,422	-	-	-	-	-	11,256,422	8.56%
Secured bank loan	7,777,000	-	-	-	-	-	7,777,000	7.98%
	22,045,499	-	-	-	-	-	22,045,499	
Weighted average interest rate	8.19%	-	-	-	-	-		
PARENT								
FINANCIAL ASSETS								
Floating rate								
Cash and cash equivalents	296,563	-	-	-	-	-	296,563	5.30%
Weighted average interest rate	5.30%	-	-	-	-	-		
FINANCIAL LIABILITIES								
Floating rate								
Unsecured loan from related party	1,512,077	-	-	-	-	-	1,512,077	5.75%
Unsecured notes	1,500,000	-	-	-	-	-	1,500,000	8.98%
Secured loan from related party	11,256,422	-	-	-	-	-	11,256,422	8.56%
	14,268,499	-	-	-	-	-	14,268,499	
Weighted average interest rate	8.31%	-	-	-	-	-		

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 Consolidated entity that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

22. 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).

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 (iii).

Operating lease commitments – Consolidated Entity as lessor

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

	Consolidated		**Parent**	
Future minimum rental revenues under non-cancellable operating leases are as follows:	**2007** **$**	**2006** **$**	**2007** **$**	**2006** **$**
- not later than one year	433,795	444,796	0	0
- later than one year and not later than five years	274,719	547,318	0	0
- later than five years	0	0	0	0
Total	708,514	992,114	0	0

23. RELATED PARTY DISCLOSURES

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

Key Management Personnel

Details relating to directors and key management personnel of APGL are included in note 25.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

23. RELATED PARTY DISCLOSURES (Continued)

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. G. McMahon, N. Summerson, M. O'Reilly and W. Collins are Directors and shareholders in APGM. R. Bryan has a relevant interest in APGM.

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

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 16(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.

Unsecured Notes

On 16 December 2005 APGT subscribed for 1,500,000 unsecured notes issued by APGL at a cost of $1 each note. Interest is payable on the notes based on the 90 day bank bill rate plus a margin of 3% p.a. These unsecured notes were repaid on 19 September 2006. Interest payable on the notes at 30 June 2007 was $Nil (2006: $72,701).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2007

24. AUDITOR'S REMUNERATION

The auditor of APGL is Ernst & Young

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Amounts received or due and receivable by Ernst & Young for:				
• an audit or review of the financial report of the company and any other entity in the Consolidated entity	64,060	50,855	64,060	50,535
• other services in relation to the company and any other entity in the Consolidated entity				
- taxation services	29,400	19,930	25,900	11,800
- corporate advice (takeover/fundraising)	50,859	132,131	50,859	132,131
- property/business acquisition advice	37,540	0	37,540	0
	181,859	202,916	178,359	194,466
Amounts received or due and receivable by non Ernst & Young audit firms for:				
• an audit or review of the financial report of the company and any other entity in the Consolidated entity	17,550	0	0	0
• other services in relation to the company and any other entity in the Consolidated entity				
- 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
	27,108	0	0	0

25. DIRECTORS AND EXECUTIVES DISCLOSURES

The key management personnel of APGL are as follows:

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
Executives	
A. J. Cragnolini	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

26. ACQUISITION OF PROPERTY FUNDS MANAGEMENT BUSINESS

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	21,907	21,907
Plant and equipment	8,706	8,706
Deferred tax asset	62,643	62,643
Exit fee asset (Note 13)	12,168,392	0
	17,507,378	5,338,986
Trade and other payables	1,056,390	1,056,390
Provisions	175,562	175,562
	1,231,952	1,231,952
Fair value of identifiable net assets	16,275,426	4,107,034
Goodwill arising on acquisition (Note 14)	15,553,218	
	31,828,644	

Cost of acquisition	
- Purchase price (settled by cash payment)	32,500,000
- Settlement adjustment (included in parent receivables)	(955,611)
- Costs associated with the acquisition	284,255
Total cost of acquisition	31,828,644
The cash outflow on acquisition is as follows:	
- Net cash acquired with EPFM	5,081,994
- Cash paid	(32,784,255)
Net cash outflow	(27,702,261)

From the date of acquisition, EPFM has contributed a profit after tax of $105,025 to the net result of the Consolidated entity. If the acquisition had taken place at the beginning of the financial year, the loss after tax of the Consolidated entity would have been $429,677 and the revenue would have been $28,410,046.

27. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 31 August 2007 William Collins and Michael O'Reilly resigned as executive Directors of the Board of APGL.

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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Directors' Declaration

In accordance with a resolution of 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 12 to 42 are in accordance with the Corporations Act 2001 including :

(i) giving a true and fair view of the company'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 company 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

G. McMahon
Managing Director

R. Bryan
Director

Brisbane, 4 September 2007

1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 7878
Waterfront Place
Brisbane QLD 4001

Tel 61 7 3011 3333
Fax 61 7 3011 3100

Independent auditor's report to the members of Australian Property Growth Limited

We have audited the accompanying financial report of Australian Property Growth Limited (the "company") and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity 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 company 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 10 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. 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.

ERNST & YOUNG

Independence
In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company 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 Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of Australian Property Growth Limited 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 10 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
5 September 2007