



AUSTRALIAN PROPERTY GROWTH FUND

Investors' Report 2006/07

LETTER FROM THE MANAGING DIRECTOR

September 2007

Key highlights of 2006/07:

- Profit after tax of \$40.3 million (332% up on Prospectus forecast)
- Return on investors' funds of 30%
- Net asset value increased to \$1.20 per stapled security
- Expansion into property funds management
- Assets under management increased from \$76 million to \$1 billion
- Takeover of Blue Tower Trust (Comalco Place)
- Valuation gains on Comalco Place (43%), 99 Melbourne St (11%)
- Sydney, Melbourne commercial office acquisitions announced
- London Woolstore sold out; Civil works started at Pavilions on 5th

The 2006/07 financial year has seen excellent returns for APGF investors. Profit after tax of \$40.3 million more than tripled the July 2006 Prospectus and PDS forecast of \$9.3 million. The return on investors' funds was 30% and net asset value rose to \$1.20 per stapled security as at 30 June 2007.

APGF has grown funds under management to around \$1 billion, contracted to purchase two major commercial office buildings in Sydney and Melbourne and acquired a property funds management business with \$480 million of assets under management.

The acquisition of the former Elderslie property funds management business has provided the Fund with additional recurring income streams and a pipeline into future projects. APGF gained over 5,500 investors and also strengthened the management team with the recruitment of former Elderslie property directors.

In June 2007, APGF closed the July 2006 Prospectus and PDS after successfully raising \$71 million to invest in existing and future projects.

The following month, APGF announced the \$60.75 million acquisition of the Westpac Concord Campus in Concord West, Sydney. Located just 15 kilometres from the CBD, the commercial/business park development was purpose-built for Westpac Bank in 1997. It is in excellent condition and has great potential for market repositioning.

Similar benefits are expected from the acquisition of the landmark \$30.5 million Royal Bank Chambers building in Collins Street, Melbourne, which was announced in August 2007.

APGF is only the second owner in the building's 67-year history, and when ANZ Bank vacates the nine upper levels in 2009, the Fund will be able to reposition the property through refurbishment and re-leasing.

Anticipating market trends is one of management's strengths, as shown by the timely Brisbane commercial office acquisitions ahead of the recent boom. Brisbane CBD rents now average the highest in Australia, with a record low vacancy rate.

This produced valuation gains for both Comalco Place (up 43%) and 99 Melbourne Street, South Brisbane (up 11%) during 2006/07.

On the development front, March 2007 saw the sell-out of all apartments and ground floor retail areas in the London Woolstore Apartments in Brisbane's riverside suburb of Teneriffe.

Further south, Palm Beach has been described as the next "hot spot" by respected residential property analyst Michael Matusik due to infrastructure upgrades and population growth. APGF's \$110 million Pavilions on 5th development will benefit from this growth, and pre-sales are proceeding well.

The Fund's focus on quality, cash flow producing projects with moderate risk profiles has produced substantial gains for investors. It is an approach that should underpin sustained growth in investors' funds.

Communication with investors is of paramount importance to APGF and we would like to refer you to the recent video presentations available via the website, www.apgf.com.au, outlining the Fund's recent acquisitions and future growth strategy. We look forward to bringing you further updates on our progress in the coming months.

Yours sincerely

Geoff McMahon
Managing Director



Geoff McMahon
Managing Director



UPDATE ON CURRENT TRUST PROJECTS

Comalco Place (Blue Tower), Brisbane CBD

A shortage of supply and soaring demand driven by the resources boom has seen Brisbane's office market eclipse Sydney to boast the highest average rents in the country. The vacancy rate has fallen to a reported record low of 0.3% and market forecasts are for continued increases in rents and further capital gains.

The 2003 acquisition of the flagship Comalco Place in the Brisbane CBD for \$113 million by Blue Tower Trust has therefore been shown to be an excellent purchase ahead of the market strengthening. As of 30 June 2007 it was valued at \$263 million, a rise of 43% over 2006/07, and it remains fully occupied with a strong lease profile.

Comalco Place is set to remain one of Brisbane's leading commercial addresses for years to come with a multi-million dollar services upgrade planned through to 2009.

The most significant capital expenditure program in the building's 23-year history will see modernised lifts, new tenant amenities and other works aimed at further enhancing its strong position in the marketplace.



99 Melbourne Street, South Brisbane

APGF's other Brisbane commercial office building at 99 Melbourne Street, South Brisbane, remains fully occupied.

The property also improved in value during the financial year with an 11% rise in its valuation to reach \$33.3 million as at 30 June 2007.

The boom in the Brisbane CBD commercial office market has extended to the city fringes, which means APGF investors can expect to be further rewarded by management's foresight.



Westpac Concord Campus, Sydney

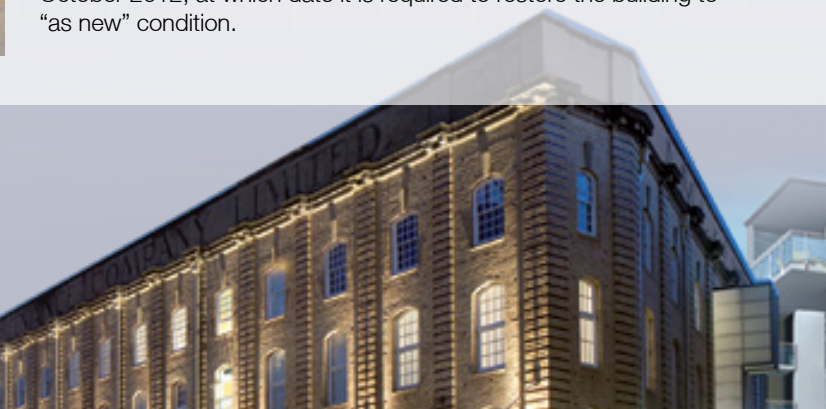
Brisbane may be booming, but Sydney remains the nation's commercial property capital in value terms.

In July 2007, APGF further expanded into this important market by announcing the \$60.75 million acquisition of the Westpac Concord Campus in Concord West. The acquisition settles on 2 October 2007.

Located at 7 King Street, the commercial/business park development was purpose-built for Westpac Bank in 1997 and comprises approximately 16,500 square metres of office accommodation together with childcare facilities, café, gymnasium and 485 car parks.

The office component spans an area the size of three football fields, giving it one of the largest floor plates of any building in Sydney.

Westpac is the sole tenant and is committed to the property until October 2012, at which date it is required to restore the building to "as new" condition.



UPDATE ON PROPERTY FUNDS MANAGEMENT



In June 2007, APGF expanded into property funds management with the acquisition of the former Elderslie property funds management business.

The \$32 million purchase delivered \$480 million of assets under management, diversified both geographically and by property sector.

Located in Sydney, Melbourne, Brisbane, Perth, Canberra and Cairns, the 37 properties contained in the group's 26 property trusts/syndicates encompass commercial office, industrial and retail property.

Key assets under management include:

- \$32 million multi-level commercial office building at 492 St Kilda Road, Melbourne;
- \$28.5 million Country Road building in Richmond, Melbourne;
- \$18 million commercial office building at 533 Little Lonsdale Street, Melbourne (Slater & Gordon's corporate headquarters); and
- \$10 million commercial office building at 299 Coronation Drive, Milton, Brisbane.

This landmark acquisition has boosted APGF's recurring income streams and provided a pipeline into future projects.

The retention of former Elderslie property directors means that the 5,500 Elderslie/Austgrowth investors may be confident in continued strong investment performance.

In addition to Elderslie's property funds management business, APGF also has committed to invest \$28.3 million in two property development projects at Ulladulla on the south coast of New South Wales, near Batemans Bay. Both projects are quality residential land subdivisions.

Royal Bank Chambers, Collins St, Melbourne

Built around 1940, Royal Bank Chambers is a classic, art deco style sandstone building situated in one of the most prominent and traditional Collins Street locations in Melbourne's CBD.

APGF announced in August 2007 the acquisition of this "regal" asset for \$30.5 million, becoming only the second owner in the building's history. The acquisition settles on 1 October 2007.

The 13-level building is currently fully occupied by ANZ, but when it vacates the nine upper office floors in 2009, APGF will be able to reposition the property through refurbishment and re-leasing.

APGF has a proven track record in repositioning buildings, as seen by the Fund's success with Comalco Place in the Brisbane CBD.

The current vacancy rate for the Melbourne CBD of 5.9% is its lowest level since 2002, and a growing shortage of quality office space bodes well for future returns.



UPDATE ON CURRENT DEVELOPMENT PROJECTS

London Woolstore, Teneriffe, Brisbane

March 2007 saw a chapter close on Brisbane's last remaining original woolstore in inner-city Teneriffe, with the sell-out of all apartments and ground floor retail areas in the London Woolstore Apartments.

The historic two-storey AML&F Woolstore and two adjoining buildings were acquired in 2004 for \$15 million. The project involved the development of 89 residential apartments, car parking and nine ground-level retail shops, with the other two buildings converted into commercial offices.

Construction was completed in January 2006 and the project's final value was \$50 million.

The project showed APGF's vision in investing in the former industrial waterfront district which has now become one of Brisbane's most sought-after locations in the inner-city.

Pavilions on 5th, Palm Beach, Gold Coast

The \$110 million Pavilions on 5th project at Palm Beach is underway with civil works having commenced for stage one of the project. The development is to be constructed in two stages and comprises a 5,200 square metre retail and commercial complex and 194 residential apartments.

Construction of stage one comprising 104 residential apartments is expected to begin in the last quarter of 2007, with settlements set to occur in late 2008. The retail centre has already gained commitments for a full-service Coles supermarket, pharmacy, newsagency and other outlets, with a medical centre also planned.

A combination of infrastructure upgrades and a growing population is set to boost price growth in the Palm Beach area and buyer interest has been encouraging thus far.



Outlook

The outlook for continued growth in investors' funds has been boosted considerably by the recent acquisitions. APGF now has a major property funds management business with around \$1 billion of assets under management diversified both geographically and across the property sectors of commercial office, industrial, residential and retail property.

The recently announced acquisitions of the Westpac Concord Campus in Sydney and Royal Bank Chambers building in Melbourne demonstrate the managers' ability to secure quality institutional-grade projects with potential for significant growth in value.

The commercial office sector is seen as the pick of the property sectors right now. APGF will continue to benefit from its current institutional-grade buildings, while also seeking additional quality commercial properties with recurring cash flows.

Having a diversified portfolio means reduced risk for investors and also allows the Fund to take advantage of changing property cycles. With a team of experienced managers, proven risk management controls and quality assets, continued growth is expected as APGF becomes one of Australia's leading quality property funds.

Financial Results

APGF has posted record profits, with profit after tax for the 2006/07 financial year of \$40.3 million easily exceeding the July 2006 Prospectus and PDS forecast of \$9.3 million. Return on investors' funds was 30% and net asset value was \$1.20 per stapled security as at 30 June 2007.

The strong result follows revaluation gains for Comalco Place (up 43%) and 99 Melbourne St (up 11%).

Net assets grew sixfold to over \$200 million compared with the previous year's \$34 million, in a year in which APGF acquired Comalco Place and the former Elderslie property funds management business and also raised \$71 million in new capital for investments.

A final distribution was declared for the year ended 30 June 2007 of 2.11 cents per stapled security for the June quarter, which was paid on 31 July 2007. All distributions declared in 2006/07 were on a fully tax-deferred basis.

A copy of the Fund's audited financial statements for 2006/07 is available at www.apgf.com.au.

Responsible Entity of Australian Property Growth Trust

APGF Management Limited

ABN 50 090 257 480

AFSL No. 229287

Level 1, 295 Elizabeth Street

BRISBANE QLD 4000

T: (07) 3004 1222

Website

www.apgf.com.au

Email

info@apgf.com.au

