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The Directors
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As responsible entity for Australian Property Growth Trust
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16 November 2007

Dear Directors

Independent Expert's Report in relation to the Proposed Acquisition by Australian Property Growth Fund of all the shares in APGF Management Limited and Financial Services Guide

Introduction and Purpose of the Report

PricewaterhouseCoopers Securities Ltd (PwCS) has been retained by APGF Management Ltd (APGFM) as responsible entity for Australian Property Growth Trust (APGT or the Trust) and Australian Property Growth Limited (APGL) collectively referred to as Australian Property Growth Fund (the Fund or APGF) to prepare an Independent Expert's Report (IER) addressing whether or not the proposed acquisition of APGFM by the Fund (the APGFM Acquisition) is fair and reasonable for the non-associated Stapled Security Holders. Our approach, decision criteria and evaluation process are set out in this Report.

Summary of Opinion

PwCS are of the opinion that, in the absence of a superior proposal emerging, the APGFM Acquisition is fair and reasonable to the non-associated Stapled Security Holders.

Our opinion should be read in conjunction with the remainder of this letter and our attached detailed Independent Expert's Report which sets out our scope and findings.

Summary of the Proposed Acquisition

On 16 November 2007, the Fund announced the proposed acquisition by the Fund of all the issued shares in APGFM.

If the Fund's non-associated Stapled Security Holders vote to approve the acquisition of APGFM, the consideration payable by APGF to APGFM Shareholders under the APGFM Acquisition is 33,333,333 Stapled Securities and \$10 million in cash. The Stapled Securities to be issued to the APGFM shareholders will be deemed to have an issue price of \$1.20 per share resulting in a value for the issued

Stapled Securities of \$40 million. This gives a total value for the APGFM Acquisition, based on a deemed value of \$1.20 per Stapled Security, of \$50 million.

Leyshon Pty Ltd and its Associates (Leyshon) currently holds 30.03% of the Stapled Securities in the Fund. Leyshon also holds 90% of the shares of APGFM and if the APGFM Acquisition is approved, after exchanging their APGFM shares for Stapled Securities in the Fund, they would hold 41.63% of the Stapled Securities in the Fund.

In addition to the APGFM Acquisition, the Fund is also seeking within the same Extraordinary General Meeting to obtain the approval of Stapled Securities Holders to issue Stapled Securities to related parties as part of a proposal to raise additional capital. This involves the issue of a maximum of 25,156,068 Stapled Securities at \$1.20 per Stapled Security to raise a maximum of \$30,187,282 (Capital Raising). Leyshon has indicated it does not intend to participate in the Capital Raising and so if the Capital Raising proceeds in full, Leyshon's interest in the Fund would fall from 41.63% to 37.0%, assuming the APGFM Acquisition goes ahead. We also understand it is intended to provide existing Stapled Security Holders with priority access to the Capital Raising.

Basis of Evaluation

In evaluating whether the APGFM Acquisition is fair and reasonable to non-associated Stapled Security Holders we have had regard to the requirements of:

- Item 7 of the table in Section 611 of the Corporations Act. This item allows a party to obtain a greater than 20% interest in a company without making a formal takeover offer, if a majority of the non-associated shareholders pass an ordinary resolution approving the transaction at a general meeting.
- BSX Listing Rules 7.1 and 7.8 which deal with the acquisition of a substantial asset from a related party. These listing rules essentially require non-associated shareholders to vote on such an acquisition and require the provision of an Independent Experts Report to the non-associated shareholders. The Independent Expert must consider whether the transaction is fair and reasonable to the shareholders entitled to vote at the meeting.

We have adopted the same approach to considering whether the APGFM Acquisition is fair and reasonable under both the requirements of Section 611 of the Corporations Act and the BSX listing rules as we consider the issues to be addressed in each case are inherently similar.

In considering whether the APGFM Acquisition is fair and reasonable to the non-associated Stapled Security Holders we have had regard to ASIC Regulatory Guide 111 'Content of Expert Reports'. Taking account of the requirements of Regulatory Guide 111 in considering our opinion we have had specific regard to:

- The value of APGFM shares provided to the Fund as consideration for the Stapled Securities issued, relative to the value of the Stapled Securities issued. In considering the value of APGFM shares and the Stapled Securities we have had regard to the impact of the APGFM Acquisition on control of both APGFM and the Fund. We have also had regard to the substance of the transaction which is, in essence, an internalisation or merger of the Manager of the Fund (APGFM) with the Fund where the non-associated Stapled Security Holders will still hold over 50% of the Stapled Securities on issue. The transaction is being achieved by the Fund acquiring APGFM
- Whether there is a premium or discount attaching to the value of Stapled Securities or APGFM shares

- The strategic rationale for the APGFM Acquisition and the impact upon the Funds future growth and business risks
- The impact of the APGFM Acquisition on non-associated Stapled Security Holders, including the impact on:
 - Financial metrics such as:
 - Earnings and distributions per Stapled Security
 - Net Assets per Stapled Security
 - The tax advantaged components of distributions
 - The potential liquidity of Stapled Securities
 - Management arrangements
- The impact, if any, on potential future transactions, such as a takeover or ASX listing
- Alternative transactions and whether there may be a preferred alternative, including maintaining a status quo position.

In the following sections, we summarise our findings in relation to:

- The value of APGFM shares provided to the Fund as consideration for the Stapled Securities issued.
- The impact of the APGFM Acquisition on financial metrics for non-associated Stapled Security Holders.
- Other qualitative considerations.

We have not been engaged to consider whether the Capital Raising is fair and reasonable to non-associated Stapled Security Holders, however as the resolutions included in the Explanatory Memorandum contemplate the Capital Raising we have also, where appropriate, considered the APGFM Acquisition in light of the fact the Capital Raising may proceed.

The value of APGFM shares provided to the Fund as consideration for the Stapled Securities issued (Section 9).

Essentially we are considering two related questions, these being:

- a) Is a fair price being paid for the acquisition of APGFM? We consider this comparison in Table 1 below.
- b) Is the Fund receiving a fair value for the Stapled Securities being issued? We consider this comparison in Table 2 below.

Our assessment of the value of the Stapled Securities was based on a capitalisation of earnings approach for the former Elderslie property funds management business (EPFM), a net assets approach for the property investments (including a portfolio premium range of 0% to 3%) and a cash flow based assessment for the property developments. Whilst the Stapled Securities are listed on BSX, trading is extremely limited and we have therefore based our assessment of value on our fundamental valuation analysis rather than trading prices of Stapled Securities. The value of the Fund also includes a liability for the performance fee that would be payable to APGFM based on current asset values within the Fund. The value of Fund Stapled Securities is prepared on a control basis.

Our assessment of the value of APGFM was derived using a capitalisation of earnings approach for the property funds management business and a net assets basis for the performance fee that would be payable to APGFM. Our valuation of the performance fee is based on the current market value of property assets before any portfolio premium. We have adopted a point estimate of the performance fee rather than express the performance fee as a range. This is consistent with the terms of the Stapling and Asset Management Deed and the manner in which the performance fee would most likely be calculated.

Recognising the substance of the transaction, which is an internalisation of the Manager or merger of the Manager and the Fund, we have valued APGFM on a control basis, which is an equivalent approach to that adopted for our valuation of the Fund Stapled Securities.

Table 1 compares the value of APGFM to the value of the consideration being paid for APGFM.

Table 1. Total consideration paid by the Fund for APGFM

\$ in thousands	Reference	Low	Mid	High
Value of Assets to be Acquired				
APGFM	Sec. 7.4, Table 7.8	56,292	57,780	59,267
Value of Consideration to be Paid				
Cash	Sec. 2.1, Table 2.2	10,000	10,000	10,000
Stapled Securities	Note (1)	40,364	42,809	45,222
Total Consideration to be Paid		50,364	52,809	55,222
Excess Value of assets to be acquired over Consideration to be paid		5,929	4,970	4,044

Source: APGFM, PwCS

Note: (1) represents 33.33 million Stapled Securities at \$1.21, \$1.28 and \$1.36 respectively (Sec. 8.6 Table 8.11).

Our assessed value of the assets acquired, being APGFM, exceeds the value of the consideration to be paid. We consider the acquisition price for APGFM is fair to the non-associated Stapled Security Holders.

Table 2 below sets out the value of APGFM, net of the \$10 million cash to be paid for APGFM. This is the value that the Fund effectively receives for the Stapled Securities issued.

Table 2. Value of APGF Stapled Security and Value of Consideration

\$ in thousands	Reference	Low	Mid	High
Value of APGFM	Sec. 7.4, Table 7.8	56,292	57,780	59,267
Less Cash Consideration	Sec. 2.1, Table 2.2	(10,000)	(10,000)	(10,000)
Consideration for Stapled Securities		46,292	47,780	49,267
Number of Stapled Securities to be Issued ('000)	Sec. 2.1, Table 2.2	33,333	33,333	33,333
Value of Consideration Per Stapled Security (\$)		1.39	1.43	1.48
Assessed Value per Stapled Security (\$)	Sec 8.6, Table 8.11	1.21	1.28	1.36
Premium received by the Fund Over Value of Stapled Security				
- Per Stapled Security (\$)		0.18	0.15	0.12
- %		14.9%	11.7%	8.8%

Source: APGFM, PwCS

The value of consideration received exceeds our assessed value of the Stapled Securities issued. We consider the APGFM acquisition is fair to non-associated Stapled Security Holders.

Based on our assessment it appears a premium of 8.8% to 14.9% is being received by the Fund over and above our assessed control value for a Stapled Security.

We consider that this premium is reasonable considering that:

- Leyshon already holds over 25% of the Stapled Securities and in moving to 41.63% will still sit below 50% of the Stapled Securities,
- Given the majority of the value of the Fund is property assets which have been recognised at or at a small portfolio premium to their market value, and therefore in our view already reflects a control premium, the prospect of a significant control premium being applied is less than it might typically be in other industries.

The performance fee is both a significant asset of APGFM and a significant liability of the Fund. While we have adopted a point estimate for the performance fee, we have also considered whether adopting a range for the performance fee would impact on our opinion. If we were to adopt a range for the performance fee, our analysis indicates that at the low end of our value range, the value of the consideration to be received by the Fund would be equal to our assessed control value of a Stapled Security and at the high end of our range the value of consideration received by the Fund would be in excess of 30% above our assessed control value of a Stapled Security. This reflects the potentially significant increases in the value of APGFM as the value of the assets of the Fund increase. Therefore we are comfortable that if we were to adopt a range of values for the performance fee which reflected the range of values of the assets of the Fund, we would still conclude the APGFM Acquisition is fair and reasonable to non-associated Stapled Security Holders.

We have also considered the potential impact on the value of a Stapled Security if the APGFM Acquisition is approved. We estimate the mid-point value could remain at \$1.28 if the APGFM Acquisition is approved. If the APGFM Acquisition is approved and the Capital Raising proceeds then we estimate the value of a Stapled Security as \$1.27 due to the Stapled Securities being issued at a deemed value of \$1.20. Given the Stapled Securities in the Capital Raising are being issued at a minority value, we do not consider the difference between the deemed value of \$1.20 and our mid point

control value of \$1.28 to be unreasonable. Our calculation of these values is set out in Section 10.2 of this Report.

The impact of the APGFM Acquisition on financial metrics for non-associated Stapled Security Holders. (Section 10)

The impact of the APGFM Acquisition on key financial metrics is summarised in Table 3 below.

Table 3. Key financial metrics

	APGFM Acquisition Not Approved & No Capital Raising	APGFM Acquisition Approved & No Capital Raising	APGFM Acquisition Approved & Capital Raising
FY08 Earnings per Stapled Security Excluding Revaluations (cents)	0.97	0.81	0.72
FY08 Earnings per Stapled Security (cents)	9.22	8.65	8.42
Distributions per Stapled Security (cents)	8.48	8.48	9.60
Net Assets per Stapled Security (\$)	1.26	1.26	1.26
Gearing (Net Debt/Total Assets)	43%	46%	37%
Tax Deferral	100%	100%	100%

Source: APGFM, the Fund, PwCS

If the Capital Raising proceeds we are advised that it is the intention to raise the distribution to 9.60 cents per Stapled Security, which is consistent with the intention of Fund management to maintain distributions at a yield of 8% of the most recent price used for raising capital.

The key points to note are:

- It is proposed to increase distributions per Stapled Security to 9.60 cents if the Capital Raising proceeds and maintain them at 8.48 cents if it does not. Assuming no further property revaluations this would only be achieved by increasing the payout ratio as underlying net earning per Stapled Security will fall from 0.97 cents to 0.81 cents and 0.72 cents if the Capital Raising proceeds. There will be no impact on the tax deferred component of the distributions. The dilution of earnings per Stapled Security is driven by the issue of 33.3 million Stapled Securities for what is initially little additional income, although as the proforma earnings do not assume any additional acquisitions for the year and therefore no acquisition fees, this is the maximum dilution likely to occur.

The earnings calculation if the Capital Raising goes ahead assumes the funds remain as cash investments of the Fund and only earn bank interest. It is the intention of management to invest these funds in income producing assets which, if successful, may increase the actual earnings per Stapled Security above 0.72 cents per Stapled Security (before revaluations).

- Net assets per Stapled Security will be maintained.

- Gearing will increase from 43% to 46% reflecting the APGFM Acquisition is partially funded by cash. If the Capital Raising proceeds gearing levels would decrease. However, in all cases gearing remains within a reasonable range, based on current market values for assets.

The APGFM acquisition is a trade off for the Stapled Security Holders between removing the current performance fee liability and diluting their interest in the future earnings of the Fund. The potential dilution of an interest in future earnings is mitigated by the removal of the performance fee arrangements which currently deliver to the Manager 50% of returns that result in an Internal Rate of Return (IRR) between 15% and 20%, and 75% of returns that result in an IRR over 20%.

Other Qualitative Considerations (Section 10)

In considering all the impacts of the APGFM Acquisition, we have had regard to a range of other qualitative considerations. In summary, with respect to other qualitative issues we have identified the following potential advantages and disadvantages:

Advantages

- The more complete alignment of objectives between the Manager and Stapled Security Holders including the effective elimination of transaction based fees such as acquisition fees,
- The enhanced ability to participate in the future growth of the Fund by removing the performance fee payable to APGFM. The Fund will no longer be exposed to performance fees increasing as a result of growth in the value of the Fund's assets,
- The ability to fund the liability for the performance fee with equity as opposed to cash which could happen if the performance fee was crystallised by the sale of an asset, payment of an interim distribution or removal of APGFM as manager of the Fund,
- Improved positioning for an ASX listing at some point in the future, therefore providing the opportunity for improved liquidity at some point in the future.

Disadvantages

- Further concentration of interests of Leyshon, potentially shifting additional control to Leyshon,
- Stapled Security Holders other than Leyshon will have their interest in the Fund diluted,
- If the value of the Fund does not grow or only grows modestly in the medium term, Stapled Security Holders may effectively be buying the performance fee at or close to its peak value.

We have not identified any alternative transactions to the APGFM Acquisition which are likely to deliver greater value to Stapled Security Holders. While an offer could emerge to acquire the Fund, it is likely such an offer would require the support of Leyshon to be successful.

Maintaining the status quo could provide greater value to Stapled Security Holders under certain scenarios as the level of performance fee payable will vary as the IRR changes over time. For example, only modest growth in asset values over time could result in a reduction in the performance fee payable because the IRR could reduce. We have set out in Table 4 below examples of the impact on net asset value per Stapled Security under a range of asset growth scenarios over the period to 31 October 2008. We have compared values in the case where the APGFM Acquisition is not approved, where the APGFM Acquisition is approved and there is no Capital Raising and finally where the APGFM Acquisition is approved and the Capital Raising takes place and is fully subscribed.

The growth is based on the gross assets of the Fund as at 30 September 2007 and reflects the position of the net assets under the three scenarios. We have used management's assessment of the profits for the full year ending 30 June 2008 and the level of distributions that are proposed along with the payments and income that will result under each of the three scenarios. To reflect the extra level of payments and income where the APGFM Acquisition is approved we have applied a level of interest on the amounts at an interest rate of 5.5%.

Table 4. Impact of asset value growth on net assets per Stapled Security

Gross Asset Value Growth Over 12 months	APGFM Acquisition Not Approved & No Capital Raising	APGFM Acquisition Approved & No Capital Raising	APGFM Acquisition Approved & Capital Raising
0.0%	1.31	1.21	1.19
5.0%	1.34	1.28	1.26
10.0%	1.37	1.38	1.34
15.0%	1.39	1.46	1.42

Source: APGFM, the Fund, PwCS

The analysis demonstrates that if asset value growth is less than 10% for the next 12 months, Stapled Securities may have a higher net asset value if the APGFM Acquisition is not approved. This suggests that if Stapled Security Holders were of the view that future value growth will be modest, they could be better off by deferring the acquisition of APGFM to some point in the future. Conversely, if asset values increased by more than 10% in the next 12 months, the net asset values would be lower if the APGFM Acquisition did not proceed.

The implication is that the value of APGFM may be lower if asset value growth is less than 10%. We are not in a position to forecast future investment returns and stress the analysis is only for 12 months. In addition, the analysis is based on net asset values and does not explicitly consider any other impact on value that may result from still having the existing management fee arrangements in place. When considering the returns on the assets we note that assuming that if there is no growth in the value of the assets it would be 2.3 years before the IRR of the Fund fell below 20%. So although the value of the performance fee would be declining in those circumstances, it would still be 2.3 years before the Fund was in a position where 75% of future asset value growth was not going to accrue to APGFM.

In considering whether it may be to their advantage to maintain the status quo on the basis that there may be a better time to acquire APGFM when the performance fee liability has reduced, Stapled Security Holders need to have regard to:

- From a Stapled Security Holders perspective, the optimum time to acquire APGFM will always be dependant on future outcomes that cannot be predicted with certainty so Stapled Security Holders would still be faced with the same uncertainty over optimum timing if faced with this decision in 12 months time and any other time in the future,
- Stapled Security Holders may not easily control the timing of a future APGFM Acquisition as they would have to have the co-operation of APGFM or would need to terminate the management fee arrangements by calling a meeting of Stapled Security Holders and voting on a resolution to remove the Manager. Removal of the Manager still requires payment of the performance fee arising at the

time as well as a fee of 2% of the assets under management (AUM), such payments would be cash and not equity,

- (c) Even if Stapled Security Holders do not approve the APGFM Acquisition, the performance fee could become payable. For example, APGFM, as Manager, may accept an offer for one of the Trusts assets. Acceptance of such an offer could be in the best interests of the Fund and could result in payment of the performance fee. We note that there is significant demand for office assets currently and we are advised the Fund regularly receives “expressions of interest” from parties wishing to purchase assets of the Fund. However we also understand the Fund does not have any current intention to dispose of any of its assets. Alternatively, an interim distribution could be declared as long as it was in the best interests of Stapled Security Holders to make a distribution.

Conclusion

We have concluded that in the absence of a superior proposal, the APGFM Acquisition is fair and reasonable to non-associated Stapled Security Holders.

Our conclusion reflects our views that the advantages and disadvantages of the APGFM Acquisition are:

Advantages

- APGFM is being acquired for a value which, on balance and based on current values, is fair to non-associated Stapled Security Holders, which in turn indicates the consideration being paid for Stapled Securities is fair,
- There will be a more complete alignment of interests between APGFM, as Manager, and the Fund. This in turn should make the Fund structure more appropriate for a ASX listing which can improve liquidity in Stapled Securities at some point in the future,
- By removing the current performance fee arrangements Stapled Security Holders will have all future returns that are at an IRR over 15%. The Fund will no longer be exposed to performance fee increases as a result of growth in the value of the Fund’s assets,
- The performance fee can be funded by equity rather than cash which could be required if the performance fee was crystallised in some other way.

Disadvantages

- If the value of the Fund assets does not grow or grows only modestly in the medium term the future net asset value of Stapled Securities may be higher if the APGFM Acquisition is not approved. This is by virtue of the fact the performance fee payable would decline as the IRR declines.
- The earnings per Stapled Security could be reduced, reflecting the fact the value of APGFM is largely driven by the value of the performance fee ‘earned’ rather than an ongoing income stream,
- Leyshon would further increase it’s interest in the Fund, diluting the interest of non-associated Stapled Security Holders in the Fund.

In our opinion, the advantages of the APGFM Acquisition outweigh the disadvantages. In reaching this view we had regard that in the long run it is likely to be in the best interest of Stapled Security Holders to remove the current performance fee arrangements. Whilst it is not possible to definitely determine the optimum time to acquire the Manager (and thereby crystallise the performance fee), even if non-associated Stapled Security Holders held the view that now is not the optimum time to crystallise the performance fee, they cannot easily control the timing of this in the future. In addition, even if the

APGFM Acquisition was not approved, there are other events which could still result in the performance fee becoming payable.

Our opinion is not dependent on the Capital Raising proceeding. That is, in our opinion the APGFM Acquisition is fair and reasonable to non-associated Stapled Security Holders regardless of whether the Capital Raising proceeds.

Other Matters

An individual Stapled Security Holder's decision in relation to the APGFM Acquisition may be influenced by his or her particular circumstances. In undertaking our assessment, we have considered the APGFM Acquisition for non-associated Stapled Security Holders of the Fund as a whole. We have not considered the effect of the APGFM Acquisition on the particular circumstances of individual Stapled Security Holders nor have we considered their individual objectives, financial situation or needs. Individual Stapled Security Holders will have varying financial and tax circumstances and it is not practical or possible to consider the implications of the APGFM Acquisition on individual Stapled Security Holders as their respective financial circumstances are not known to us. Due to particular circumstances, individual Stapled Security Holders may place different emphasis on various aspects of the APGFM Acquisition from the one adopted in this Report. Accordingly, individual Stapled Security Holders may reach different conclusions as to whether they should accept the APGFM Acquisition offer. Individual Stapled Security Holders should seek their own financial advice.

Financial Services Guide

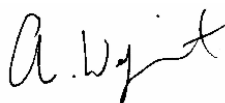
We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Summary of Opinion

PwCS are of the opinion that, in the absence of a superior proposal emerging, the APGFM Acquisition is fair and reasonable to the non-associated Stapled Security Holders.

Our opinion should be read in conjunction with the remainder of this letter and our attached detailed Independent Expert's Report which sets out our scope and findings.

Yours faithfully



Andrew Wellington
Authorised Representative
PricewaterhouseCoopers Securities Ltd



Paul Lindstrom
Authorised Representative
PricewaterhouseCoopers Securities Ltd

INDEPENDENT EXPERT'S REPORT

Prepared for APGF Management Ltd as responsible entity for Australian Property Growth Trust and Australian Property Growth Limited in relation to the Proposed Acquisition of APGF Management Ltd.

16 November 2007

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1. Introduction and Purpose of Our Report

1.1. Introduction

On 16 November 2007, Australian Property Growth Fund (the Fund) announced a proposed acquisition of all the shares in APGFM Management Limited (APGFM). Under the Fund's proposal, APGFM shareholders will receive a combination of cash and Stapled Securities in the Fund for each APGFM share (APGFM Acquisition).

The details of the APGFM Acquisition are described further in Section 2.

1.2. Purpose of Report

Australian Property Growth Limited (APGL) and APGFM, as responsible entity for Australian Property Growth Trust (APGT) have appointed PwCS to prepare this Independent Expert's Report (IER) addressing whether or not the APGFM Acquisition is fair and reasonable to the non-associated Stapled Security Holders of the Fund. The Report has been prepared for the purpose of assisting the non-associated Stapled Security Holders of the Fund in considering the APGFM Acquisition. Under Bendigo Stock Exchange (BSX) Listing Rule 7.1, an entity is prohibited from acquiring a substantial asset from a shareholder who is entitled to at least 10% of the voting securities unless ordinary shareholder approval is obtained prior to the acquisition. An acquisition is "substantial" if its value, or the value of the consideration for it is, or in the BSX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to BSX under its listing rules. APGFM, if acquired by the Fund, will constitute a substantial asset of the Fund.

In addition, the APGFM Acquisition (if approved by the non-associated Stapled Security Holders) will result in Leyshon, who currently hold approximately 30.03% of the Fund, increasing its holding in the Fund to 41.63%, which is more than the 3% allowed under the Corporation Act, without making a offer for all of the Stapled Securities. Therefore the APGFM Acquisition requires Stapled Securities Holder approval pursuant to item 7 of section 611 of the Corporation Act.

Users of this Report should have regard to the qualifications, disclaimers and consents discussed below and contained in Appendix C. All amounts referred to in this Report are Australian dollars unless otherwise stated. Abbreviations and definitions are contained in the Glossary of Terms attached as Appendix F.

1.3. Sources of Information

In compiling this Independent Expert's Report, PwCS have had regard to public and non-public information. A listing of this information is detailed in Appendix B.

In preparing this Report, we have used and relied on the information set out in Appendix B and representations made to us by and on behalf of the Fund.

We have conducted such checks, enquiries and analyses on the information provided to us which we regard as appropriate for the purposes of this Report. Based on this evaluation, we believe that the information used in forming the opinions in this Report is accurate, complete and not misleading and we have no reason to believe that material information relevant to our Report has been withheld. Whilst our work has involved an analysis of financial information and accounting records, it does not constitute an audit of APGFM or the Fund in accordance with generally accepted auditing standards or a review in accordance with AUS 902 applicable to review engagements, and accordingly no such assurances are given in this Report.

1.4. Limitations and Reliance on Information

Our assessment has been made as at the date of our Report. Economic conditions, market factors and performance changes may result in the Report becoming outdated. We reserve the right to review our assessments, and, if we consider it necessary to issue an addendum to our Report in the light of any relevant material information which subsequently becomes known to us prior to the vote to be held in December 2007.

1.5. Scope Exclusions

This Report has been prepared solely for the purpose of assisting the Fund's non-associated Stapled Security Holders in considering whether to approve the APGFM Acquisition. This Report has not been prepared to provide information to other parties considering the purchase or sale of any securities in the Fund. Accordingly, we do not assume any responsibility or liability for any losses suffered as a result of the use of this Report contrary to the provisions of this paragraph.

1.6. Stapled Security Holders should seek Personal Advice

An individual Stapled Security Holders decision in relation to the APGFM Acquisition may be influenced by his or her particular circumstances. In undertaking our assessment, we have considered the Proposal for non-associated Stapled Security Holders as a whole. We have not considered the effect of the APGFM Acquisition on the particular circumstances of individual Stapled Security Holders nor have we considered their individual objectives, financial situation or needs. Individual Stapled Security Holders will have varying financial and tax circumstances and it is not practical or possible to consider the implications of the APGFM Acquisition on individual Stapled Security Holders as their respective financial circumstances are not known to us. Due to particular circumstances, individual Stapled Security Holders may place different emphasis on various aspects of the APGFM Acquisition from the one adopted in this Report. Accordingly, individual Stapled Security Holders may reach different conclusions as to whether they should accept the APGFM Acquisition. Individual Stapled Security Holders should seek their own financial advice.

Section 2 - Summary of the Proposal

2. Summary of the Proposal

On 16 November 2007 the Fund announced a proposal to acquire all of the issued shares in APGFM. As at 31 October 2007, Leyshon held 90% of APGFM's issued share capital and 30.03% of the Stapled Securities in the Fund.

The shareholdings in APGFM and the Fund as at the transaction announcement date are shown in the table below.

Table 2.1. Shareholding in both APGFM and the Fund

Shareholdings	APGFM	The Fund
Leyshon	90.00%	30.03%
G&M Rees Investments Pty Ltd ATF G&M Rees Investment Trust	7.50%	0.03%
Glendower Investments Pty Ltd ATF Glendower Superannuation Fund	2.50%	0.73%

Source: Fund management

The consideration for the APGFM Acquisition is 33,333,333 Stapled Securities and \$10 million in cash. The Stapled Securities to be issued to the APGFM shareholders will be deemed to have an issue price of \$1.20 per Stapled Security resulting in a deemed value for the Stapled Securities to be issued of \$40 million. This gives a total value for the APGFM Acquisition, based on a deemed value of \$1.20 per Stapled Security, of \$50 million.

2.1. Total Deemed Consideration

The table below sets out the total consideration that will be paid to each of the shareholders of APGFM.

Table 2.2. Deemed consideration to shareholders of APGFM

	Leyshon	McMahon	Summerson	Total
APGFM shares	900	75	25	1,000
Stapled Securities to be issued ('000)	30,000	2,500	833	33,333
Approximate value of Stapled Securities (adopting the value of \$1.20)	36,000	3,000	1,000	40,000
Cash to be paid (\$ '000)	9,000	750	250	10,000
Total consideration (\$ '000)	45,000	3,750	1,250	50,000

Source: Fund management

The Fund has indicated the cash component of the APGFM Acquisition will be funded by existing surplus cash reserves. Accordingly, external funding (debt and/or equity) will not be required to finance the APGFM Acquisition.

2.2. Conditions

As part of the Extraordinary General Meeting to seek approval for the APGFM Acquisition there is a resolution relating to the issue of 25,156,068 Stapled Securities at \$1.20 per Stapled Security to raise a maximum of \$30,187,282 (the Capital Raising). The resolution seeks approval to issue Stapled Securities to Related Parties as part of the Capital Raising.

The conditions that are set within the notice of Extraordinary General Meeting are that all of the following resolutions must be passed for the APGFM Acquisition and Capital Raising to proceed:

1. Provision of a financial benefit to a related party

This requests approval for the APGFM Acquisition, the issuing of the Stapled Securities and the payment of cash as consideration.

2. Approval under BSX Listing Rule 7.1

This requests approval for the APGFM Acquisition as it is the purchase of a Substantial Asset from Relevant Parties.

3. Approval under item 7 of section 611 of the Corporations Act

This requests the approval to issuing of the Stapled Securities relating to the APGFM Acquisition as it increases Leyshon's voting power over 3% i.e. from 30.03% to 41.63%

4. Approval under BSX Listing Rule 5.4

This requests the approval for the issuing of the Stapled Securities as consideration in the APGFM Acquisition

5. Approval under BSX Listing Rule 7.9

This relates to the approval for:

- the issuing of the Stapled Securities for the APGFM Acquisition; and
- the issuing of the Stapled Securities for the Capital Raising; and
- that the Stapled Securities issued for the APGFM Acquisition or the Capital Raising may be issued to a 'Related Party' under Listing Rule 7.9.

Shareholders of APGFM are excluded from voting on resolutions 1, 2, 3 and 5.

3. Basis of Evaluation

We have been asked to consider whether the Proposed Resolutions are fair and reasonable to the non-associated Stapled Securities Holders. The specific requirements for our Report are:

- Item 7 of the table in Section 611 (Section 611) of the Corporations Act. This item allows a party to obtain a greater than 20% interest in a company without making a formal takeover offer, if a majority of the non-associated shareholders pass an ordinary resolution approving the transaction at a general meeting. Without such approval the transaction would otherwise be in breach of Section 606 of the Corporations Act,
- BSX Listing Rules 7.1 and 7.8. Listing Rule 7.1 requires shareholder approval for the acquisition of a substantial asset from a related party. Substantial is defined as being greater than 5% of the equity interests of the listed entity, in this case the Fund. Listing Rule 7.8 requires that where a meeting of shareholders is held in compliance of Listing Rule 7.1 the notice of meeting must include an Independent Experts Report on whether the transaction is fair and reasonable to the shareholders entitled to vote at the meeting.

We consider below the requirements of both the Corporations Act and BSX and the implications for our Report.

3.1.1. Increase in Shareholding – Section 611 of the Corporations Act

Strictly speaking, there is no statutory requirement to provide an Independent Experts Report to Stapled Security Holders in this case. In relation to proposals captured by Section 611, ASIC Regulatory Guide 74 states that in voting on such a proposal the shareholders of a company should be provided with an analysis of whether the proposal is fair and reasonable to the non-associated shareholders. Regulatory Guide 74 recognises that the commissioning of an Independent Experts Report is one way the directors of a company may satisfy their duties in this regard. Practically, in a case such as this where the majority of directors are associated with the Manager the appointment of an Independent Expert is the preferred way for directors to satisfy the requirements of Regulatory Guide 74.

Regulatory Guide 111 provides that in considering a transaction where a person increases their level of control of a company through the receipt of securities in return for vending a business into the company, the expert should consider the same criteria that would be considered if the transaction was a takeover bid. In considering a takeover bid the words fair and reasonable are treated as two distinct criteria.

An offer is fair if the value of the offer price or consideration is equal to or greater than the value of the security the subject of the offer. The comparison is to be made assuming 100% ownership of the target.

An offer is reasonable if it is fair. It might also be 'reasonable' if, despite not being 'fair', the expert believes there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Regulatory Guide 111 also indicates that if a bidder is offering non-cash consideration, the expert should examine the value of that consideration and compare it with the valuation of the target's securities. Ordinarily the value of the securities being offered in a control transaction should be assessed on a minority basis, reflecting the fact that the security holders in the target are receiving scrip constituting minority interests in the combined entity. However, Regulatory Guide 111 does allow that an expert may be justified in using an equivalent approach to valuing the security of the bidder and the target when a scrip takeover is in effect a merger of entities of equivalent value.

In this instance, having regard to the substance of the transaction and the fact that the non-associated Stapled Security Holders will hold more than 50% of the Stapled Securities following the APGFM Acquisition we have assessed the Stapled Security value and the APGFM value on a equivalent basis, being a control value.

3.1.2. Acquisition of a Substantial Asset – BSX Listing Rules

The acquisition of APGFM by the Fund will represent the acquisition of a substantial asset by the Fund as APGFM represents more than 5% of the equity of the Fund. Hence the BSX listing rules require the Fund to provide the non-associated Stapled Security Holders with an Independent Expert's Report on whether the transaction is fair and reasonable to those Stapled Security Holders.

There is no definition of fair and reasonable within the BSX listing rules. However the issues inherent in consideration of such a transaction are similar to the issues to be considered in relation to a transaction requiring approval under item 7 of the table in Section 611 of the Corporations Act. We have therefore adopted the same approach to considering whether the transaction is fair and reasonable under the terms of the BSX listing rules as we have in considering whether it is fair and reasonable under the terms of item 7 of Section 611 of the Corporations Act.

BSX Listing Rule 7.1 is similar in operation to ASX Listing Rule 10.1 and in this regard we note there are existing precedents for Independent Expert's to adopt the same approach to considering whether a transaction is fair and reasonable under ASX Listing Rule 10.1 as the approach to be adopted under Section 611 of the Corporations Act.

3.1.3. Fair and Reasonable – Factors Considered

In considering whether the acquisition of APGFM and the issue of Stapled Securities to associated Stapled Security Holders as a result of the acquisition is fair and reasonable to the non-associated Stapled Security Holders in the Fund we have had regard to:

- The value of APGFM shares provided to the Fund as consideration for the Stapled Securities issued, relative to the value of Stapled Securities issued. In considering the value of APGFM shares and the Stapled Securities we have had regard to the impact of the APGFM Acquisition on control of both APGFM and the Fund.
- Whether there is a premium or discount attaching to the value of Stapled Securities or APGFM shares.
- The strategic rationale for the APGFM Acquisition and the impact upon the Fund's future growth and business risks.
- The impact of the APGFM Acquisition on non-associated Stapled Security Holders, including the impact on:
 - Financial metrics such as
 - Earnings and distributions per Stapled Security
 - Net assets per Stapled Security
 - The tax advantaged components of distributions

- The potential liquidity of Stapled Securities
- Management arrangements
- The impact, if any, on potential future transactions, such as a takeover or ASX listing
- Alternative transactions and whether there may be a preferred alternative, including maintaining a status quo position.

4. Industry Overview

4.1. Introduction

The Fund operates in two sub-markets of the Australian property market, namely:

- Property Investment (as an Unlisted Real Estate Investment Trust or REIT), and
- Property Development and Property Funds Management.

The Funds activities are predominantly focused on property investment with the bulk of those investments being office buildings. There has been a trend over recent years for property investors to diversify into property development and property funds management (i.e. the Listed Property Trust sector “LPT”). The BDO Australian Listed Property Trust Survey of 2006 disclosed that 22 out of the 48 participants in the survey were stapled securities, reflecting activities in property investment and property development and property funds management.

4.1.1. Overview of the Australian REIT industry

The size of the Australian REIT market is \$156,547 million, split between unlisted and listed (ASX only) entity's as follows:

Table 4.1. Australian REIT market

REIT investment type	Size in \$ millions	% of Australian market
Listed Property Trusts *	134,947	86%
Unlisted Property Trusts **	21,600	14%
Total	156,547	100%
* as at 3 October 2007		
** as at 31 December 2006		

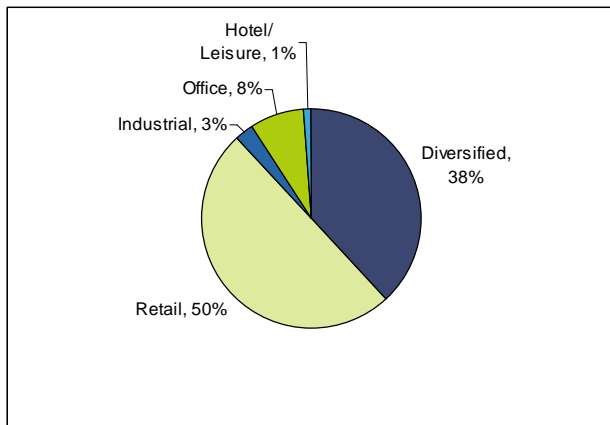
The primary segments¹ which make up this industry are:

- (i) Retail property,
- (ii) Diversified property, and
- (iii) Office (or commercial) property.

A dissection of these segments, by industry is shown below:

¹ Segments representing > 5% by proportion of the market cap of the Australian REIT sector (as at 30 September 2007)

Figure 4.1. Australian REIT sector by Industry

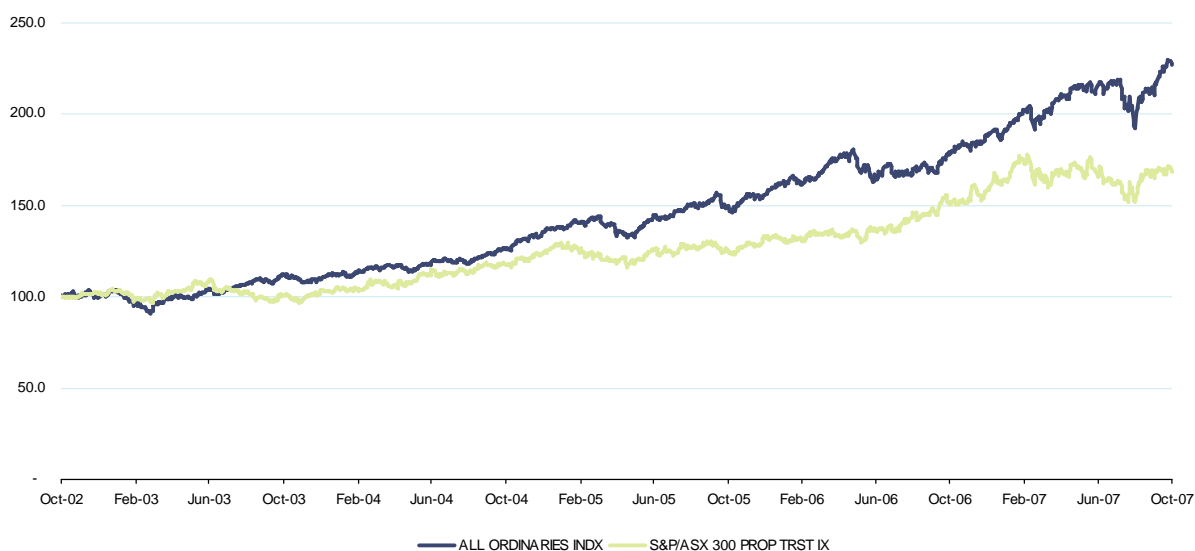


Source: PIR Investment Monitor October 2007

The retail and diversified sectors represent 88%² of the industry with office being 8%³.

Prima facie, recent returns in the Australian REIT industry have been strong, with the S&P/ASX 200 Property Trust Accumulation Index producing total returns of 25.9% and 18.0% in FY07 and FY06, respectively. Over this time, the industry performance has been broadly consistent with the performance of the All Ordinaries Index, which has provided returns of 25.4% and 19.0% over the same period.

Figure 4.2. ASX/ S&P 200 Index vs S&P/ ASC Property Trust Index



Source: Bloomberg

² PIR Investment Monitor, October 2007

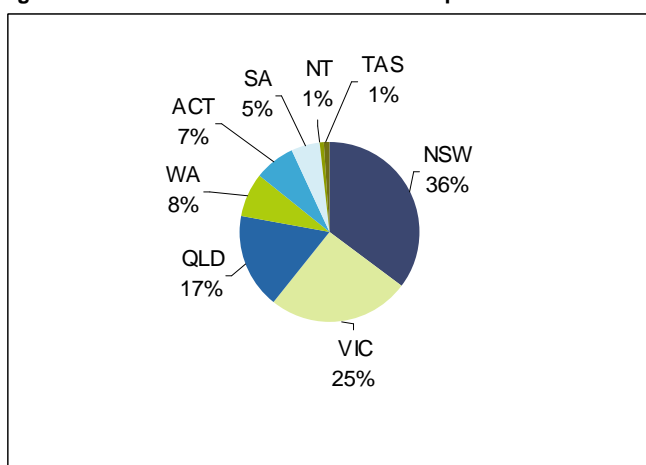
³ PIR Investment Monitor, October 2007

The Funds operations are focused in the Brisbane Office REIT market, with 90% of the Fund's investments categorised as Office assets. Greater than 75% of the Fund's Office assets are located in Brisbane.

4.1.2. Office REIT Sector Performance

Office REITs collectively returned 31% over FY07, although this result was partially skewed by a 41% return by the Investa Property Trust which is the largest Office REIT in the S&P/ ASX 300 Property Index⁴.

Figure 4.3. Australian distribution of office space



Source: IBISWorld Office Property Operators in Australia

Geographically, Queensland, where a large part of the Funds Portfolio is based, represents 17%⁵ of the distribution of office space in Australia.

Vacancies in the Brisbane CBD have decreased to record low levels, ranging between 1% - 2% throughout 2007. A primary contributor to this is construction of new office supply failing to meet unprecedented demand. A Grade office space in Brisbane is now the most expensive in the country⁶ at an average of \$588 per m².

4.1.3. Factors Influencing the Office REIT Sector

1. Interest rates

Interest rates impact the sector in a number of ways. When considered in isolation from other variables, an increase in interest rates will:

- Decrease business confidence and consumer demand levels, which can lead to an increase in vacancy rates,
- Reduce the total return on investment for geared investors, and
- Decrease industry supply due to the increased costs of development projects.

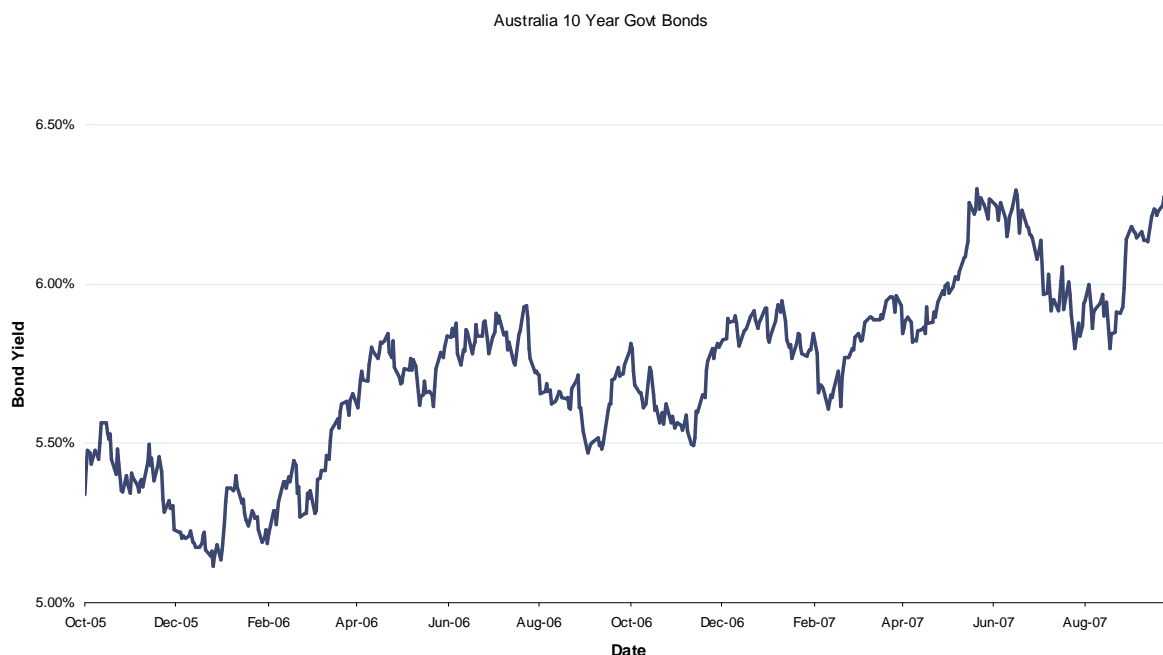
⁴ PIR Investment Monitor, October 2007

⁵ IBISWorld Office Property Operators in Australia, March 2007

⁶ Savilles Brisbane CBD Market overview, September 2007

It is important to note in relation to interest rates that the Australian REIT industry is not immune to the higher cost of debt financing that has emerged as a result of global repricing risk.

Figure 4.4. Australian 10 Year Government Bond Rate



Source: Bloomberg

The yield on 10 year government bonds averaged 5.82% over FY07, a rise of 0.42 percentage points over the average yield for FY06. This represents the largest annual rise in the bond rate since FY00. These higher interest rates have been fuelled by strong domestic economic performances and concerns over capacity constraints in the economy.

The graph demonstrates that since December 2005 bond rates have generally been trending upwards and there is some risk that the yield on 10 year bonds will continue to increase through FY08 as inflationary concerns persist. IBISWorld forecasts that average 10 year treasury bond rate to be 6.2% for FY08.

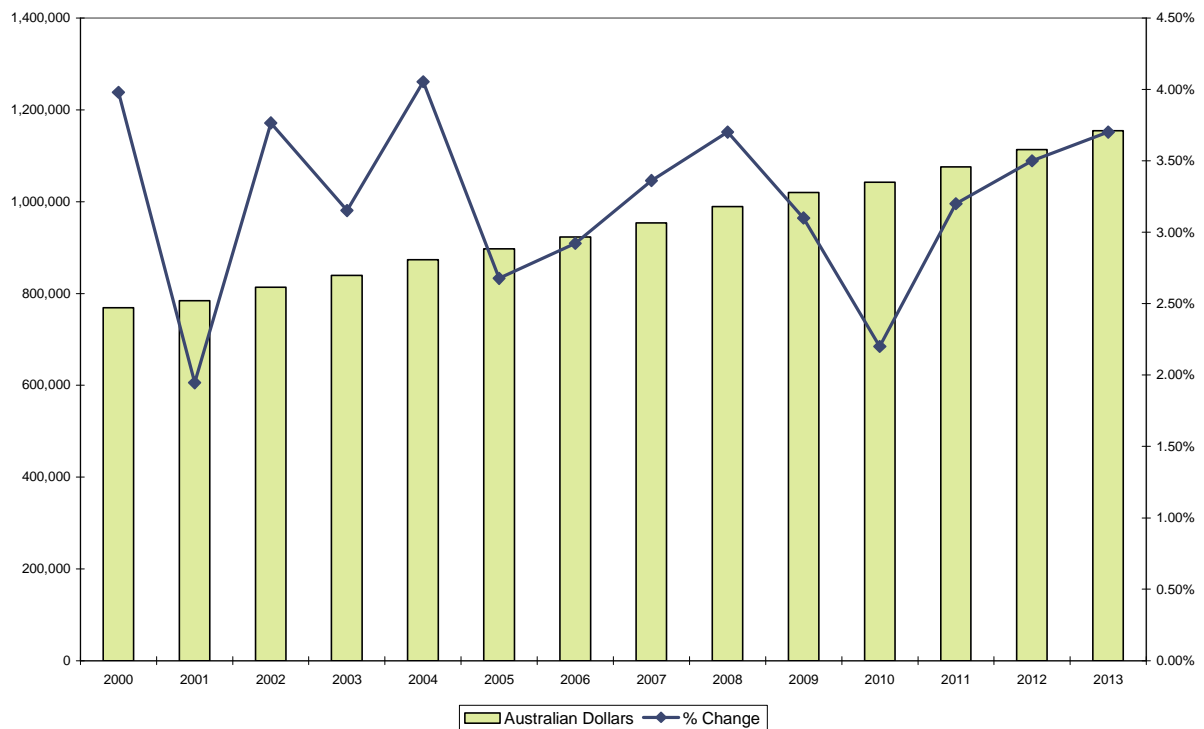
2. Commercial property yields

Investment decisions are influenced by the yield produced relative to other classes of investments with similar risk profiles. In recent times yield compression has, at least in part, driven significant capital growth in the industry.

3. Real GDP Growth

Strong economic and employment conditions (reflected through real GDP growth) will positively affect demand for office space and increase rental returns in the sector. This is particularly evident in markets like the Brisbane CBD where demand for office space has significantly exceeded supply.

Figure 4.5. Australian GDP



Source: Bloomberg

Australia's Gross Domestic Product (GDP) grew 3.4% (in real terms) in FY07, continuing the growth trend that commenced in 1993, although the FY07 figure is marginally below the average annual GDP growth over this period of 3.72%.

The outlook for the Australian economy remains positive over the short to medium term, with an expectation that the current growth trend will continue, albeit at a slower rate. These growth expectations are largely due to the minerals and commodities boom. A recovery in the rural sector and continued strong level of private sector investment should also boost the economy, however labour market supply shortages will continue to counteract positive economic indicators and restrict growth. (IBISWorld: Real GDP Growth)

4. Superannuation investment

Tax effective superannuation investment, bolstered by compulsory superannuation contributions provides a steady stream of funds into the Australian REIT industry.

4.1.4. Sector Outlook

It is possible that the Australian Office REIT industry may have reached the top of its investment cycle, when consideration is given to the contraction of yields that has already occurred, low vacancy rates and the potential for supply increases. However this contrasts with the expectation of continued economic growth in Australia driven by an expectation that commodities prices will continue to be strong.

The cost of debt continues to be an issue due to the uncertainty of the sub-prime mortgage problems currently being experienced in the US. The Governor of the Reserve Bank recently provided some comfort as to the potential effect in the Australian economy, commenting “the underlying asset quality in Australia is clearly sound. Loans that could be called ‘sub prime’ in Australia are about 1 per cent of the stock of total mortgages, compared with around 15 per cent in the US, and arrears rates on these loans are considerably less than those on US sub prime loans.” Nevertheless, it does appear that the increases in the cost of debt may be flowing through to Australian debt markets and this could have implications for the Australian REIT sector.

Specifically, the Brisbane market, where a large percentage of the Fund’ assets are based is characterised by record low vacancy rates and expected continued growth in demand levels. So while there is expected to be significant supply come on line over the next 3 years, rental rates and values are expected to remain strong.

Therefore while there are some factors at play that would moderate growth in the sector, there are underlying supply and demand imbalances in the Brisbane market which could result in further growth in the value of office assets.

5. Profile of APGFM

5.1. Activities

Under the Stapling and Asset Management Deed between APGF and APGFM, APGFM is the asset manager for the Fund. This includes:

- the planning, direction, execution and carrying out of projects
- relationship with equity investors
- negotiating finance
- reporting results
- collection and banking monies received in relation to leases
- preparing and maintaining all accounting and tax records
- representing the Fund in negotiations with tenants
- the sale of completed projects.

APGFM undertakes all of this work for the property development and property investment businesses within the Fund except for the property development projects at Dolphin Point and Springfield which are managed by the former Elderslie property funds management business, which is owned by APGL.

APGFM is the trustee and responsible entity of the Blue Tower Trust (BTT) and the Australian Property Growth Trust (APGT). In this role at 30 June 2007, the company was responsible for the following properties:

- Comalco Place (Blue Tower) 12 Creek Street Brisbane (Comalco Place) and
- 99 Melbourne Street South Brisbane (Melbourne Street).

APGFM was also trustee and responsible entity of 307 Queen Street Trust (QST) until that trust was deregistered effective 13 April 2007.

Following the recent acquisition by APGT, from October 2007 APGFM will also manage the following properties:

- Westpac Concord Campus, situated at 7 King Street, Concord West, Sydney (Westpac Concord)
- Royal Bank Chambers, located at 287-371 Collins Street, Melbourne (ANZ Collins Street)

APGFM became asset manager and also development manager of the Fund on 21 December 2004. In this role the company is currently responsible for a development site at Palm Beach on the Gold Coast. APGFM was also responsible for the now completed London Woolstore project which involved the conversion and refurbishment of an early 1900's four story Woolstore building into 89 residential apartments, car parking and nine ground level retail shops.

Palm Beach, Gold Coast

The Palm Beach 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 in August 2006. The design development phase has also now been completed. Construction is expected to commence in late 2007 and the project is planned to be developed in two stages over 2007 to 2009.

Management fees

The Stapling and Asset Management Deed provides for APGFM to receive fees in the following circumstances:

- a 2% acquisition fee based on the acquisition price of a property
- an annual asset management fee of 0.5% of the properties current market value paid monthly in arrears
- a development management fee of 5% of the total development cost of each project
- a termination fee of 2% of the market value of the project if the asset manager is removed without consenting (for any reason other than negligence or fraud)
- a performance fee.

The performance fee is payable to APGFM when either:

- an Interim Distribution is paid to the equity investors (a dividend in addition to the quarterly returns),
- on termination of the asset manager, or
- the execution of a contract to sell a project of the Trust.

The fee is determined based on the IRR of the Fund to the Stapled Security Holders as follows:

- if the IRR is below 15% there is no performance fee payable,
- if the IRR is between 15% and 20%, the performance fee is 50% of any amount resulting in the IRR being greater than 15%,
- if the IRR is over 20%, the performance fee is 75% of any amount resulting in the IRR being over 20%.

5.2. Capital Structure and Shareholders

The capital structure and shareholders of APGFM are as follows:

Table 5.1. Shareholding of APGFM

Shareholdings	APGFM
Leyshon	90.0%
G&M Rees Investments Pty Ltd ATF G&M Rees Investment Trust	7.5%
Glendower Investments Pty Ltd ATF Glendower Superannuation Fund	2.5%
	100.0%

Source: APGFM Management

The contributed equity consists of 1,000 fully paid ordinary shares. There are no share options.

5.3. Share Performance

APGFM is an unlisted closely held entity and there is no active or liquid market in APGFM shares.

We are advised that in August 2007 there were two separate transactions in APGFM shares. In each case Leyshon, who already held 45% of APGFM, acquired 22.5% of the shares in APGFM. After completion of the two separate transactions Leyshon held 90% of the shares in APGFM.

We understand that in each case, if applied on a pro-rata basis to the total shares in APGFM the transactions imply a value for all of the shares in APGFM of approximately \$35.6 million.

Such a simple extrapolation of value from the sale of a 22.5% interest to the value of all of APGFM is likely to significantly understate the value of 100% of APGFM given the shares are minority interests in a unlisted company, where an existing shareholder already held 45% of the shares. In addition the shareholders agreement contained pre emptive rights for existing shareholders to acquire the shares being sold. Therefore in assessing the value of all of the shares in APGFM we have had limited regard to these transactions and primarily relied upon our own fundamental value analysis of the value of 100% of APGFM.

5.4. Review of Financial Performance

We have set out the financial performance of APGFM on a reported (audited) basis and a restated basis. We have provided this analysis as the reported basis only includes income from the period that APGFM became the asset manager for APGF. It also does not include costs incurred within Leyshon that relate to services provided by APGFM to the Fund.

The restated basis for the results of APGFM looks at the business as if it had been the asset manager for all of the properties and developments that are now currently within the Fund and includes all of the costs that would be required to be expensed if APGFM had operated on a stand alone business and these services were not provided by related companies. This allows the results for the future APGFM business to be analysed compared to the historic results that are prepared on the same basis.

We understand that if the APGFM Acquisition is to take place then the contracts for the employees who provided the services to the Fund will be transferred from Leyshon to APGFM and any other contracts that are used by APGFM (e.g. leases) will also be transferred.

The reported operating performance of APGFM for the two years ended 30 June 2006 and 2007, for the three months ended 30 September 2007 and the forecast for the year ending 30 June 2008 is summarised in Table 5.2 below:

Table 5.2. Financial performance of APGFM

\$ in thousands	Audited FY06	Audited FY07	Unaudited Sept 07	Forecast FY08
Management Fee Income	2,719	2,367	747	3,622
Acquisition Fee Income	-	3,680	1,825	1,825
Leasing Fee Income	380	118	19	134
Other	920	-	-	-
Total Revenue	4,019	6,165	2,590	5,582
Audit Fees	(11)	(14)	-	(14)
Salaries and Employee related Expenses	(259)	(267)	(75)	(267)
Legal Expenses	(2)	(5)	-	(10)
Other	(23)	(27)	(7)	(29)
Total Expenses	(296)	(314)	(82)	(320)
EBITDA	3,723	5,852	2,508	5,262
EBITDA Margin	92.6%	94.9%	96.8%	94.3%
Depreciation and Amortisation	(10)	(3)	-	(2.50)
EBIT	3,713	5,848	2,508	5,259
EBIT Margin	92.4%	94.9%	96.8%	94.2%
Net Interest	22	132	38	120
Net Profit Before Tax	3,735	5,980	2,546	5,379
Income Tax Benefit/(expense)	(1,121)	(1,796)	(764)	(1,614)
Net Profit After Tax	2,614	4,184	1,782	3,765

Source: APGFM Management

The forecasts provided by management of APGFM have not been subject to independent review. While we have discussed the basis of preparation of the forecasts with management of APGFM and considered their reasonableness relative to historical performance and our knowledge of the business of APGFM, we have not performed a review in accordance with AUS902 applicable to review engagements and so no such assurance is provided in relation to the forecast information.

5.4.1. Commentary on FY06 Performance

Features of APGFM's performance during this period were:

- Other income in FY06 relates to the profit on the sale of investments

5.4.2. Commentary on FY07 Performance

Features of APGFM's performance during this period were:

- Acquisition fee of \$3.68 million relating to the acquisition of BTT by APGT
- General costs are largely fixed independent of the level of management fees, therefore the additional management fees received led to an increase in the profitability of the business.

5.4.3. Commentary on performance to 30 September 2007

Features of APGFM's performance during this period were:

- Acquisition fees of \$1.825 million relating to the acquisition of Westpac Concord and ANZ Collins Street

5.4.4. Commentary on FY08 Forecast

The forecast results for the year anticipate the above noted acquisition fees and the increase in management fees following the acquisition of the two buildings by the Fund.

5.4.5. Performance on a stand alone basis

Within the above performance analysis the results have been taken direct from the audited results of APGFM. However, this does not include the income and costs that APGFM would have included if it had been the asset manager of all of the assets that are owned by the Fund from the inception of the Fund. The following analysis looks at all of the income and costs that would have been attributable to APGFM assuming that all of the Fund properties were managed by APGFM and therefore points to the future maintainable level of income that APGFM will be able to generate as it will manage all of the Fund's properties in the future.

Table 5.3. Adjustments to Financial performance of APGFM

\$ in thousands	Adjusted FY06	Adjusted FY07	Adjusted Sept 07	Adjusted Forecast FY08
Reported EBITDA	3,723	5,852	2,508	5,262
Adjustments				
Management Fee Income	3,469	2,501	-	-
Other	143	252	-	180
Total Revenue Adjustments	3,612	2,753	-	180
Personnel Expenses	(2,878)	(3,415)	-	(3,599)
- Add Back Excess Staff Bonus	-	-	-	1,517
Operating Expenses	(386)	(386)	-	(386)
Total Expense Adjustments	(3,263)	(3,801)	-	(2,467)
Total Adjustments	349	(1,047)	-	(2,287)
Adjusted Stand Alone EBITDA	4,072	4,805	2,508	2,974

Source: APGFM Management

Note: No adjustments have been made to the unaudited September 2007 figures.

We have been informed that the staff bonus included in the forecast FY08 numbers is exceptional and above the 'maintainable' level going forward. We have therefore added back the 'surplus' level of the bonus above the 'maintainable' level going forward.

We have shown in Table 5.4 the adjusted results of APGFM for the years ended 30 June 2006 and 2007, the three months ended 30 September 2007 and the forecast for the year ending 30 June 2008 assuming the historic results for the business that will be continuing forward.

Table 5.4. Adjusted Financial performance of APGFM

\$ in thousands	Adjusted FY06	Adjusted FY07	Adjusted Sept 07	Adjusted Forecast FY08
Management Fee Income	6,187	4,868	747	3,622
Acquisition Fee Income	-	3,680	1,825	1,825
Leasing Fee Income	380	118	19	134
Other	1,064	252	-	180
Total Revenue	7,631	8,919	2,590	5,762
Audit Fees	(21)	(14)	-	(24)
Salaries and Employee related Expenses	(3,137)	(3,682)	(75)	(2,349)
Legal Expenses	(14)	(5)	-	(22)
Other	(386)	(413)	(7)	(393)
Total Expenses	(3,559)	(4,114)	(82)	(2,787)
EBITDA	4,072	4,805	2,508	2,974
EBITDA Margin	53.4%	53.9%	96.8%	51.6%
Depreciation and Amortisation	(114)	(107)	-	(106)
EBIT	3,958	4,698	2,508	2,868
EBIT Margin	51.9%	52.7%	96.8%	49.8%
Net Interest	(31)	-	38	-
Net Profit Before Tax	3,927	4,698	2,546	2,868
Income Tax Benefit/(expense)	(1,178)	(1,411)	(764)	(860)
Net Profit After Tax	2,748	3,286	1,782	2,008

Source: APGFM Management

Note: : No adjustments have been made to the unaudited September 2007 figures

The additional management fees income for FY06 relates to a property owned by 307 Queen Street Trust that was sold in 2005 and also the asset management fees relating to BTT prior to it being purchased by the Fund. These asset management fees were paid to either Leyshon as the asset manager or a company owned by two former directors.

5.5. Review of Financial Position

The balance sheet of APGFM as at 30 June 2006, 30 June 2007 and 30 September 2007 are as follows:

Table 5.5. Financial Position of APGFM

\$ in thousands	Audited 30 June 2006	Audited 30 June 2007	Unaudited 30 Sept 2007
Cash and Cash Equivalents	1,625	2,454	2,891
Trade and Other Receivables	2,500	2,813	2,086
Other	-	-	110
Total Current Assets	4,125	5,267	5,087
Plant and Equipment	6	3	2
Deferred Tax Asset	4	7	7
Total Non-Current Assets	10	10	9
Total Assets	4,135	5,278	5,096
Trade and Other Payables	64	48	1
Employee Benefits	6	9	-
Borrowings and Interest Bearing Loans	860	-	-
Income Tax Payable	237	665	-
Accrued Expenses	-	-	1,517
Provisions - for Income Tax	-	-	1,294
Total Current Liabilities	1,166	722	2,812
Deferred Tax Liability	2	3	3
Total Non-Current Liabilities	2	3	3
Total Liabilities	1,168	726	2,815
Net Assets	2,967	4,552	2,281
Contributed Equity	1	1	1
Retained Earnings	2,966	4,551	4,551
Dividends Paid - Current Year	-	-	(4,053)
Profits - Current Year	-	-	1,782
Total Equity	2,967	4,552	2,281

Source: APGFM Financial Statements and Management Reports

The balance sheet of APGFM has not been restated to reflect any changes that may result if it operated on a stand alone basis, however we are advised there would be no material impact on the reported APGFM balance sheet as there are no other material assets and liabilities relating to the management operations which are not included in the balance sheet.

Section 5 - Profile of APGFM

Based on our review and from discussions with APGFM management, we understand the following:

- As at 30 September 2007 APGFM had cash and cash equivalents of approximately \$ 2.9 million
- As APGFM has an Australian Financial Service Licence (AFSL) it has a requirement regarding maintaining a minimum level of working capital. The requirement is that its Net Tangible Assets (NTA) are greater than 0.5% of the funds under management (FUM). At 30 September 2007 the FUM of APGFM is approximately \$366 million to give a NTA requirement of \$1.83 million. At 30 September 2007 the NTA of APGFM (excluding the loans to shareholders and deferred tax liability) is \$2.16 million giving an excess working capital of \$0.33 million.

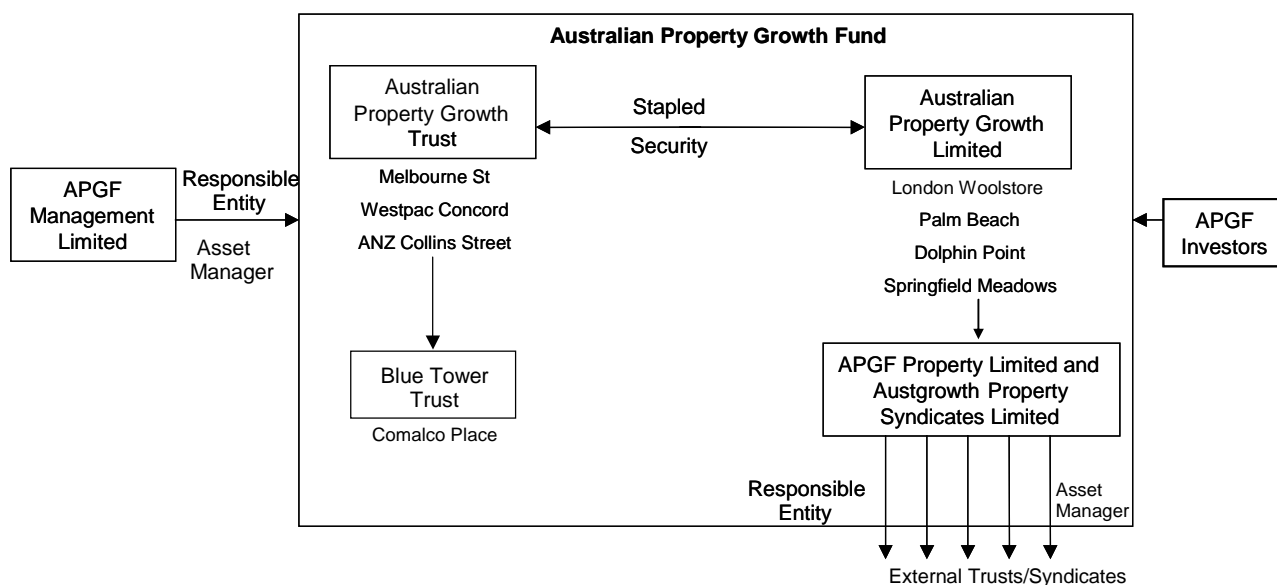
Based on our analysis we consider that this excess working capital of \$0.33 million is the only surplus asset or liability held by APGFM.

We have not identified any other adjustments or requirements in the Share Sale Deed that are likely to require adjustment in the APGFM balance sheet.

6.1. Background and History

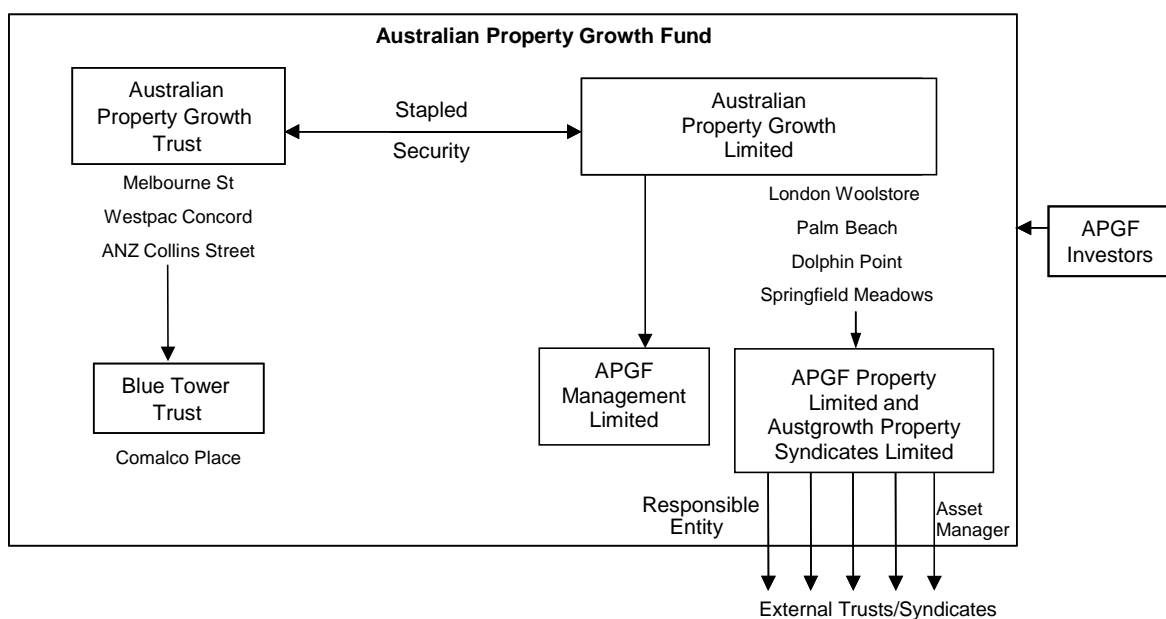
The structure of the Fund, including assets, is summarised in Figure 6.1 below.

Figure 6.1. Group Structure prior to APGF Acquisition



The structure of the Fund assuming the APGFM Acquisition is approved is summarised in Figure 6.2 below.

Figure 6.2. Group Structure after APGFM Acquisition



6.2. Profile of Stapled Entities

6.2.1. APGT

APGT is a trust that currently holds four investment properties:

- Comalco Place - Located at 12 Creek Street, Brisbane, a 37 level commercial office building located in the heart of Brisbane's 'golden triangle',
- Melbourne Street - A five level commercial office building located next to Brisbane's Exhibition and Convention Centre,
- Westpac Concord - Located at 7 King Street, Concord, Sydney and is a commercial/business park development that includes approximately 16,500m² of office accommodation and parking for 485 cars. The acquisition of this property was announced on 9 July 2007 and settled on 2 October 2007,
- ANZ Collins Street - A 13 level Art-Deco style office building located at 287-301 Collins Street, Melbourne which is fully occupied by ANZ Bank. The acquisition of this property was announced on 23 August 2007 and settled on 4 October 2007.

These properties are leased either to one tenant (as in the case of ANZ Collins Street) or split up and leased to a number of tenants. The Trust generates income from these leases. The properties are managed by APGFM under the Stapling and Asset Management Deed.

The Stapling and Asset Management Deed sets out the terms of the relationship between APGFM and the Fund including the fees that are payable for the management of the Fund's assets. These fees are:

- a 2% acquisition fee based on the acquisition price of a property
- an annual asset management fee of 0.5% of the properties current market value paid monthly in arrears
- a development management fee of 5% of the total development cost of each project
- a termination fee of 2% of the market value of the project if the asset manager is removed without consenting (for any reason other than negligence or fraud)
- a performance fee payable when either
 - an Interim Distribution is paid to the equity investors (a dividend in addition to the quarterly returns),
 - on termination of the asset manager, or
 - the execution of a contract to sell a project of the Trust.

The level of the performance fee is set dependant on the IRR of the Fund at the time when the fee is payable and is calculated as follows:

- if the IRR is below 15% there is no performance fee payable,
- if the IRR is between 15% and 20%, it is 50% of any amount resulting in the IRR being greater than 15%,

Section 6 - Profile of the Fund

- if the IRR is over 20%, it is 75% of any amount resulting in the IRR being over 20%

6.2.2. APGL

APGL is a property development and property funds management business.

6.2.3. Property developments

The property development business comprises the following projects:

London Woolstore, Tenerife, Brisbane.

The refurbishment of a Woolstore into apartments and retail properties. These have now all been sold or are settled.

Palm Beach, Gold Coast.

The Palm Beach 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 August 2006. The design development phase has also now been completed. Construction is expected to commence in late 2007 and the project is planned to be developed in two stages over 2007 to 2009.

Within the Palm Beach development there is a third party investor, Palm Beach Developments Pty Ltd (PBD). A Development Agreement with PBD states that 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.

Dolphin Point and Springfield Meadows

Dolphin Point and Springfield Meadows are two development sites in which the Fund has an interest. There is an agreement within the Dolphin Point development whereby the Fund has a call option (and the current owner has a put option) for the Fund to purchase the site for \$12 million. The Fund also has a put option on a third party to sell the site to the third party for \$20 million, however the ability to exercise that put option is dependant on a range of sub-division development approvals being obtained by March 2008. Springfield Meadows is a development site that the Fund has an interest in which is still subject to some development approvals. Once these have been obtained, the Fund will take full ownership of the site.

6.3. Property Funds management

On 22 June 2007 the Fund acquired the property funds management business of Elderslie for \$31.8 million. The business comprises the management of 26 property trusts or syndicates that in turn own 37 properties valued at approximately \$480 million. The properties are located in Sydney, Melbourne, Brisbane, Perth, Canberra and Cairns and include commercial office, industrial and retail property.

Within the business at the time of the acquisition there were nine employees. The former Elderslie business has 5,490 retail investors and access to a contact database of approximately 10,000 names. The majority of the business that was generated by Elderslie is from direct contact with investors following the length of time that the former Elderslie business has been providing investment services, but there are also introductions made through financial planners and accountants.

Section 6 - Profile of the Fund

6.4. Capital Structure and Stapled Security Holders

The structure of the Fund is a stapled entity. This means that each share in APGL is stapled to a unit in APGT and one cannot be bought or sold without the other. The Stapled Securities are listed on BSX. As at 25 October 2007, the Fund has 167,707,124 Stapled Securities on issue.

The top 10 Stapled Security Holders of the Fund are:

Table 6.1. Stapled Security Holders of the Fund

Stapled Security Holders	
Leyshon	30.03%
Stirling Investments Pty Ltd atf The Stirling Investment Trust	22.19%
Dr Steve Morzeki	2.74%
Ashbar Constructions Pty Ltd	2.61%
ANZ Nominees Pty Ltd	2.32%
Troxfield Pty Ltd atf Rosebery Super Fund	2.32%
Currabulla Pty Ltd	1.30%
Peter Charles Crowley	1.30%
Gary Kemp	1.19%
Johnson Hotels Pty Ltd atf Johnson Family Trust	1.19%
	67.2%

Source: the Fund

These comprise 67.2% of the total ownership. The top 20 Stapled Security Holders comprise 76.7% of the total ownership.

6.5. Share Performance

The Fund is listed on the BSX, however liquidity in Stapled Securities is extremely limited. The only trades in the period since June 2006 have been 7,000 Stapled Securities in June 2006 at a price of \$1.04 and 2,000 Stapled Securities in November 2006 at a price of \$1.08.

The most significant transaction in Stapled Securities was an equity raising where, based on a Prospectus and PDS issued in July 2006, the Fund raised \$71.2 million at \$1.06 per Stapled Security. The value of \$1.06 was reported as the underlying net asset value at the time, recognising revaluation adjustments to investment properties and property developments. The forecast distribution was 8.48 cents per Stapled Security so the \$1.06 issue was at a forecast yield of 8%.

The limited information available on trading in Stapled Securities therefore suggests that trades have taken place at or around underlying net asset value and on a yield at or around 8%.

In terms of liquidity, the volume of Stapled Securities traded in the period since June 2006 has been remarkably small and despite being listed on the BSX, we would classify the level of liquidity as more consistent with an unlisted entity than a listed entity.

6.6. Review of Financial Performance

The reported operating performance of the Fund for the two years ended 30 June 2006 and 2007, the three months ended 30 September 2007 and the forecasts for the year ending 30 June 2008 are shown in Table 6.2 below:

Section 6 - Profile of the Fund

Table 6.2. Financial Performance of the Fund

\$ in thousands	Audited FY06	Audited FY07	Unaudited Sept 07	Forecast FY08
Property Development	18,310	21,967	6,764	15,500
Property Funds Management	-	140	2,528	8,676
Rental Income	2,961	15,445	4,365	23,441
	21,271	37,552	13,657	47,617
Development Costs Expensed	(21,272)	(26,508)	(7,853)	(15,000)
Gross Margin	(1)	11,044	5,804	32,617
Gross Margin %	0.0%	29.4%	42.5%	68.5%
Net Loss/Gain in fair value adjustments				
Movement in derivatives	286	-	-	-
Investment Properties revaluations	2,970	78,228	-	28,700
Other	-	-	245	-
Net Revenue	3,256	89,271	6,049	61,317
Total Expenses	(1,140)	(44,413)	(4,508)	(31,139)
EBITDA	2,116	44,858	1,541	30,178
EBITDA Margin	9.9%	119.5%	11.3%	63.4%
Depreciation and Amortisation	(57)	(447)	(2)	-
EBIT	2,059	44,411	1,539	30,178
EBIT Margin	9.7%	118.3%	11.3%	63.4%
Net Interest	(607)	(5,009)	324	(14,776)
Net Profit Before Tax	1,452	39,402	1,863	15,402
Income Tax Benefit/(expense)	648	880	(507)	62
Net Profit from Operating Activities	2,100	40,282	1,356	15,464
Profit Attributable to Minority Interest	-	(5)	-	-
Profit After Income Tax attributable to Security holders	2,100	40,277	1,356	15,464
Earnings Per Share - Basic and Diluted (cents)	6.0	31.7	0.8	9.2
Distributions Per Share (cents)	8.0	8.5	1.8	8.5

Source: The Fund Financial Statements and Management Reports

The property development income in FY06 and FY07 related to the London Woolstore project at Vernon Terrace, Teneriffe, Brisbane. This 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 were being leased to various tenants for professional offices. These buildings have been refurbished into warehouse style office accommodation. These two buildings were sold for \$5.7 million with settlement occurring on 31 July 2007.

The forecasts provided by management of the Fund have not been subject to independent review. While we have discussed the basis of preparation of the forecasts with management of the Fund and considered their reasonableness relative to historical performance and our knowledge of the business of the Fund, we have not performed a review in accordance with AUS902 applicable to review engagements and so no such assurance is provided in relation to the forecast information.

6.6.1. Commentary on FY06 Performance

The features of the Fund's performance during this period were:

Section 6 - Profile of the Fund

- The London Woolstore development site was started in December 2004 and completed in January 2006. This period saw the sales of the first part of this development
- Rental income relates to the sole property that the Fund owned at the time at Melbourne Street

6.6.2. Commentary on FY07 Performance

Features of the Fund's performance during this period as compared to the previous year were:

- Additional sales of properties following the development of the London Woolstore
- The purchase of the Blue Tower Trust in September 2006 led to rental income from Comalco Place
- In June 2007 the purchase of the former Elderslie property funds management businesses gave a small amount of property funds management income

6.6.3. Commentary on FY08 Forecasts

The forecasts for the year ending 30 June 2008 assume the following:

- The property development sales are for the remaining lots of London Woolstore and part of Springfield Meadows
- The property funds management income is for a full year income from the former Elderslie businesses
- The rental income is for a full year of both Melbourne Street and Comalco Place plus income from Westpac Concord and ANZ Collins Street from October 2007

6.6.4. Investment Property Revaluations

The investment property revaluations mainly represent the increase in value of Comalco Place with some smaller revaluations of Melbourne Street. The property market has experienced significant growth over the past two years particularly in Brisbane office properties. This has been reflected in the revaluation that has been recorded in the audited financial statements. In addition, further revaluations are forecast for FY08, based on valuations obtained at 19 October 2007. No further revaluations have been assumed beyond this point. We note that excluding the benefits of these revaluations (net of the resultant performance fee expense) would result in net losses before tax of \$1.5 million and \$0.3 million in FY06 and FY07 respectively.

6.7. Review of Financial Position

We have set out in Table 6.3 below the audited balance sheets for the Fund as at 30 June 2006, 30 June 2007 and the unaudited balance sheet 30 September 2007.

Section 6 - Profile of the Fund

Table 6.3: The Fund's Financial Position

\$ in thousands	Audited 30 June 2006	Audited 30 June 2007	Unaudited 30 Sept 2007
Cash and cash equivalents	5,732	52,056	13,094
Trade and other receivables	294	1,568	2,720
Inventory	26,680	6,561	114
Other	578	255	725
Total Current Assets	33,284	60,440	16,653
Trade and other receivables	-	13,495	13,495
Inventory	11,648	11,599	11,599
Property investment held directly	30,033	296,300	339,847
Plant & Equipment	-	16	14
Interest rate swap	286	1,109	1,150
Investments in subsidiaries	-	-	0
Other assets	-	12,168	11,598
Goodwill	-	15,553	15,553
Deferred tax asset	999	1,942	3,910
Total Non-current Assets	42,966	352,183	397,167
Total Assets	76,251	412,624	413,820
Trade and other payables	2,931	7,871	8,559
Borrowings and interest bearing loans	20,516	12,539	7,777
Provisions	-	111	615
Total Current Liabilities	23,447	20,520	16,952
Trade and other payables	1,016	39,354	39,354
Borrowings and interest bearing loans	15,982	149,771	157,140
Provisions	-	112	2,101
Other	1,577	2,415	-
Total Non-current Liabilities	18,574	191,651	198,594
Total Liabilities	42,021	212,172	215,546
Net Assets Attributable to Members of the Fund	34,230	200,452	198,274
Attributable to members of APGL			
Contributed Equity	17,218	17,874	17,874
Accumulated Profits/(Losses)	(2,038)	(4,089)	(4,089)
Dividends Paid	-	-	-
Profit/(Loss) Current Year	-	-	613
Total attributable to members of APGL	15,180	13,786	14,399
Attributable to unit holders of APGT			
Units on issue	13,208	151,291	151,291
Hedging reserve	-	434	475
Undistributed earnings	5,842	34,932	34,932
Distributions Paid to Unit Holders	-	-	(3,575)
Profit/(Loss) Current Year	-	-	743
Total attributable to unit holders of APGT	19,050	186,657	183,866
Minority interests	-	10	10
TOTAL MEMBER'S INTERESTS	34,230	200,452	198,274

Source: The Fund Financial Statements and Management Reports

Section 6 - Profile of the Fund

The above analysis shows the 30 September 2007 balance sheet as it was stated at the time. This means that it does not include the revaluation of either Comalco Place or Melbourne Street and it only reflects the equity invested in Westpac Concord and ANZ Collins Street and not the bank loans that were used to complete the purchase of these properties as both of these events occurred in October 2007. A proforma balance sheet that updates the June 2007 balance sheet with events that have occurred to date is included at table 8.2.

Based on our review and from discussions with management of the Fund, we understand the following:

- The movement in the cash reflects the amounts required for the purchase of the properties at Westpac Concord and ANZ Collins Street and the subsequent payment of these amounts
- Inventory that is classified as a current asset relates to the development site at London Woolstore. This has decreased as the development is completed
- The trade and other receivables relates to the loans paid as part of the investments in Dolphin Point and Springfield Meadows
- Non-current inventory relates to the development at Palm Beach
- Other assets relates to a receivable in the former EPFM businesses for an exit fee
- Goodwill relates to the goodwill generated on the acquisition of the former Elderslie property funds management businesses
- Trade and other payables within current liabilities includes a \$3.5 million provision for the payment of the quarterly distribution
- Trade and other payables within non-current liabilities includes a \$38.5 million provision for the payment of the performance fee to APGFM
- Borrowings increased in FY07 due to the acquisition of BTT. The Fund currently has the following loans (the Westpac Concord and ANZ Collins Street loans are not included in the September 2007 balance sheet):

Table 6.4. Analysis of loans in the Fund

	Comalco Place (Loan 1)	Comalco Place (Loan 2)	99 Melbourne Street	Westpac Concord	ANZ Collins Street	EPFM business
Facility Limit	\$91,500,000	\$28,100,000	\$16,068,520	\$36,450,000	\$18,300,000	\$19,500,000
Amount Drawn	\$91,500,000	\$28,099,998	\$16,068,520	\$36,450,000	\$18,300,000	\$19,500,000
Expiry Date of Facility	31-Oct-08	31-Oct-08	31-Dec-09	02-Oct-12	04-Oct-12	22-Jun-10
Interest rate per facility agreement						
- Base Margin (bp)	15 bp	15 bp	15 bp	15 bp	15 bp	15 bp
- Lending Margin (bp)	110 bp	110 bp	110 bp	70 bp	70 bp	145 bp
Unhedged Interest rate at 30/09/07	8.05%	8.05%	8.05%	7.59%	7.58%	8.37%
Amount Hedged	\$91,500,000	\$0	\$16,068,520	\$0	\$0	\$0
Hedging rate	6.04%	N/a	5.56%	N/a	N/a	N/a
Hedging Expiry	30-Sep-08	N/a	30-Nov-09	N/a	N/a	N/a

bp –basis points

Source: The Fund Management

7. Valuation of APGFM

7.1. Approach

The value of APGFM is made up of two key components. These are:

- (a) the value of ongoing net earnings and cash flows from its property and asset management and development business.
- (b) the value of material performance fees effectively earned to date.

Having regard to the nature of APGFM's business operations and the financial information available, we have adopted the following valuation approaches to estimate the value of APGFM:

- (a) a capitalisation of maintainable earnings methodology for the property funds management business
- (b) adopting asset based values for the performance fees that would be receivable based on current asset values of the Fund.

Property funds management businesses like APGFM typically have performance fees 'earned' at any given time and the value of these is often assumed to be part of the enterprise value rather than a surplus asset. However in this case the performance fee potentially payable to APGFM is so material we have treated it as a separate asset.

7.2. APGFM Property Funds Management

We have adopted a capitalisation of future maintainable Earnings Before Interest and Tax, Depreciation and Amortisation (EBITDA) approach, as our primary valuation approach for the property funds management business.

The application of the capitalisation of EBITDA approach involves 3 key steps:

1. Estimate of future maintainable EBITDA,
2. Estimate of EBITDA multiple,
3. Calculation of value, including the value of any surplus assets or liabilities.

We have cross checked this value to the value expressed as a percentage of AUM.

7.2.1. Estimate of Future Maintainable EBITDA

We have estimated the future maintainable EBITDA to be \$3.0 million which is based on the FY08 forecast, after the adjustments detailed in Table 7.1 below. We have also included the EBITDA in FY06 and FY07 and the retrospective adjustments in these years to provide a basis for comparison.

Section 7 - Valuation of APGFM

Table 7.1. Future Maintainable Earning of APGFM

\$ in thousands	Adjusted FY06	Adjusted FY07	Adjusted Sept 07	Adjusted Forecast FY08
Reported EBITDA	3,723	5,852	2,508	5,262
Adjustments				
Management Fee Income	3,469	2,501	-	-
Other	143	252	-	180
Total Revenue Adjustments	3,612	2,753	-	180
Personnel Expenses	(2,878)	(3,415)	-	(3,599)
- Add Back Excess Staff Bonus	-	-	-	1,517
Operating Expenses	(386)	(386)	-	(386)
Total Expense Adjustments	(3,263)	(3,801)	-	(2,467)
Total Adjustments	349	(1,047)	-	(2,287)
Adjusted Stand Alone EBITDA	4,072	4,805	2,508	2,974

Source: APGFM Financial Statements and Management Accounts

The adjustments listed above relate to income from Fund properties that were paid to other asset managers who were shareholders of APGFM at the time and costs incurred in performing the management obligations of APGFM, but which have been borne by Leyshon. These adjustments are discussed in Section 5.4.

The adjustments to the FY08 costs represent a reduction in the adjustments made to the costs in FY07. The major difference between the two adjustments relates to a staff bonus expense. The staff bonus expense is forecast to be approximately \$2.0 million in FY08. However management have indicated that a maintainable level for staff bonus is approximately \$0.5 million. Therefore we have reduced the expenses by \$1.5 million and adopted a value of approximately \$0.5 million for the staff bonus in FY08.

7.2.2. Estimate of EBITDA Multiple

We have estimated the EBITDA multiple to be within a range of 6.5 to 7.5 times.

In selecting the earnings multiple range we have had regard to:

- share market prices of listed comparable companies,
- prices achieved in mergers and acquisitions of comparable companies,
- the size of APGFM,
- the fact we are separately valuing the performance fee that would currently be payable, but recognising APGFM still has the opportunity to earn further performance fees in the future. Such performance fees could be significant in the future given the nature of the arrangements in place.

In selecting appropriate comparable companies, we had regard to listed companies that operate in the funds management industry. A description of the operations of each of the comparable companies is provided in Appendix D and the implied trading multiples are set out in Appendix E.

We have also had regard to issues specific to APGFM such as its growth profile, growth expectations beyond 2008 and risks including the risks associated with their management arrangements.

Section 7 - Valuation of APGFM

We note that information on companies genuinely comparable to APGFM is limited.

Trading Multiples

The full list of trading multiples for the comparable companies is provided at Appendix E, however an abbreviated list is provided below:

Table 7.2. Comparable Fund Managers

Entity	Enterprise Value (\$million)	EV/EBITDA			Assets Under Management (\$billion)	Enterprise Value/AUM
		Hist.	2008	2009		
Listed Property Fund Managers						
APN Property Group Ltd	358.4	13.9x	12.8x	11.2x	4.8	7%
MacarthurCook Ltd	84.9	16.0x	13.5x	10.4x	1.5	6%
WRF Securities Ltd	21.4	nm	n/a	n/a	0.3	7%
RUN Corp Ltd	46.4	84.9x	2.6x	n/a	n/a	n/a
Average: Listed Property Fund Managers	127.8	38.3x	9.7x	10.8x	2.2	5%
Average: Listed Fund Managers	1,642.9	16.7x	14.6x	12.2x	18.6	14%

Source: Bloomberg, Financial Accounts

n/a: Not applicable

nm: Not meaningful

In considering the comparable companies in the above table we note the following:

- WRF Securities undertook significant restructuring of its property funds management business during FY07, moving away from income producing property syndicates to an open ended unlisted property fund and a new line of business by way of residential subdivision syndicates.
- Fund managers who have a broader management focus than property provide some guidance, however as the source of revenues and services for these businesses are not solely property based we have placed less reliance on the implied multiples

Transaction Multiples

We have reviewed a number of transactions concerning acquisitions of fund management businesses which are provided in Appendix E.

We note transactions may not be completely comparable for various reasons including:

- not all AUM is of uniform quality, with the underlying assets having different growth, risk and liquidity factors
- different fee arrangements may exist in relation to AUM
- there may be varying levels of available synergies reflected in each transaction.

A summary of the comparable transactions which include EBITDA multiples is shown below:

Section 7 - Valuation of APGFM

Table 7.3. Comparable Fund Managers Transactions

Date	Target Entity	Consideration (\$ Million)	EBITDA Transaction Multiples		AUM (\$ Million)	Implied Percentage of AUM
			Low	High		
Nov-06	Cromwell Corporation Limited	137.04	10.50	11.50	1,400.00	9.8%
Dec-05	Abacus Funds Management Limited	126.90	8.50	9.00	1,015.00	12.5%
May-05	Charter Hall Holdings	51.26	6.60	7.00	1,193.00	4.3%
Dec-04	Macquarie Goodman Management	870.50	13.10	13.90	5,500.00	15.8%
Nov-04	James Fielding Holdings Limited	63.70	6.00	7.00	1,700.00	3.7%
Aug-04	Management Rights for DB RREEF Trust and other entities	140.00	7.00	7.00	9,164.00	1.5%
May-04	ICA Property Group	28.00	6.20	6.20	405.00	6.9%
Apr-04	Westfield Holdings Limited, Westfield Trust and Westfield	6,127.50	28.20	32.80	32,000.00	19.1%
	Mean	943.11	10.76	11.29	6,547.13	9.2%
	Median	131.97	7.75	8.00	1,550.00	8.4%

Source: Independent Experts Reports, ASX Press Releases

Note: Consideration= Acquisition Price or Independent Experts Value

In relation to the above transactions we note the following points:

- the EBITDA multiples are based on the Independent Experts selection of multiples used in their valuations. Note the James Fielding Holdings Limited multiple was an EBITA multiple however as the depreciation is relatively small in that business we have taken the EBITA multiple as an approximate for the EBITDA multiple.
- the Westfield Holdings EBITDA multiple is a historical multiple.
- we have placed less reliance on the Westfield Holdings and Macquarie Goodman Management multiples as they are considerably larger than APGFM with strong brands, demonstrated track records and growth profile.
- subsequent to a listing on the Australian Stock Exchange the value of the Charter Hall Group rose materially, therefore the implied multiple may be understated and less reliance may be placed on this.

On 22 June 2007, APGL acquired the former Elderslie Property Funds Management group ('EPFM') for \$32.5 million (\$31.8 million including acquisition costs and net of settlement adjustments).

The implied transaction multiples and metrics are as follows.

Table 7.4. Elderslie Transaction

Date	Consideration (\$ Million)	EBITDA Transaction Multiples		AUM (\$ Million)	Implied Percentage of AUM
		FY07*	FY08**		
Jun-07	31.8	7.4	6.6	468.0	6.8%

Source: The Fund

* The FY07 EBITDA multiple has been calculated based on the forecast FY07 EBTIDA as at transaction date

** The FY08 EBITDA multiple has been calculated based on the forecast FY08 EBTIDA as at transaction date

Section 7 - Valuation of APGFM

Given this transaction is relatively recent (being only four months old at the date of this Report) and the comparative nature of the business acquired, it provides a good benchmark for the valuation of APGFM.

We note that if we treated the exit fee as a surplus asset which proxied for a performance fee (as we are for APGFM), this would result in a reduction of the FY07 and FY08 forecast EBITDAs of \$1.4 million and \$0.4 million respectively and a reduction of the enterprise value by \$12.2 million. Exit fees in the former Elderslie property funds management business are linked to value growth so do proxy for a performance fee. The resultant transaction multiples are as follows:

Table 7.5. Adjusted Elderslie Transaction

Date	Consideration (\$ Million)	EBITDA Transaction Multiples		AUM (\$ Million)	Implied Percentage of AUM
		FY07*	FY08**		
Jun-07	19.6	6.8	4.4	468.0	4.2%

Source: The Fund Financial Statements

* The FY07 EBITDA multiple has been calculated based on the forecast FY07 EBITDA as at transaction date

** The FY08 EBITDA multiple has been calculated based on the forecast FY08 EBITDA as at transaction date

While the Elderslie multiples adjusted for removal of the performance fee component are instructive, we expect the equivalent multiples for APGFM would be at a premium to this, reflecting the more attractive performance fee arrangements that APGFM has in place.

7.2.3. Calculation of Value

We have assessed the value of the property funds management business of \$19.3 million to \$22.3 million. The result of our assessed value is summarised in the table below:

Table 7.6. Value of Property Funds Management

\$ in thousands	Reference	Low	Mid	High
Adjusted FME FY08 EBITDA	Sec. 7.2.1, Table 7.1	2,974	2,974	2,974
EBITDA Multiple	Sec. 7.2.2	6.5	7.0	7.5
Value for Property Funds Management		19,333	20,820	22,307

Source: PwCS

7.3. Value of the Performance Fee

7.3.1. Details of the Performance Fee

Under the terms of the Stapling and Asset Management Deed, APGFM receives performance fees if the IRR of the Fund exceeds certain hurdles. The performance fee is calculated as:

- if the Fund's IRR exceeds 15% and is less than 20%, the performance fee is equal to 50% of the amount by which the IRR is over 15%.
- if the Fund's IRR exceeds 20%, the performance fee is equal to 75% of the amount by which the IRR is over 20%.

Section 7 - Valuation of APGFM

The performance fee is only payable on certain events, these being:

- each time that an Interim Distribution is paid (an Interim Distribution being a distribution other than a quarterly distribution);
- on termination of the asset manager (being APGFM); or
- on the execution of a contract to sell a project of the Fund.

To date there have been no events which crystallise the payment of a performance fee and so technically no performance fee is currently payable. However there have been significant valuation gains in the Fund and if an event were to occur which crystallises the payment of a performance fee, the fee quantum is likely to be significant.

Given an event crystallising payment of a performance fee could occur at anytime, it is appropriate to recognise the value of the performance fee that would currently be payable to APGFM if a crystallising event were to occur. This is consistent with the concept of a willing but not anxious buyer, willing but not anxious seller definition of value where a willing but not anxious seller of APGFM is unlikely to be willing to sell APGFM for a value which did not recognise the value of performance fee earned to date.

7.3.2. Value of the Performance Fee

In estimating the value of the performance fees we have recognised the performance fee payable is likely to be taxed within APGFM and so have recognised the likely tax liability that would result on payment of the performance fee.

The Stapling and Asset Management Deed provides key principles but is not explicit on the calculation of the IRR. The methodology we have adopted is as follows:

- Model cash flows on a monthly basis since the inception of the Fund in December 2004. The cash flows include:
 - Equity raised by the Fund, including equity issued as part of the acquisition of BTT,
 - Distributions made quarterly to investors,
 - As a terminal value, the value of the net assets of the Fund, at their market values.

The performance fee is calculated as the relevant percentage (e.g. 50% or 75%) of the adjustment required to the terminal value to generate the relevant IRR (either 15% or 20%).

The methodology we have adopted is consistent with the methodology adopted to calculate the performance fee liability in the 30 June 2007 audited accounts.

For investment properties we have adopted the market values provided by Savills (Qld) Pty Ltd (Savills Qld) for the Comalco Place and Melbourne Street properties and the acquisition prices for the Westpac Concord and ANZ Collins Street properties. This is consistent with the requirements of the Stapling and Asset Management Deed. We have adopted a point estimate for the value of performance fee rather than a range as this reflects the estimated value of the performance fee under the terms of the Stapling and Asset Management Deed. This also reflects the likelihood that if the performance fee was crystallised it would be by the sale of a single asset or interim distribution, not the sale or wind up of the whole Fund.

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Our valuation of the performance fee is as follows:

Table 7.7. Value of the performance fee

\$ in thousands	Mid
Performance Fee	52,799
Tax	(15,840)
Net Performance Fee	36,959

Source: PwCS

The value of the Performance Fee is largely driven by increases in the value of the Fund's investment properties. For example, Comalco Place was valued at \$184 million in June 2006 and is now valued at \$290 million, an increase of 58% or \$106 million in sixteen months.

Our calculated IRR of the Fund since December 2004 is 42.4%.

There may be some circumstances where a discount could be applied to the value of the performance fee in recognition that receipt of it is dependent on particular events occurring. This could be the case for example where the IRR of the Fund is only just over the 15% or 20% thresholds and waiting for a crystallising event to occur may risk the IRR falling below the relevant thresholds. However, in this instance, the IRR significantly exceeds the 20% threshold. We estimate that even if there were no further increases in asset values, it would be 2.3 years before the IRR of the Fund fell below 20%. Therefore it appears there is a reasonable prospect that APGFM would receive a significant performance fee at some point in the future and so we have not discounted the value of the performance fee. Of course, if asset values were to continue to rise at current rates the performance fee would continue to grow in value.

In this regard, we note that at least some commentators expect the Brisbane office property sector to continue to outperform the broader property market in the short-term, although at more modest levels than the sector has experienced over recent years. Queensland's economic strength, driven predominantly by the commodities boom, is expected to continue and deliver strong demand in the office sector. Although levels of demand for office space are expected to be maintained in Brisbane, a slight improvement in supply levels is expected as current developments are completed.

Net additions for the 2007 and 2008 years will contribute approximately 100,000m² of office space, however a large percentage of this space is pre-committed⁵. As such the supply side of the sector, although improving, remains relatively tight in the short-term. These conditions potentially support further rental growth. IBISWorld predicts that Brisbane vacancy rates should increase to approximately 5% in 2008, from levels of 2.3% in July 2006 and 1.7% in January 2007⁶ (a record low) for the Brisbane market.

In addition to the large number of projects already under construction, a significant amount of office space (approximately 500,000 sq m) will be underway from 2008 onwards. This increase in supply should see an equilibrium reached in the Brisbane office supply demand equation and result in vacancy rates of 5-6%⁶ over the medium term.

⁵ CB Richard Ellis Brisbane Office Market View 1st Qtr 2007

⁶ Savills Brisbane CBD Market Overview September 2007

7.4. Summary Value of APGFM

Our assessed value of APGFM is \$56.3 million to \$59.3 million and is summarised in the table below:

Table 7.8. Value of APGFM

\$ in thousands	Reference	Low	Mid	High
Property Funds Management	Sec. 7.2.3, Table 7.6	19,333	20,820	22,307
Net Performance Fee	Sec. 7.3.2, Table 7.7	36,959	36,959	36,959
Equity Value		56,292	57,780	59,267
Number of Shares on Issue	Sec. 5.2	1,000	1,000	1,000
Value Per Share		56.3	57.8	59.3

Source: PwCS, APGFM Financial Statements

Under the Share Sale Deed there is a working capital adjustment required for any excess or shortfall over the net assets required to maintain the AFSL. The amount of the adjustment is retained by APGFM, therefore there is no surplus working capital being acquired.

7.5. Cross Check

To cross check our valuation, we have also considered our assessed value as a percentage of AUM and have compared this percentage to those implied by the listed property fund managers and other fund managers. A detailed list is provided in Appendix E.

Our valuation range implies a percentage of AUM (approximately \$400 million) between 13.5% and 14.2% and between 4.6% and 5.4% excluding the value of the performance fees. These percentages are considered reasonable given the lower range excludes any existing performance fee value and the higher range reflects the value of the significant performance fee.

8. Valuation of the Fund

8.1. Approach

We have adopted a 'sum of the parts' approach to the valuation of the Fund, the approaches adopted for each component of the Fund business being:

Table 8.1. Valuation Approaches

Business Component	Approach
Investment Properties	Net Assets
Property Funds Management	Capitalisation of Earnings
Property Development	Discounted Cash Flow
Other Assets and Liabilities	Net Assets

Source: PwCS, APGFM Financial Statements

In the case of the Investment Properties we recognise the market value of these properties and then separately recognise the performance fee that would be payable to APGFM based on current asset values within the Fund.

The property valuations that underpin the Net Assets value of the Investment Properties use the Discounted Cash Flow (DCF) and Capitalisation of Earnings (Earnings) approaches to form the basis of the property values. Therefore both the DCF and Earnings approaches have indirectly been applied in the valuation of these properties.

This initial approach, which is a "sum of the parts" approach based on existing values, provides a base value upon which to evaluate the Fund.

We have estimated the value of a Stapled Security on a control basis as this allows us to consider whether a control premium, is being received on the issue of Stapled Securities.

We have also considered what the potential value may be for the Fund if the APGFM Acquisition is approved and management is internalised.

8.1.1. Proforma Balance Sheet

We present the proforma balance sheet for the Fund based on the balance sheet as at 30 June 2007 and amended for known events since that date:

- The revaluations of Comalco Place and Melbourne Street
- The purchase of Westpac Concord and ANZ Collins Street
- The payment of the September 2007 quarterly distribution
- Accrual of additional performance fee based on the 19 October 2007 revaluations of Comalco Place and Melbourne Street

We have also presented the balance sheet assuming that the Capital Raising takes place at its maximum amount.

Section 8 - Valuation of the Fund

Within the proforma balance sheet we note that the acquisitions of Westpac Concord and ANZ Collins Street are stated at their acquisition costs plus stamp duty and transaction costs. This reflects an assumption that when accounts are prepared for the Fund the value of these properties will have increased by the value of the transaction costs. However, as we are providing a value of the Fund at the present date we will be using their valuations excluding stamp duty and transaction costs.

Table 8.2. Profoma Balance Sheet Adjustments of the Fund

\$ in thousands	Audited 30 June 2007	Adjustments	Proforma 30 Sept 2007	Placement	Proforma (with Placement) 30 Sept 2007
Cash and cash equivalents	52,056	(47,346)	4,711	30,187	34,898
Trade and other receivables	1,568	-	1,568	-	1,568
Inventory	6,561	-	6,561	-	6,561
Other	255	-	255	-	255
Total Current Assets	60,440	(47,346)	13,095	30,187	43,282
Trade and other receivables	13,495	-	13,495	-	13,495
Inventory	11,599	-	11,599	-	11,599
Property investment held directly	296,300	127,250	423,550	-	423,550
Plant & Equipment	16	-	16	-	16
Interest rate swap	1,109	41	1,150	-	1,150
Investments in subsidiaries	-	-	-	-	-
Other assets	12,168	-	12,168	-	12,168
Goodwill	15,553	-	15,553	-	15,553
Deferred tax asset	1,942	-	1,942	-	1,942
Total Non-current Assets	352,183	127,291	479,474	-	479,474
Total Assets	412,624	79,945	492,569	30,187	522,756
Trade and other payables	7,871	-	7,871	-	7,871
Borrowings and interest bearing loans	12,539	-	12,539	-	12,539
Provisions	111	-	111	-	111
Total Current Liabilities	20,520	-	20,520	-	20,520
Trade and other payables	39,354	14,860	54,214	-	54,214
Borrowings and interest bearing loans	149,771	54,750	204,521	-	204,521
Provisions	112	-	112	-	112
Other	2,415	-	2,415	-	2,415
Total Non-current Liabilities	191,651	69,610	261,261	-	261,261
Total Liabilities	212,172	69,610	281,782	-	281,782
Net Assets Attributable to Members of the Fund	200,452	10,335	210,787	30,187	240,975
Contributed Equity	169,166	-	169,166	30,187	199,353
Hedging reserve	434	-	434	-	434
Retained Earnings	30,843	(3,546)	27,297	-	27,297
Profit/(Loss) Current Year	-	13,881	13,881	-	13,881
Total attributable to the security holders of The Fund	200,442	10,335	210,778	30,187	240,965
Minority interests	10	-	10	-	10
TOTAL MEMBER'S INTERESTS	200,452	10,335	210,787	30,187	240,975
Units on issue('000)	167,707	-	167,707	25,156	192,863

Source: PwCS, the Fund Management

8.2. Value of the Fund

8.2.1. Investment Properties

The Fund is the owner of four investment properties. Two of these, being:

- 7 King Street, Concord, West Sydney (Westpac Concord); and
- 287-371 Collins Street, Melbourne (ANZ Collins Street)

were acquired in recent months, with both settling in October 2007. Both properties were acquired from vendors acting at arms length and in each case independent valuations were obtained by the Fund as part of the acquisition process. The independent valuations supported the acquisition prices paid. The valuations prepared have been provided to us for review.

We have adopted the recent acquisition values for these properties recognising that the acquisitions settled in October 2007, were at arms length and were supported by independent property valuations.

The other two properties are Comalco Place and Melbourne Street. Both of these buildings are office buildings. Savills (Qld) have provided independent valuations of both of these buildings. Summaries of their valuations are attached at Appendix G.

Savills (Qld) have had regard to approaches including capitalisation of earnings, direct sales comparisons and DCF. We consider that such methodologies are appropriate for real estate within the asset classes as outlined above.

We have reviewed and relied upon the Savills (Qld) valuations for the purpose of our valuation of APGF. Based on our review of the scope and methodologies adopted in the Savills valuations we did not identify any issues that would lead us to conclude that the valuations do not provide reasonable estimates of the fair market values of the properties.

A summary of the values adopted for the investment properties is in Table 8.3 below.

Table 8.3. Value of Investment Properties

\$ in thousands	Reference	Value	Valuation Basis
Melbourne Street	Sec. 8.2.1, Table 8.4	35,000	Savills (Qld) Valuation
Comalco Place	Sec. 8.2.1, Table 8.4	290,000	Savills (Qld) Valuation
Westpac Concord	Sec. 8.2.1, Table 8.4	60,750	Acquisition Price
ANZ Collins Street	Sec. 8.2.1, Table 8.4	30,500	Acquisition Price
Total Value of Investment Properties		416,250	

Source: Independent valuation reports

The investment properties owned by the Fund have been valued by independent third party valuers. These valuations were prepared using a DCF methodology cross checked to prior transactions. A summary of the main metrics within the DCF are as follows:

Section 8 - Valuation of the Fund

Table 8.4. Summary of valuations

	Comalco Place	Melbourne Street	Westpac Concord	ANZ Collins Street
Value (\$)	290,000,000	35,000,000	60,750,000	30,500,000
Capitalisation rate	6.00%	6.75%	6.75%	5.50%
Terminal yield	6.50%	7.00%	7.25%	5.75%
Discount rate	8.25%	8.50%	8.00%	8.00%
Passing Initial yield	4.22%	5.51%	6.00%	4.69%
Equated market yield	6.12%	6.73%	7.00%	5.88%
IRR	8.23%	8.49%	6.92%	7.71%
Valuation date	19-Oct-07	19-Oct-07	04-Jul-07	04-Sep-07

Source: Independent valuation reports

We note the following points with respect to the valuations:

Comalco Place

The property is a 37 level commercial office tower, with two basement levels of car parking, ground floor foyer with retail tenancy and 32 levels of office accommodation. The building is classified as an 'A' grade building under Property Council guidelines.

This is an update of a valuation that was prepared as at 30 June 2007. We note that the last valuation was at 30 June 2007 at \$263m and the recent 19 October 2007 update valuation states a value of \$290m. This represents a value uplift of 10% in 3 months.

Comparison of the original valuation and the latest assessment shows that the capitalisation rate, terminal yield and discount rate have all been tightened by 25 basis points to 6.00%, 6.50% and 8.25% respectively.

We understand the Fund has received unsolicited market interest at levels above the value ascribed to the property of \$290 million. We have confirmed the valuer is aware of this interest, and taken account of this in reaching their view of market value. We understand no offers have been received that could be described as binding or unconditional offers.

Melbourne Street

The building is a modern, five level, commercial building of brick construction completed in 2004. It is located in South Brisbane which is a city fringe locality and offers ground floor retail space as well as ground floor parking.

The Savills (Qld) Valuation is an update of a valuation that was provided as at 30 June 2007. We note that the update valuation for 19 October 2007 (\$35m) shows an increased valuation amount compared to the last valuation at 30 June 2007 (\$33.3m). This represents a value uplift of 5% (\$1.7m) in 3 months.

Section 8 - Valuation of the Fund

Comparison of the original valuation and the latest assessment shows that the capitalisation rate, terminal yield and discount rate have all compressed in since 30 June 2007. The terminal yield and discount rate in the DCF have been reduced 50 basis points to 7.00% and 8.50% respectively. The capitalisation rate has tightened from 7.00% to 6.75%.

Westpac Concord

Westpac Concord is a commercial/business park development comprising approximately 16,500 m² of office accommodation with onsite child care facilities, café, gymnasium and 485 car parking spaces. It has one of the largest floor plates in Sydney as its office component is all on a single level and was purpose built for Westpac Banking Corporation in 1997.

Concord is currently fully leased to Westpac Banking Corporation. The first lease commenced in 1997 for ten years with four options of five years following. Westpac have recently renewed the lease to 2012.

ANZ Collins Street

This is a classic sandstone building constructed for bank premises in 1940. With a net lettable area of approximately 5,280 m² the Art-Deco style building encompasses two basement floors, a large ground floor, a mezzanine level in addition to the nine upper floors.

The acquisition price reflects a capitalisation rate of 5.50%, which is within the market range suggested by sales evidence and reflects the fact that the property is occupied by a single blue chip tenant, being ANZ.

8.2.2. Valuation

Comparable NTA

We have provided a list of comparable listed property trusts and their respective NTA multiple (Price/NTA). We have then calculated estimated portfolio premiums, which is the quantum of the premium over net assets expressed as a premium on the investment property portfolio. Descriptions of these entities are provided in Appendix D, Table D3 of this Report.

Table 8.5. Summary of Listed Property Trust Metrics

Entity	Market Cap	30 Day VWAP	NTA per share	VWAP/NTA per share	Portfolio Premium
Listed Property Trusts					
DB RREEF Trust	6,098.7	2.05	1.95	1.06	4.6%
CFS Retail Property Trust	5,382.4	2.38	2.03	1.17	13.5%
Macquarie Office Trust	3,269.0	1.61	1.52	1.06	8.9%
ING Industrial Fund	3,103.6	2.81	2.57	1.09	7.9%
Macquarie CountryWide Trust	2,697.4	2.01	1.97	1.02	4.5%
Commonwealth Property Office Fund	2,530.8	1.62	1.47	1.14	5.1%
ING Office Fund	2,167.7	1.79	1.75	1.02	1.3%
Macquarie DDR Trust	1,092.1	1.20	1.20	1.00	-0.8%
Mirvac Real Estate Investment Trust	893.9	1.41	1.38	1.02	3.5%
Bunnings Warehouse Property Trust	705.4	2.34	1.23	1.90	3.2%
Carindale Property Trust	343.0	4.92	5.29	0.93	-6.5%
Average: Listed Property Trusts	2,571.3	2.19	2.03	1.13	4.1%
Median	2,530.8	2.01	1.75	1.06	4.5%

Source: Bloomberg, Financial Accounts

Section 8 - Valuation of the Fund

The following factors are likely to influence the implied NTA multiples and portfolio premiums/discounts in Table 8.5:

- the size of the trust and nature of properties and other investments held,
- the tax advantaged component attributable to distributions,
- the differing levels of gearing in each trust, and
- how recent the valuations are in each trust.

The trusts above are all listed and all have larger and more diversified property portfolios than the Fund. In addition, given the nature of the performance fee arrangements currently in place for the Fund and the generally internalised nature of management in listed trusts it is likely each of the listed trusts would be considered to have more attractive management arrangements in place than the Fund.

We are also estimating a control value for the Investment Properties, where the premiums in Table 8.5 represent premiums based on minority trading values. However as the properties themselves are valued assuming control of the properties, control premiums on investment properties generally do not tend to be significant, unless they are part of a large portfolio.

Based on the portfolio premiums/discounts set out in Table 8.5 and our comments above we consider an appropriate portfolio premium range will be below the median of 4.5% and so we have adopted a portfolio premium range of 0.0% to +3.0% to apply to the properties, this equates to a portfolio multiple of 1.00 to 1.03.

8.2.3. Assessment of Value of Investment Properties

By applying the portfolio multiple range of 1.00 to 1.03 times and subtracting the performance fee, we arrive at a value range of \$363.5 million to \$375.9 million for the investment properties.

Table 8.6. Value of Investment Properties

\$ in thousands	Reference	Low	Mid	High
Total Value of Investment Properties	Sec. 8.2.1, Table 8.3	416,250	416,250	416,250
Portfolio Multiple	Sec 8.2.2	1.000	1.015	1.030
Assessed NTA Value		416,250	422,493.8	428,737.5
Less				
Performance Fee	Sec. 7.3.2, Table 7.7	(52,799)	(52,799)	(52,799)
Total Value of Investment Properties		363,451	369,695	375,939

Source: PwCS, the Fund

8.3. Value of Property Funds Management Business

8.3.1. Approach

We have adopted a capitalisation of future maintainable EBITDA approach, as our primary valuation approach for the former Elderslie Property Funds Management business

The application of the capitalisation of EBITDA approach involves 3 key steps:

1. Estimate of future maintainable EBITDA,
2. Estimate of EBITDA multiple,
3. Calculation of value, including the value of any surplus assets or liabilities

We have cross checked this value to the value expressed as a percentage of AUM

8.3.2. Estimate of Future Maintainable EBITDA

We have estimated the future maintainable EBITDA to be \$5.2 million which is based on the FY08 forecast for the former Elderslie business.

Table 8.7. EBITDA for EPFM

\$ in thousands	Audited FY06	Audited FY07	Unaudited Sept 07	Forecast FY08
Total Revenue	7,262.5	4,329.9	3,098.2	9,246.0
Total Expenses	(4,026.9)	(1,890.9)	(56.6)	(4,054.0)
EBITDA	3,236	2,439	3,042	5,192
EBITDA Margin	44.6%	56.3%	98.2%	56.2%

Source: The Fund

Revenues fell in FY07 due to a number of reasons:

- a) Several activities not carrying forward into 2007 i.e. brokerage and underwriting,
- b) A suspension of the management fee for a trust to reflect what had been an over collection of fees prior to that point,
- c) A suspension of management fee for a trust to enable target distribution to be paid,
- d) The closure of one of the syndicates that was planned for May/June 2007 actually occurring in August 2007 thereby deferring the disposal fee,
- e) Three development projects were scheduled completion for April to June 2007 occurring after the end of FY07.

Points (d) and (e) above led to revenues of \$1.4 million and \$1.5 million being reflected in the FY08 year results rather than the FY07 results. This has meant that there is an increase in the forecast for FY08. While this does mean the FY08 results reflect some carryover from FY07, the continued growth of the funds and asset values is likely to result in the FY08 result being maintainable beyond FY08.

8.3.3. Estimate of EBITDA Multiple

We have estimated the EBITDA multiple to be within a range of 6.0 to 7.0 times. In selecting the earnings multiple range we have had regard to:

- share market prices of listed comparable companies;
- prices achieved in mergers and acquisitions of comparable companies; and
- we are estimating a control value for the former Elderslie business consistent with our approach to valuing the Stapled Securities of the Fund.

The former Elderslie business was only recently acquired and we note that there have been no material changes in the business since its acquisition. The multiples implied in the Elderslie acquisition appear reasonable given the size and nature of the business and so we have applied a similar multiple range to estimate the current value of the business.

8.3.4. Calculation of Value

Our assessed value of the Property Funds Management business is summarised in the table below.

Table 8.8. Value of the Property Funds Management Business

\$ in thousands	Reference	Low	Mid	High
FY08 Forecast EBITDA of Elderslie	Sec. 8.3.2, Table 8.7	5,192	5,192	5,192
EBITDA Multiple	Sec 8.3.3	6.0	6.5	7.0
Value of Property Funds Management		31,152	33,748	36,344

Source: PwCS, APGL Financial Statements

The Elderslie business was acquired in June 2007 for \$31.8 million. The mid point of our valuation is at a premium to the acquisition value reflecting a modest increase in expected earnings since the Elderslie acquisition.

8.4. APGL Property Development

The Fund has interests in three property developments, being Palm Beach in Queensland, and Springfield Meadows and Dolphin Point in Ulladulla on the NSW South Coast.

We have considered the value of each of these projects and the nature of the Fund's interests in them.

Palm Beach

The Fund advises that it has spent in excess of \$9.4 million excluding the cost of acquiring the land and development management fees on the project to date. The property was acquired for \$11.6 million in June 2005. This brings total costs incurred to approximately \$21 million.

The Development Approval required to complete the project has been obtained from Gold Coast City Council and buildings have been demolished to incorporate the development of Stage 1.

There have been pre-sales of residential apartments of 45 lots in the first 8 months of marketing.

Section 8 - Valuation of the Fund

Key cash flow assumptions include:

- Sale prices for residential apartments on average for Stage 1 of \$4,746 per square metre and Stage 2 of \$5,163 per square metre.
- Retail rental values of between \$450 and \$600 per square metre and capitalisation rates of 7.25%.
- Residential unit rate of sale of 5 apartments per month (see pre-sales comment above).
- Discount rate of 20% - pre-tax nominal.
- Margin on development cost assumption of 15%.

The residual land value from these assumptions is in the range of \$14 million to \$16 million. This represents approximately \$1,425 per square metre of site area. In light of costs already expended on acquisition, development approvals and pre-development consultants, this outcome appears reasonable. We have adopted a value of \$15 million. Our valuation is at a discount to the costs incurred to date on the project.

Springfield Estates and Dolphin Point

Both these developments are residential land subdivisions. Dolphin Point is a staged development of 162 residential allotments and three retail commercial sites. There are no development approvals in place, although an application has been made for the first stage of 137 residential allotments.

There are a series of put and call options which in economic terms result in the Fund acquiring the site for \$12 million. If certain specified subdivision approvals are achieved by March 2008 the development will be on sold to a third party for \$20 million. The Elderslie vendors would receive \$5 million, leaving a profit of \$3 million for the Fund. We have valued the development using a development model and a nominal pre tax discount rate of 25%, reflecting the regional market and development risk associated with obtaining development approvals. Based on our analysis we have valued Dolphin Point at \$11 million, which equates to approximately \$510,000 per hectare.

The Fund has currently advanced \$6.8 million to the Dolphin Point development. In a low case it could be required to acquire a development worth \$11 million for \$12 million and in a high case it could realise a \$3 million profit over and above the funds contributed to date. We have therefore adopted a value range from \$5.8 million to \$9.8 million, with a mid point of \$7.8 million.

Springfield Meadows is at Stage 2 of development. Stage 1 is largely complete. Stage 2 includes 47 residential allotments and has development approval. The Fund has advanced \$6.7 million to the Springfield Meadows development. Having reviewed the feasibility and valuation models for Springfield Meadows this amount appears to be recoverable, the development profit on Springfield Meadows is forecast to be less than \$1 million and therefore there is unlikely to be significant upside on this valuation. We have therefore valued the interest in this development at \$6.7 million to \$7.7 million with a mid point of \$7.2 million.

Section 8 - Valuation of the Fund

Calculation of Value

Our assessed value of the Property Development business is summarised in the table below.

Table 8.9. Value of APGL Property Development

\$ in thousands	Low	Mid	High
Palm Beach Development	14,000	15,000	16,000
Springfield Meadows Estates Development	6,700	7,200	7,700
Dolphin Point Development	5,800	7,800	9,800
Total Development	26,500	30,000	33,500
Less			
Palm Beach Development Liability	(2,415)	(2,450)	(2,650)
Value of APGL Property Development	24,085	27,550	30,850

Source: PwC, the Fund

The Fund has entered into a development agreement with a third party whereby in return for providing funding up to \$3 million the third party receives a development fee equal to 20% of the profits of the project or a proportionate share based on project equity contributed. At 30 June 2007 the third party had contributed \$2.415 million. The value estimated above is estimated as the funds contributed to date plus 20% of the amount by which the estimated value of the Palm Beach Development exceeds the costs incurred to date.

8.5. Other Assets and Liabilities

We have separately analysed the level of net debt (interest bearing liabilities less cash) within the proforma balance sheet of the Fund. We have analysed this as a surplus liability of the Fund and deducted it from the overall value of the Fund.

As part of its financing arrangements, the Fund has hedged two of its loans. At present these hedges are 'in the money' in that the hedging rate is lower than the loan rate. The value of this hedging has been calculated by the providers of the hedge and this has been treated as a surplus asset of the business.

We have also excluded from our estimate of net debt the cash effectively required to be maintained as part of the requirements of the former Elderslie business maintaining its AFS licence. We have included the interest that may be earned on this cash in the operating income of the former Elderslie business.

Section 8 - Valuation of the Fund

Table 8.10. Value of Other Assets and Liabilities

\$ in thousands	Reference	Proforma 30 Sept 2007
Cash and Cash Equivalents	Sec 8.1.1, Table 8.2	4,711
Interest Bearing Liabilities	Sec 8.1.1, Table 8.2	(217,060)
Net Debt		(212,349)
Interest Rate Swaps	Sec 8.1.1, Table 8.2	1,150
Cash Required for Funds Management	(Note 1)	(4,400)
Total Other Assets and Liabilities		(215,599)

Source: PwCS

Note: (1) represents the cash (and cash equivalents) on hand in the former Elderslie Business less the cash required to meet the AFSL working capital requirements

8.6. Summary Value of the Fund

Based on the values derived in Section 8 the value of the Fund, based on an aggregation of the values of businesses segments is within a range of \$203.1 million to \$227.5 million which equates to \$1.21 to \$1.36 per Stapled Security.

Table 8.11 Summarises the value of the Fund:

Table 8.11. Value of the Fund

\$ in thousands	Reference	Low	Mid	High
Investment Properties	Sec. 8.2.3, Table 8.6	363,451	369,695	375,939
Property Funds Management	Sec 8.3.4, Table 8.8	31,152	33,748	36,344
Property Development	Sec 8.4, Table 8.9	24,085	27,550	30,850
Other Assets and Liabilities	Sec 8.5, Table 8.10	(215,599)	(215,599)	(215,599)
Total Value		203,089	215,393	227,533
Less				
Minority interests	Sec 8.1.1, Table 8.2	(10)	(10)	(10)
Total Equity Value		203,079	215,384	227,523
Stapled Securities on Issue ('000)	Sec 6.4	167,707	167,707	167,707
Implied Value per Stapled Security (\$)		1.21	1.28	1.36

Source: PwCS

Minority interests relate to the 0.01% of BTT that APGT does not own.

9. Comparison of the value of consideration received for the issue of Stapled Securities

The Fund is issuing Stapled Securities in return for the shares in APGFM. In addition to the Stapled Securities to be issued the Fund will pay \$10 million cash for APGFM. We have presented our comparison of the value of the consideration received to the value of Stapled Securities issued in two alternative formats. In an economic sense both comparisons are the same.

Essentially we are considering two related questions, these being:

- Is the Fund receiving a fair value for the Stapled Securities being issued? We consider this comparison in Table 9.1 below.
- Is a fair price being paid for the acquisition of APGFM? We consider this comparison in Table 9.2 below.

The first comparison calculates the value of consideration for Stapled Securities issued as being the value of APGFM less the \$10 million cash paid. This value is then compared to the value of the Stapled Securities issued. This value is divided by the number of Stapled Securities to be issued.

The second comparison calculates the gross value of APGFM and compares that to the total value of consideration being paid by the Fund for APGFM

Table 9.1. Value of Consideration

\$ in thousands	Reference	Low	Mid	High
Value of APGFM	Sec. 7.4, Table 7.8	56,292	57,780	59,267
Less Cash Consideration	Sec. 2.1, Table 2.2	(10,000)	(10,000)	(10,000)
Consideration for Stapled Securities		46,292	47,780	49,267
Number of Stapled Securities to be Issued ('000)	Sec. 2.1, Table 2.2	33,333	33,333	33,333
Value of Consideration Per Stapled Security (\$)		1.39	1.43	1.48
Assessed Value per Stapled Security (\$)	Sec 8.6, Table 8.11	1.21	1.28	1.36
Premium received by the Fund Over Value of Stapled Security				
- Per Stapled Security (\$)		0.18	0.15	0.12
- %		14.9%	11.7%	8.8%

Source: PwCS

The value of consideration offered exceeds our assessed value of the Stapled Securities issued. We consider the APGFM acquisition is fair to non-associated Stapled Security Holders.

Based on our assessment it appears a premium of 8.8% to 14.9% is being received by the Fund over and above the assessed control value of a Stapled Security.

Section 9 - Comparison of the value of consideration received for the issue of Stapled Securities

We consider that this premium is reasonable considering that:

- Leyshon already holds 30.03% of the Stapled Securities and in moving to 41.63% will still sit below 50% of the Stapled Securities,
- Given the majority of the value of the Fund is property assets which have been recognised at their market value, the prospect of a significant control premium being applied is less than it might typically be in other industries.

Table 9.2. Comparison of Value

\$ in thousands	Reference	Low	Mid	High
Value of Assets to be Acquired				
APGFM	Sec. 7.4, Table 7.8	56,292	57,780	59,267
Value of Consideration to be Paid				
Cash	Sec. 2.1, Table 2.2	10,000	10,000	10,000
Stapled Securities	Note (1)	40,364	42,809	45,222
Total Consideration to be Paid		50,364	52,809	55,222
Excess Value of assets to be acquired over Consideration to be paid		5,929	4,970	4,044

Source: PwCS

Note: (1) represents 33.33 million Stapled Securities at \$1.21, \$1.28 and \$1.36 respectively.

Our assessed value of the assets acquired, being APGFM, exceeds the value of the consideration to be paid. We consider the acquisition price for APGFM is fair to the non-associated Stapled Security Holders.

Therefore in both cases the definition of fairness is satisfied.

The performance fee is both a significant asset of APGFM and a significant liability of the Fund. While we have adopted a point estimate for the performance fee, we have also considered whether adopting a range for the performance fee would impact on our opinion. If we were to adopt a range for the performance fee, our analysis indicates that at the low end of our value range, the value of the consideration to be received by the Fund would be equal to our assessed control value of a Stapled Security and at the high end of our range the value of consideration received by the Fund would be in excess of 30% above our assessed control value of a Stapled Security. This reflects the potentially significant increases in the value of APGFM as the value of the assets of the Fund increase. Therefore we are comfortable that if we were to adopt a range of values for the performance fee which reflected the range of values of the assets of the Fund, we would still conclude the APGFM Acquisition is fair and reasonable to non-associated Stapled Security Holders.

10. Impact on Stapled Security Holders

10.1 Factors considered

In considering the impact of approving the APGFM Acquisition on non-associated Stapled Security Holders we have considered:

- Potential impact on the value of a Stapled Security
- The strategic rationale for the APGFM Acquisition and the impact upon the Funds future growth and business risks.
- The impact of the APGFM Acquisition on non-associated Stapled Security Holders, including the impact on:
 - Financial metrics such as:
 - Earnings and distributions per Stapled Security
 - Net assets per Stapled Security
 - The tax advantaged components of distributions
 - The potential liquidity of Stapled Securities
 - Management arrangements
- Whether there is a premium or discount attaching to the value of the Fund Stapled Securities or APGFM shares
- Alternative transactions and whether there may be a preferred alternative, including maintaining a status quo position.

We have divided our consideration of these issues into:

- Impact on financial metrics; and
- Qualitative considerations

10.2 Potential impact on the value of a Stapled Security

We have considered the potential impact on the value of a Stapled Security if the APGFM Acquisition is approved. Our approach takes the current value of the Fund and adds back the performance fee liability that would be extinguished if the APGFM Acquisition is approved. The \$10 million cash component of the payment for APGFM is also adjusted for. The revised value is then divided by the increased Stapled Securities on issue. The same calculation is then performed assuming the capital raising proceeds.

Section 10 - Impact on Stapled Security Holders

Table 10.1. Value per Stapled Security Post APGFM Acquisition

\$ in thousands	Reference	Low	Mid	High
Equity Value				
Australian Property Growth Fund	Sec 8.6, Table 8.11	203,079	215,384	227,523
Performance Fee	Sec. 7.3.2, Table 7.7	52,799	52,799	52,799
Total Equity Value		255,878	268,183	280,322
Less				
Cash Consideration	Sec. 2.1, Table 2.2	(10,000)	(10,000)	(10,000)
Adjusted Equity Value post Approval of APGFM Acquisition		245,878	258,183	270,322
Stapled Securities Outstanding				
Original Number of Stapled Securities	Sec 6.4	167,707	167,707	167,707
New Stapled Securities Issued	Sec. 2.1, Table 2.2	33,333	33,333	33,333
Total Stapled Securities post Approval of APGFM Acquisition		201,040	201,040	201,040
Value Per Stapled Security post Approval of APGFM Acquisition (\$)		1.22	1.28	1.34

Source: PwCS

A comparison of the pre and post values is summarised in Table 10.2 below:

Table 10.2: Comparison of value pre and post APGFM Acquisition

\$ in thousands	Reference	Low	Mid	High
Value of Security (\$)				
The Fund - Pre Transaction	Sec 8.6, Table 8.11	1.21	1.28	1.36
The Fund - Post Transaction	Sec. 10.2, Table 10.1	1.22	1.28	1.34
Increase/(decrease) in Value of a Stapled Security (\$)		0.01	-	(0.02)
Increase/(decrease) in Value of a Stapled Security (%)		0.8%	0.0%	-1.5%

Our assessment of the potential value of a Stapled Security if the APGFM Acquisition is approved indicates the value of a Stapled Security is likely to be maintained by the APGFM Acquisition.

As the valuation of the Fund is based on pre tax values this does not recognise that the removal of the performance fee liability also removes a potential tax benefit to Stapled Security Holders. The value of such a benefit would depend on the individual circumstances of a Stapled Security Holder and so is difficult to quantify. It is likely it would be some time before such tax benefit was received as if the performance fee was crystallised on the sale of an asset, it is most likely the proceeds from the asset sale would be reinvested into new assets rather than distributed.

In addition, our assessment does not explicitly recognise any benefit that may come from the internalisation of management and removal of the existing performance fee arrangements.

Therefore on balance we consider the pre and post APGFM Acquisition comparison above a reasonable one.

Section 10 - Impact on Stapled Security Holders

The calculation indicates that the value of a Stapled Security (at the midpoint) is maintained at \$1.28 if APGFM Acquisition is approved with no Capital Raising and falls back to \$1.27 if the Capital Raising is approved (see Table 10.4 below).

Although our analysis suggests there may be some dilution resulting from the Capital Raising, this does not recognise any benefit from the reduced gearing in the Fund and enhanced ability to make new acquisitions and generate growth in the future. The dilution is at least in part driven by our analysis being prepared on a control basis and the Stapled Securities issued under the Capital Raising being issued at a minority value, which is appropriate. In our view the difference between our mid-point control value of \$1.28 and the proposed Capital Raising price is reasonable. The value of the Fund is largely made up of property assets and in that situation control premiums and minority discounts can be expected to be modest.

Table 10.3. Value per Stapled Security post APGFM Acquisition and Capital Raising

\$ in thousands	Reference	Low	Mid	High
Adjusted Equity Value post Approval of APGFM Acquisition	Sec. 10.2, Table 10.1	245,878	258,183	270,322
Add				
Cash Raised in Capital Raising	Sec 8.1.1, Table 8.2	30,187	30,187	30,187
Adjusted Equity Value post Approval of APGFM Acquisition and Capital Raising		276,065	288,370	300,510
Shares Outstanding				
Total Stapled Securities post Approval of APGFM Acquisition	Sec. 10.2, Table 10.1	201,040	201,040	201,040
New Stapled Securities Issued from Capital Raising	Sec 8.1.1, Table 8.2	25,156	25,156	25,156
Total Stapled Securities post Approval of APGFM Acquisition and Capital Raising		226,197	226,197	226,197
Value Per Security Post Transaction and Capital Raising (\$)		1.22	1.27	1.33

Source: PwCS

10.3 Impact on Financial Metrics

Our assessment of the impact of the APGFM acquisition on financial metrics has given consideration to the impact on:

- Earnings per Stapled Security
- Distribution per Stapled Security
- Net assets per Stapled Security
- Gearing (Net Debt to Total Assets)

Section 10 - Impact on Stapled Security Holders

In calculating earnings per Stapled Security we have adopted net profit after tax as our definition of earnings. The base metrics for earnings are based on a Management forecast for FY08 which includes revaluations for the Melbourne Street and Comalco Place to their 19 October 2007 valuations. The balance sheet metrics are based on the balance sheet for 30 June 2007 updated to include the June revaluation of the Melbourne Street and Comalco Place properties to their 19 October 2007 values, the inclusion of the Westpac Concord and ANZ Collins Street properties at their acquisition price and the September 2007 distribution. We have assumed:

- There are no further asset revaluations after 30 September 2007 other than revaluation of Westpac Concord and ANZ Collins Street properties to values equivalent to their purchase price plus transaction costs thus off setting any write off of transaction costs. No further property acquisitions are assumed
- If the APGFM Acquisition is approved there will be a saving of \$3.5 million in management fees, assuming the savings were in place for a full year,
- Costs of \$3.1 million will be incurred as management costs, assuming the management costs are incurred for a full year,
- If the capital raising proceeds the funds will be used to reduce debt and an interest saving of \$2.1 million will result, assuming the capital raising had taken place at the beginning of the year.

The comparison of each metric under the scenarios where the APGFM Acquisition is not approved, the APGFM Acquisition is approved with no Capital Raising and the APGFM Acquisition is approved with Capital Raising is summarised in Table 10.4 below.

Table 10.4. Key Financial Metrics

	APGFM Acquisition Not Approved & No Capital Raising	APGFM Acquisition Approved & No Capital Raising	APGFM Acquisition Approved & Capital Raising
Assessed Value Per Stapled Security (\$)	1.28	1.28	1.27
Distributions per Stapled Security (cents)	8.48	8.48	9.60
FY08 Earnings per Stapled Security (cents)	9.22	8.65	8.42
Payout Ratio	92%	98%	114%
FY08 Earnings per Stapled Security Excluding Revaluations (cents)	0.97	0.81	0.72
Net Assets per Stapled Security (\$)	1.26	1.26	1.26
Gearing (Net Debt/Total Assets)	43%	46%	37%

Source: PwCS

Section 10 - Impact on Stapled Security Holders

10.3.1 Earnings and Distributions

The Fund has indicated an intention to increase distributions per Stapled Security to 9.60 cents per Stapled Security if the Capital Raising proceeds and maintain them at 8.48 cents if it does not. We are also advised the tax deferred component of the distributions would remain at 100% for the foreseeable future regardless of whether the APGFM Acquisition is approved.

However, the analysis in Table 10.4 indicates the earnings per Stapled Security will fall from 9.22 cents to 8.65 cents if the APGFM Acquisition is approved and 8.42 cents if the APGFM Acquisition is approved and the Capital Raising proceeds. Therefore to maintain the distributions the Fund will effectively be paying distributions out of previous asset revaluations and therefore borrowings.

To some extent the dilution in earnings for Stapled Security Holders is mitigated by the fact the exposure to returns over a IRR of 15% are increased significantly, a point which is considered further in this section. Nevertheless, we consider the dilution in earnings per Stapled Security a disadvantage for non-associated Stapled Security Holders.

10.3.2 Net Assets per Stapled Security

The APGFM Acquisition would result in Net Assets per Stapled Security being maintained at \$1.26. This reflects the removal of the significant performance fee liability from the Funds balance sheet if the APGFM Acquisition proceeds, offset by the increase in Stapled Securities as a result of the APGFM Acquisition. Therefore, the net effect of the increase in net assets per Stapled Security is neutral.

10.3.3 Gearing

The gearing of the Fund increases from 43% to 46% if the APGFM Acquisition is approved. It reduces to 37% if the Capital Raising is completed. The increase in gearing results in some increase in financial risk and reduced capacity to make future acquisitions. However the resulting gearing level is still below 50% and not unreasonable and so for this reason, we do not consider the increase in gearing to be either an advantage or disadvantage.

10.4 Other Qualitative Considerations

We have had regard to a range of qualitative issues in considering whether the APGFM Acquisition is fair and reasonable to Stapled Security Holders. Specifically we have considered:

- The strategic rationale for the APGFM Acquisition and the impact upon the Fund's future growth and business risks
- Management arrangements
- Potential liquidity of Stapled Securities
- Alternative transactions and whether there may be a preferred alternative, including maintaining a status quo position.

Section 10 - Impact on Stapled Security Holders

10.4.1 Strategic Rationale for the APGFM Acquisition and the impact on future growth and Business Risks

Strategic Rationale

The strategic rationale provided by Directors in support of the APGFM Acquisition is essentially that

- a) it will remove the potential for conflicts of interest as the Fund continues to grow and will align the interests of Stapled Security Holder with the Directors and the Fund's executives. The Fund will no longer be exposed to performance fees increasing as a result of growth in the value of the Fund's assets.
- b) It will result in an internalised management structure which has become the generally accepted model used in the property funds management industry, particularly with ASX listed entities.
- c) It will give the Fund the opportunity to improve income and returns to Stapled Security Holders through the establishment of specialised managed funds which may be set up under the management of APGFM.

In relation to points a) and b) above there is no doubt that there has been a trend, particularly for large listed property trusts, to move to an internalised management model. Alignment of interests is often cited as a key driver of this trend. There is no reason in this case why the same reasoning does not apply, particularly as the Fund is starting to achieve some scale.

In relation to point c), while the APGFM Acquisition may provide the Fund the opportunity to establish specialised managed funds, it is arguable that the Fund may have acquired this capability directly through the acquisition of EPFM. Although it does appear to some extent the skills of APGFM and EPFM are complementary EPFM has focussed on creating syndicates of modest size aimed at smaller investors. The focus of APGFM has been on larger assets and larger investors.

Participation in Future Growth and Business Risks

The structure of APGFM's performance fees result in 50% of the amount by which the Funds IRR exceeds 15%, up to 20%, being paid to APGFM and 75% of the amount by which the performance fee exceeds an IRR of 20% being paid to APGFM.

As a result of this fee structure the participation in the future growth of the Fund by Stapled Security Holders is effectively limited to 25% of additional growth once growth has exceeded a 20% IRR. The actual IRR of the Fund to date is significantly above 20% so it is likely, at least in the medium term, that a significant portion of future growth will effectively accrue to APGFM rather than the Fund. On our calculations, if it is assumed that further distributions from APGF remain at 8.48 cents per Stapled Security and the value of APGF grew at 3% per annum it would still be 3 years before the IRR of APGF fell below 20%.

If the APGFM Acquisition is approved, while Stapled Security Holders will effectively be paying for the performance fees earned to date by APGFM, the Fund will retain the benefit of all of the growth going forward. This benefit will be, at least to some extent, offset by the fact the existing Stapled Security Holders, as a group, share of net growth will be diluted by virtue of issuing new Stapled Securities representing approximately 17% of the Stapled Securities to be on issue.

If the APGFM Acquisition is approved there is unlikely to be a significant impact on the business risks faced by the Fund. There is no apparent increase in the business risk of the Fund, other than the risk that in approving the APGFM Acquisition, Stapled Security Holders may effectively 'pay' the APGFM performance fee at or near the top of the investment cycle.

Section 10 - Impact on Stapled Security Holders

There is some positive impact on the financial risk of the Fund as the APGFM Acquisition allows for the satisfaction of the performance fee (or at least a large portion of it) by issuing equity. If the performance fee was crystallised in some other way, it may have to be paid in cash, which could significantly impact on the gearing of the Fund. This could impact on the ability of the Fund to grow going forward.

10.4.2 Management Arrangements

We have considered the impact on Management arrangements in the context of:

- (a) Alignment of Management objectives; and
- (b) Other Management Issues

Alignment of Management Objectives

The majority shareholder in APGFM, Leyshon, also has a significant interest in APGF of (30.03%) and the total APGFM fees are currently heavily weighted towards performance fees. Hence there is arguably already a relatively strong alignment of interests between APGFM as manager and APGF.

Currently there is only one independent director of APGL and none of the directors of APGFM are considered independent in that all are either shareholders or employees of APGFM or Leyshon. APGFM does have a Compliance Committee made up of independent parties to monitor and ensure its compliance with the law, which ensures the obligations under the AFSL are met. However there is potential for conflicts of interest to arise under the current structure particularly where the performance fee payable is so material and events which may crystallise payment, such as the sale of an asset, are within the control of the Manager.

Hence, by internalising management there is a complete alignment of both the short and long term interests of APGFM and APGF.

Other Management Issues

In one sense it may be argued that the Stapled Security Holders are paying APGFM the capital value of the management fees paid by the Fund to APGFM and that this is inequitable to Stapled Security Holders as they could alternatively vote to remove APGFM as Manager. Arguably, the Fund may not need to replace APGFM as it now has property and fund management expertise it has acquired with EPFM.

However at a practical level the removal of APGFM as Manager would crystallise the payment of the performance fee based on current asset values as well as a payment of 2% of the market value of the projects of the Fund, which we estimate would result in a payment of \$8m to \$9m on top of the performance fee. This would represent a total payment of approximately \$60 million which is more than the value of the Stapled Securities we estimate are being issued under the APGFM Acquisition and cash being paid. Therefore we don't consider the option of removing APGFM as Manager represents a preferred alternative for Stapled Security Holders.

There are precedents for large property groups with established Management capabilities to acquire established property portfolios.

Section 10 - Impact on Stapled Security Holders

These acquisitions can be at a premium to net asset value reflecting a portfolio premium and potential synergies from rolling a portfolio into an existing structure. However in this case an acquirer would still have to pay the performance fee and a fee equal to 2% of the projects of the Fund to remove APGFM as Manager. Given the acquirer would reflect that obligation in their purchase price it is unlikely such an alternative would provide additional value to Stapled Security Holders. In addition, given Leyshon currently holds 30.03% of the Fund it is unlikely such an offer will emerge. However, there is expected to be approximately 4 weeks between the announcement of the APGFM acquisition and the shareholders meeting to vote, which should provide a potential acquirer of the Fund time to prepare an acquisition proposal for Stapled Security Holders to consider.

10.4.3 The Potential Liquidity of Stapled Securities

Currently Stapled Securities are listed on the BSX, however there is extremely limited liquidity in the stock with only 2,000 Stapled Securities being exchanged in the last year.

The APGFM Acquisition will result in a greater concentration of Stapled Security Holders with the top 20 Stapled Security Holders holding 80.53% of the Stapled Securities if the APGFM Acquisition is approved, compared to 76.7% if it is not approved. The single largest Stapled Security Holder, Leyshon will increase its interest from 30.03% to 41.63% or 37.0% if the Capital Raising proceeds. While ordinarily this may serve to reduce liquidity, as the trading in Stapled Securities is virtually non-existent, liquidity can not really be reduced any further.

If the APGFM Acquisition is approved this may enhance the prospect of an ASX listing in the medium term. An ASX listing combined with an equity raising that dilutes existing large shareholdings does have some prospect of improving liquidity for Stapled Security Holders although we note that unless the capital raising was significant it is likely APGF would be considered a small fund by ASX standards and this could limit the level of liquidity achieved.

In summary, the APGFM Acquisition is likely to have little or no implications for the liquidity of APGF Stapled Securities in the short term. There is some prospect of enhanced liquidity in the medium term to the extent the APGFM acquisition enhances the potential for an ASX listing.

We acknowledge that APGF has not been promoted on the basis it would list on the ASX so it may be that some Stapled Security Holders do not place significant value on liquidity, however enhanced liquidity of an investment will generally enhance the value of an investment so the majority of investors are likely to consider the prospect of enhanced liquidity as a positive impact.

10.5 Alternative Transactions and whether there is a Preferred Alternative

We have not identified any alternative transactions to the APGFM Acquisition which are likely to deliver greater value to Stapled Security Holders. While an alternative offer could emerge to acquire APGFM, it is likely such an offer would require the support of Leyshon to be successful. Given Leyshon already holds 30.03% of the Fund this support is likely to be required currently and so we do not think approval of the APGFM Acquisition materially impacts on the potential for a takeover offer to be successful.

Maintaining the status quo could provide greater value to Stapled Security Holders under certain scenarios as the level of performance fee payable may vary as the IRR changes over time. For example, only modest growth in asset values over time could result in a reduction in the performance fee payable because the IRR could reduce. We have set out in Table 10.5 below examples of the impact on net asset value under a range of asset growth scenarios over a 12 month period to 31 October 2008. We have compared values in the case where the APGFM Acquisition is not approved, where the APGFM Acquisition is approved and there is no Capital Raising and finally where the APGFM Acquisition is approved and the Capital Raising takes place and is fully subscribed.

Section 10 - Impact on Stapled Security Holders

Table 10.5 Impact of asset value growth on Net assets per Stapled Security

Gross Asset Value Growth Over 12 months	APGFM Acquisition Not Approved & No Capital Raising	APGFM Acquisition Approved & No Capital Raising	APGFM Acquisition Approved & Capital Raising
0.0%	1.31	1.21	1.19
5.0%	1.34	1.28	1.26
10.0%	1.37	1.38	1.34
15.0%	1.39	1.46	1.42

Source: PwCS

The analysis demonstrates that if asset value growth is less than 10% for the next 12 months, Stapled Securities may have a higher net asset value if the APGFM Acquisition is not approved. Of course, if asset value growth is more than 10%, the net asset value may be lower if the APGFM Acquisition is not approved. We are not in a position to forecast future investment returns and stress the analysis is only for 12 months. In addition, the analysis is based on net asset values and does not explicitly consider any other impact on value that may result from still having the performance fee arrangements in place.

In considering whether it may be to their advantage to maintain the status quo on the basis that there may be a better time to acquire APGFM when the performance fee liability has reduced, Stapled Security Holders need to have regard to:

- (a) From a Stapled Security Holders perspective, the optimum time to acquire APGFM will always be dependant on future outcomes that cannot be predicted with certainty so Stapled Security Holders would still be faced with the same uncertainty over optimum timing if faced with this decision in 12 months time and any other time in the future,
- (b) Stapled Security Holders may not easily control the timing of a future APGFM Acquisition as they would have to have the cooperation of APGFM or would need to terminate the Management Arrangements by calling a meeting of Stapled Security Holders and voting on a resolution to remove the Manager. Removal of the Manager still requires payment of the performance fee arising at the time as well as payment of 2% of the value of the AUM.
- (c) Even if Stapled Security Holders do not approve the APGFM Acquisition, the performance fee could become payable. For example, APGFM, as Manager, may accept an offer for one of the Trusts assets. Acceptance of such an offer could be in the best interests of the Fund and could result in payment of the performance fee. We note that there is significant demand for office assets currently and we are advised the Fund regularly receive "expressions of interest" from parties wishing to purchase assets of the Trust. However we also understand the Fund does not have any current intention to dispose of any of its assets. Alternatively, an interim distribution could be declared as long as it was in the best interests of the Stapled Security Holders to make a distribution.

11. Opinion

Conclusion

We have concluded that, subject to a superior proposal emerging, the APGFM Acquisition is fair and reasonable to non-associated Stapled Security Holders.

Our conclusion reflects our views that the advantages and disadvantages of the APGFM Acquisition are:

Advantages

- APGFM is being acquired for a value which, on balance and based on current values, is fair to non-associated Stapled Security Holders, which in turn indicates the consideration being paid for Stapled Securities is fair,
- There will be a more complete alignment of interests between APGFM, as Manager, and the Fund. This in turn should make the Fund structure more appropriate for an ASX listing which can improve liquidity in Stapled Securities at some point in the future,
- By removing the current performance fee arrangements Stapled Security Holders will benefit from all of future returns that are at an IRR over 15%. The Fund will no longer be exposed to performance fees increasing as a result of growth in the value of the Fund's assets,
- The performance fee can be funded by equity rather than cash which could be required if the performance fee was crystallised in some other way.

Disadvantages

- If the value of the Fund assets does not grow or grows only modestly in the medium term the future net asset value of Stapled Securities may be higher if the APGFM Acquisition is not approved. This is by virtue of the fact the performance fee payable would decline as the IRR declines.
- The earnings per Stapled Security could be reduced, reflecting the fact the value of APGFM is largely driven by the value of the performance fee 'earned' rather than an ongoing income stream,
- Leyshon would further increase its interest in the Fund, diluting the interest of non-associated Stapled Security Holders in the Fund.

In our opinion, the advantages of the APGFM Acquisition outweigh the disadvantages. In reaching this view we had regard to the view that in the long run it is likely to be in the best interest of Stapled Security Holders to remove the current performance fee arrangements. Whilst it is not possible to definitely determine the optimum time to internalise the Manager (and thereby crystallise the performance fee), even if non-associated Stapled Security Holders held the view that now is not the optimum time to crystallise the performance fee, they cannot easily control the timing of this in the future. In addition, even if the APGFM Acquisition was not approved, there are other events which could still result in the performance fee becoming payable.

Our opinion is not dependent on the Capital Raising proceeding. That is, in our opinion the APGFM Acquisition is fair and reasonable to non-associated Stapled Security Holders regardless of whether the Capital Raising proceeds.

Appendix A – Financial Services Guide

PricewaterhouseCoopers Securities Ltd

This Financial Services Guide is dated 16 November 2007.

About Us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (PwCS) has been engaged by the APGL and APGFM as Responsible Entity for the Fund to provide a report in the form of an Independent Expert's Report (the Report) in relation to the APGFM Acquisition for inclusion in this Explanatory Memorandum.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwCS generally, the financial services we are licensed to provide, the remuneration PwCS may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

Financial Services We are Licensed to Provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

General Financial Product Advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, Commissions and Other Benefits We May Receive

PwCS charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwCS to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. For the preparation of this Report our fees are approximately \$125,000 excluding GST.

Directors, authorised representatives or employees of PwCS, PricewaterhouseCoopers (PwC), or other associated entities, may receive partnership distributions, salary or wages from PwC.

Associations with Issuers of Financial Products

PwCS and its authorised representatives, partners, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC may be the auditor of, or PwCS may provide financial advisory services to, the issuer of a financial product in the ordinary course of its business.

Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service (FICS), and external complaints resolution service. You will not be charged for using the FICS service.

Contact Details

PwCS can be contacted by sending a letter to the following address:

Mr Andrew Wellington
Authorised Representative
PricewaterhouseCoopers Securities Ltd
GPO Box 150
BRISBANE QLD 4001

Appendix B - Sources of Information

In preparing this Report we have had access to and relied upon the following major sources of information:

- APGFM Annual Reports (audited) for the two years ended 30 June 2007
- APGFM Management accounts Reports for the 3 Months ended 30 September 2007
- APGL Annual Reports (audited) for the two years ended 30 June 2007
- APGL Management accounts Reports for the 3 Months ended 30 September 2007
- APGT Annual Reports (audited) for the two years ended 30 June 2007
- APGT Management accounts Reports for the 3 Months ended 30 September 2007
- Accounts for the year ended 30 June 2007 for the former Elderslie property management businesses
- Management forecasts for APGF and APGFM for the year ending 30 June 2008
- Analysis of the shareholdings of APGFM and APGF as at 5 October 2007
- Valuations of Comalco Place and Melbourne Street as at 30 June 2007 and updated to 19 October 2007 prepared by Savills
- Valuation of Collins Street prepared by Charter Keck Cramer on 12 September 2007
- Valuation of Concord West prepared by DTZ on 4 July 2007
- Details of the interest swaps as at 30 September 2007 prepared by Suncorp-Metway
- Stapling and Asset Management Deed
- Constitution of APGL
- Trust Deed of APGT
- Details of the purchase of the APGFM shares of Mr Collins and Mr O'Reilly
- Details of the NTA calculation within APGFM for the AFSL working capital requirements
- Calculation of the IRR and exit fee for APGFM at 19 October 2007
- Calculation of the exit fee for the former Elderslie property management business
- Details of the loans within the Fund as at 30 September 2007
- Accounts for the former Elderslie property funds management businesses for the year ended 30 June 2007
- Other publicly available information including media releases and BSX announcements

We have also had the benefit of discussions with the independent director of APGL and senior management of the Fund.

Appendix C - Qualifications, Disclaimers and Consents

Qualifications

PricewaterhouseCoopers Securities Ltd is a member of PricewaterhouseCoopers, a large international firm of Chartered Accountants which has had extensive experience in providing corporate financial advice and in the preparation of Independent Expert Reports. PricewaterhouseCoopers Securities Ltd is a licensed Dealer (No 11203) under the Corporations Act. Mr Andrew Wellington is a Chartered Accountant and a Senior Fellow of the Financial Services Institute of Australasia. He holds a Bachelor of Commerce (Honours) and a Masters of Accounting. He has 16 years experience with PricewaterhouseCoopers. He is also a partner of PricewaterhouseCoopers, and is an authorised representative of PricewaterhouseCoopers Securities Ltd. Mr Paul Lindstrom is a member of The Institute of Chartered Accountants in Australia and holds the degree of (Bachelor of Business). He has been a partner of PricewaterhouseCoopers for 11 years and is an authorised representative of PricewaterhouseCoopers Securities Ltd. Messrs Wellington and Lindstrom have been assisted by Mr Peter Power (Assoc. Dip. Val. AAPI). Mr Power is an authorised representative of PricewaterhouseCoopers Securities Ltd and is a registered and qualified property valuer.

Declarations

Neither PricewaterhouseCoopers Securities Ltd nor PricewaterhouseCoopers has any interest in the outcome of the APGFM Acquisition. PricewaterhouseCoopers Securities Ltd is entitled to receive a fee of approximately \$125,000 for the preparation of this Report based on time spent at our normal hourly rates for this type of work and will be reimbursed for out of pocket expenses incurred. The fee payable to PricewaterhouseCoopers Securities Ltd is payable regardless of the outcome of the APGFM Acquisition. In addition, PricewaterhouseCoopers Securities Ltd has been indemnified by the Fund in relation to any claim arising from or in connection with its reliance on information provided by them. None of PricewaterhouseCoopers Securities Ltd, PricewaterhouseCoopers, Mr Wellington or Mr Lindstrom hold shares/units in APGFM or APGF and have not held any such beneficial interest in the previous two years. Drafts of this Report dated 26 and 30 October 2007 were presented to the Fund and APGFM and their respective advisors for review of factual information contained in the Reports. No significant changes were made to the Report as a result of those reviews.

Purpose of Report

This Report has been prepared at the request of APGL and APGFM as Responsible Entity for APGT for inclusion in the Explanatory Memorandum and the Notice of Extraordinary General Meeting (Explanatory Memorandum) and should not be used for any other purpose. In particular, it is not intended that this Report should serve any purpose other than an expression of our opinion on whether the APGFM Acquisition is fair and reasonable for the non-associated Stapled Security Holders. This Report has been prepared solely for the benefit of the non associated Stapled Security Holders. Neither the whole or any part of this Report nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement (other than the Explanatory Memorandum mentioned above) without the prior written consent of PricewaterhouseCoopers Securities Ltd to the form and context in which it appears.

Special note regarding forward-looking statements and forecast financial information

Certain statements in this Report may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of APGFM or the Fund, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- the future movements in property prices
- the future movements in interest rates and taxes including income tax, land tax and other taxes
- the impact of terrorism and other related acts on broader economic conditions
- changes in laws, regulations or governmental policies (or the interpretation of those laws, the regulations or policies) which may adversely impact upon the property industry in general or APGFM or the Fund in particular, and
- other factors referenced in this Report.

Disclaimer and Consents

PricewaterhouseCoopers Securities Ltd's sole involvement in the Explanatory Memorandum has been the preparation of this Report. Accordingly we take no responsibility for the content of the Explanatory Memorandum as a whole.

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the form and context in which it is included as an annexure to the Explanatory Memorandum to be sent to Stapled Security Holders

In preparing this Report, the Fund has indemnified PricewaterhouseCoopers Securities Ltd, PricewaterhouseCoopers and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by or on behalf of the Fund which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, the Fund has agreed that if it makes any claim against PricewaterhouseCoopers or PricewaterhouseCoopers Securities Ltd for loss as a result of a breach of our Contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned and is appropriate having regard to the respective responsibility for the loss, and the amount the Fund may recover from us will be reduced by the extent of its contribution to that loss.

Appendix D - Comparable Company Descriptions

D.1 Listed Property Fund Managers

Name	Description
APN Property Group Ltd	APN Property Group Limited is a fully integrated property company. The Company specializes in the management of property funds, including both direct property funds and property securities funds.
MacarthurCook Ltd	MacarthurCook Limited is a property and funds management company. The Company provides property investment management such as mortgages and investment funds. The property advisory services include provision of services to third parties in property acquisitions and divestments, equity underwriting, structured finance, property analysis, debt structuring and property development.
WRF Securities Ltd	WRF Securities Limited is a boutique funds manager that develops, markets and manages property investment products and investment funds along with managing agribusiness investment products.
RUN Corp Ltd	RUN Corp Limited provides residential property management services to property owners and tenants.

Source: Bloomberg

Appendix D - Comparable Company Descriptions

D.2 Listed Fund Managers

Name	Description
Australian Ethical Investment Ltd	Australian Ethical Investment Limited operates as a funds manager. The Company manages a portfolio of ethical investments that support society and the environment such as recycling, renewable energy, complementary healthcare, education and bio-diversity.
Australian Wealth Management Ltd	Australian Wealth Management, through its subsidiaries, provides wealth management services and advisory services. The Company's services include master trust, financial planning, brokerage, and investment research.
Challenger Financial Services Group Ltd	Challenger Financial Services Group Ltd provides investment services, advisory services, corporate financial services, retirement income products, mortgage financing, margin lending and property investment services.
Count Financial Ltd	Count Financial Limited provides financial planning services, investment reviews, personal insurance, superannuation, home and investment loans, business loans and leasing via its network of accounting franchises. Count also develops customized Internet sites for their clients, in addition to offering 'wealth-e-shares,' an online broking service.
DKN Financial Group Ltd	DKN Financial Group Limited provides integrated financial services and products in Australia. The Group offers financial management and advisory services, consulting and bureau services, share trading, funds management and insurance.
Equity Trustees Ltd	Equity Trustees Limited provides personal trust and financial services to customers in Australia. Services include will and estate planning, trustee for settlements, financial guardian, investment and property management and fund investments. Other services provided by the company include income tax services, short term share trading and mortgage loans and investments.

Source: Bloomberg

Appendix D - Comparable Company Descriptions

D.2 Listed Fund Managers (Continued)

Name	Description
IOOF Holdings Ltd	IOOF Holdings Limited is a financial services company operating in Australia. The services provided by the Company include personal superannuation, allocated pension services, employee superannuation retirement services and investment services.
Perpetual Ltd	Perpetual Limited is a financial services company that has two primary activities, wealth management services and corporate trust services. The Company provides funds management, responsible entity services, trustee services, executor services, financial planning, investment administration, superannuation, custody and registry services.
Allco Finance Group Ltd	Allco Finance Group Limited is a financial services group focusing on originating and structuring transactions, funding and managing assets and specialized managed fund vehicles. The Group also invests in co-arranges structured finance transactions. The Group's primary asset classes include aviation, shipping, rail, property, small ticket equity and financial assets.
Treasury Group Ltd	Treasury Group Limited is an Australian investment and funds management company. The Company is developing a wholesale funds management service.
Trust Co Ltd/Australia	Trust Company Limited is a corporate trustee for unit trusts, property trusts, debenture and note issues, executor and trustee under wills, trustee of discretionary and testamentary trusts, trustee of perpetual charitable trusts, agent or power of attorney to manage investment portfolios, financial and retirement planning, first mortgage lending and common fund investments.
WHK Group Ltd	WHK Group Limited is a financial service company. The Company's services include accounting, taxation, audit and assurance, estate planning, corporate and business advisory, wealth management, financial planning, superannuation advice, risk insurance and finance broking.
Hunter Hall International Ltd	Hunter Hall International Limited is an ethical fund manager whose investment policy restricts investment in companies involved in activities such as tobacco, armaments, gambling, destruction of the environment or cruelty to animals.

Source: Bloomberg

Appendix D - Comparable Company Descriptions

D.3 Listed Property Trusts

Name	Description
DB RREEF Trust	DB RREEF Trust is a property trust that manages and invests in a portfolio of diversified properties including office and industrial properties, retail shopping centers and car parks. The Trust's properties are located in Australia, New Zealand and the United States.
CFS Retail Property Trust	CFS Retail Property Trust is a property trust that invests in, manages, and develops a portfolio of retail assets throughout Australia. The Trust's portfolio comprises a variety of retail properties such as supermarkets, discount department stores, department stores, and specialty shops.
Macquarie Office Trust	Macquarie Office Trust is a property trust with a property portfolio consisting of office properties located throughout Australia and in the United States. The Trust invests in income-producing real estate used for commercial purposes.
ING Industrial Fund	ING Industrial Fund is a property trust which invests, leases and manages industrial distribution centers, office and warehouses in and around Melbourne, Sydney, Brisbane and Adelaide.
Macquarie CountryWide Trust	Macquarie CountryWide Trust owns a portfolio of approximately 117 supermarkets and shopping centers located in non-metropolitan areas throughout Australia, New Zealand and the United States. The centers' anchor stores include Coles, Woolworths and Franklins supermarkets.
Commonwealth Property Office Fund	Commonwealth Property Office Fund is a property trust that invests in, manages and develops a portfolio of office buildings and office parks located throughout in the Central Business District and suburban markets of Australia.
ING Office Fund	ING Office Fund is involved in property investment, leasing, management and development in Australia. The Fund's portfolio includes commercial properties and office buildings throughout the capital cities of Australia and certain cities in the United States.
Macquarie DDR Trust	Macquarie DDR Trust is a property trust that invests in and manages a portfolio of retail property assets located in the United States.
Mirvac Real Estate Investment Trust	Mirvac Real Estate Investment Trust is a property trust company operating a portfolio consisting of commercial buildings, factories, industrial buildings, office and retail complexes, hotels and shopping centers. The Trust also invests in fixed interest securities, mortgages, equities and other listed property trusts.
Bunnings Warehouse Property Trust	Bunnings Warehouse Property Trust has a portfolio of Bunnings Warehouse properties located throughout Australia. Bunnings Warehouse is a national hardware warehouse.
Carindale Property Trust	Carindale Property Trust is a development property trust which has an interest in the Westfield Shoppingtown Carindale. The Centre includes a department store-based shopping center, tavern and home and leisure center.

Source: Bloomberg

Appendix D - Comparable Company Descriptions

D.4 Target Entities

Name	Description
Cromwell Group	Cromwell Group is a property development company with interests in commercial and office properties in far North Queensland and Adelaide. The Company's other activities include project management, syndication and investment.
Abacus Property Group	Abacus Property Group is a diversified property investment group providing exposure to a portfolio of commercial, retail, and industrial properties. The Group also offers mortgage investments, development syndicates and property funds management services. Abacus Funds Management Limited is an investment management company.
Charter Hall Group	Charter Hall Group invests in and develops real estate. The Company manages real estate investment funds and develops commercial, residential, and industrial properties.
Macquarie Goodman Management Ltd	Macquarie Goodman Management Limited is an integrated property management and services company. The Company offers funds management, property development and management and investment services. The Company primarily deals with property management of industrial and office facilities.
James Fielding Group	James Fielding Group offers property advisory services and also provides the management of property trusts, property development, funds management and property investments.
DB RREEF Trust	DB RREEF Trust is a property trust that manages and invests in a portfolio of diversified properties including office and industrial properties, retail shopping centers and car parks. The Trust's properties are located in Australia, New Zealand and the United States.
ICA Property Group	ICA Property Group is a property development company based in Sydney, Australia.
Westfield Holdings Ltd	Westfield Holdings Limited develops, builds, leases and manages a portfolio of shopping centers located throughout Australia, the United States and New Zealand. The Company also provides funds management services along with property investment.

Source: Bloomberg

Appendix E - Comparable Multiples

E.1 Comparable Company Trading Multiples

Entity	Enterprise Value	EV/EBITDA			Assets Under Management	Enterprise Value/AUM
	(\$million)	Hist.	2008	2009	(\$billion)	
Listed Property Fund Managers						
APN Property Group Ltd	358.4	13.9x	12.8x	11.2x	4.8	7%
MacarthurCook Ltd	84.9	16.0x	13.5x	10.4x	1.5	6%
WRF Securities Ltd	21.4	nm	n/a	n/a	0.3	7%
RUN Corp Ltd	46.4	84.9x	2.6x	n/a	n/a	n/a
Average: Listed Property Fund Managers	127.8	38.3x	9.7x	10.8x	2.2	5%
Median	65.6	16.0x	12.8x	10.8x	1.5	7%
Max	358.4	84.9x	13.5x	11.2x	4.8	7%
Min	21.4	13.9x	2.6x	10.4x	0.3	6%
Listed Fund Managers						
Australian Ethical Investment Ltd	47.9	16.9x	n/a	n/a	0.6	9%
Australian Wealth Management Ltd	1,439.0	17.1x	12.5x	11.0x	60.3	2%
Challenger Financial Services Group Ltd	4,663.6	2.7x	14.0x	11.4x	52.8	9%
Count Financial Ltd	667.5	22.0x	16.3x	13.5x	7.4	9%
DKN Financial Group Ltd	143.2	27.8x	12.4x	8.9x	3.4	4%
Equity Trustees Ltd	243.3	20.5x	16.6x	13.5x	2.0	12%
IOOF Holdings Ltd	1,127.1	27.4x	21.8x	18.6x	36.6	3%
Perpetual Ltd	2,902.4	9.2x	11.7x	10.7x	39.1	7%
Allco Finance Group Ltd	8,373.1	15.9x	20.6x	16.8x	9.7	86%
Treasury Group Ltd	355.5	10.5x	8.1x	7.1x	15.2	2%
Trust Co Ltd/Australia	402.7	20.4x	16.5x	14.3x	3.8	11%
WHK Group Ltd	571.0	12.3x	10.2x	8.8x	8.5	7%
Hunter Hall International Ltd	421.3	14.3x	n/a	n/a	2.7	16%
Average: Listed Fund Managers	1,642.9	16.7x	14.6x	12.2x	18.6	14%
Median	571.0	16.9x	14.0x	11.4x	8.5	9%
Max	8,373.1	27.8x	21.8x	18.6x	60.3	86%
Min	47.9	2.7x	8.1x	7.1x	0.6	2%

Source: Bloomberg, Financial Accounts

n/a: Not Applicable

nm: Not Meaningful

Appendix E - Comparable Multiples

E.2 Comparable Transaction Multiples

Date	Transaction Description	Target Entity	Consideration (\$ Million)	EBITDA Transaction Multiples		AUM (\$ Million)	Implied Percentage of AUM
				Low	High		
Nov-06	Stapling of the Cromwell Diversified Property Trust with Cromwell Corp	Cromwell Corporation Limited	137.04	10.50	11.50	1,400.00	9.8%
Dec-05	Merger and stapling of Abacus Diversified Income	Abacus Funds Management Limited	126.90	8.50	9.00	1,015.00	12.5%
May-05	Acquisition of Charter hall Holdings s Pty Ltd (fund	Charter Hall Holdings	51.26	6.60	7.00	1,193.00	4.3%
Dec-04	Acquisition of Macquarie Goodman Management	Macquarie Goodman Management	870.50	13.10	13.90	5,500.00	15.8%
Nov-04	Acquisition of 100% of James Fielding Holdings by Mirvac	James Fielding Holdings Limited	63.70	6.00	7.00	1,700.00	3.7%
Aug-04	Acquisition of 50% by DB RREEF Trust	Management Rights for DB RREEF Trust and other entities	140.00	7.00	7.00	9,164.00	1.5%
May-04	Acquisition by Valad Property Group	ICA Property Group	28.00	6.20	6.20	405.00	6.9%
Apr-04	Merger of Westfield Holdings Limited, Westfield Trust and Westfield America Trust	Westfield Holdings Limited, Westfield Trust and Westfield America Trust	6,127.50	28.20	32.80	32,000.00	19.1%
Mean			943.11	10.76	11.29	6,547.13	9.2%
Median			131.97	7.75	8.00	1,550.00	8.4%

Source: Bloomberg, Financial Accounts

Appendix F - Glossary of Terms

Term	Definition
AFSL	Australian Financial Services Licence
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian International Financial Reporting Standards
Announcement Date	16 November 2007
ANZ Collins Street	Property located at 287 Collins Street, Melbourne
APGFM or Manager	APGF Management Ltd
APGFM Acquisition	The acquisition of APGFM by the Fund
APGL	Australian Property Growth Limited
APGT or Trust	Australian Property Growth Trust
ASIC	Australian Securities and Investment Commission
Associate	Has the meaning given in the Corporations Act
ASX	ASX Limited and the market it operates
AUD	Australian Dollar
AUM	Assets under Management
Business Value	Value of the business (includes debt and equity)
BSX	Bendigo Stock Exchange Limited and the market it operates
BTT	Blue Tower Trust
Capital Raising	The proposed placement of up to 25,156,068 Stapled Securities in accordance with section 708 of the Corporations Act
CEO	Chief Executive Officer
Comalco Place	Property located at 12 Creek Street, Brisbane
Corporations Act	The Corporations Act 2001 including the Corporations Regulations 2001
DCF	Discounted Cash Flow
DPS	Dividend per share
Earnings	Capitalisation of earnings
EBT	Earnings Before Tax
EBIT	Earnings Before Interest & Tax
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
Enterprise Value	Value of the business (includes debt and equity)
EPFM	The former Elderslie Property Funds Management business
EPS	Earnings per share
Extraordinary General Meeting	The meeting of Stapled Security Holders to be held on 20 December 2007, to consider the APGFM Acquisition and Capital Raising
Explanatory Memorandum	The explanatory memorandum for the Extraordinary General Meeting
FICS	Financial Industry Complaints Service
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FUM	Funds under Management
Fund or APGF	Australian Property Growth Fund (being APGT and APGL)
FY	Financial Year
Gearing	Net debt / Total assets
GDP	Gross Domestic Product
IER	Independent Expert's Report
Independent Expert	PricewaterhouseCoopers Securities Ltd (In relation to this Report)
Independent Expert's Report	The Report prepared by the Independent Expert set out in the Explanatory Memorandum

Appendix F - Glossary of Terms

Term	Definition
IRR	Internal rate of return
Leyshon	Leyshon Pty Ltd and its Associates
Market capitalisation	Value of shares outstanding multiplied by the current price per share
Melbourne Street	Property located at 99 Melbourne Street, Brisbane
Normalised	Adjusted earnings for abnormal or non recurring items
Notice of Meeting	The notice convening the Extraordinary General Meeting
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NTA	Net Tangible Assets
NTA multiple	Price/NTA
PBD	Palm Beach Developments Pty Ltd
Portfolio Value	The value of a share in a company without any control premium
Proposed Resolutions	The resolutions proposed to be approved at the Extraordinary General meeting
PwC	PricewaterhouseCoopers
PwCS	PricewaterhouseCoopers Securities Ltd
REIT	Real Estate Investment Trust
QST	Queen Street Trust
Report	The Independent Expert's Report in relation to whether the APGFM acquisition is fair and reasonable
Savills (Qld)	Savills (Qld) Pty Ltd
Share Sale Deed	The Share Sale Deed for the APGFM Acquisition between APGT, APGL, APGFM and the shareholders of APGFM
Shareholder	APGFM shareholders
Stapled Security Holders	The holders of Stapled Securities
Stapled Security	One share in APGL and one unit in APGT which are stapled together, registered in the name of one person or entity and which trade together as one
Stapling and Asset Management Deed	The Stapling and Asset Management Deed between APGL, APGFM as trustee of APGT, APGFM as trustee of APGT and APGFM to manage the projects of the Fund and the Stapling of the shares of APGL and the units of APGT
VWAP	Volume Weighted Average Price
Westpac Concord	Property located at 7 King Street, Concord West, Sydney

Appendix G – Property Valuation Reports