

Australian Property Growth Fund

**Interim Consolidated Financial Report
for the half year ended 31 December 2007**

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

Fund Information

This financial report covers Australian Property Growth Fund ('APGF' or 'Fund'), which comprises the stapled entities of Australian Property Growth Trust ('APGT') and Australian Property Growth Limited ('APGL'). Under AIFRS, APTG is the nominated parent entity of the stapled structure.

APGT has a 99.99% ownership interest in BTT.

APGL has a 100% ownership interest in:

- APGL (Palm Beach) Pty Ltd ('APB')
- APGF Administration Pty Ltd ('APGA')
- APGF Property Limited ('APL')
- Austgrowth Property Syndicates Limited ('APS')
- Austgrowth Investment Management Pty Ltd ('AIM')
- APGF Management Limited ('APGM')

APGM is the Trustee and Responsible Entity of APTG and BTT. The Fund's structure is described further in the Directors' Report.

Corporate Information for both APGM (the Trustee and Responsible Entity of APTG) and APGL is as follows:

Registered office and principal place of business is located at:

Level 1
295 Elizabeth Street (Cnr Creek Street)
Brisbane QLD 4000
Phone 61 7 3004 1222

Auditors

Ernst & Young
Level 5
Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Directors' Report

The Board of Directors of APGF Management Limited ('APGM') the Trustee and Responsible Entity of Australian Property Growth Trust ('APGT') and the Board of Directors of Australian Property Growth Limited ('APGL') present their financial report on the Fund consisting of APGT and APGL and their controlled entities for the half year ended 31 December 2007.

DIRECTORS

The names of the Directors in office at the date of this report of APGM as the Trustee and Responsible Entity for APGT and APGL respectively are provided below. Directors were in office for this entire period unless otherwise stated.

APGM as Trustee and Responsible Entity for APGT:

Neil Edwin Summerson (Non-executive Chairman)
Geoffrey Michael McMahon (Managing Director)
Adriano Julius Cagnolini (appointed 31 August 2007)
William Gerard Collins (resigned 31 August 2007)
Michael O'Reilly (resigned 31 August 2007)

APGL:

Neil Edwin Summerson (Non-executive Chairman)
Geoffrey Michael McMahon (Managing Director)
Robert Bryan
Scott Edward Bryan
Kenneth Ross Pickard
Sally Kathleen Smith (Alternate for Scott Edward Bryan)
William Gerard Collins (resigned 31 August 2007)
Michael O'Reilly (resigned 31 August 2007)

COMPANY SECRETARY

Adriano Julius Cagnolini has been the company secretary for both APGM and APGL since 16 March 2007.

FUND INFORMATION

Structure of Australian Property Growth Fund

The Fund was created by the stapling of units issued by APGT to shares issued by APGL on 21 December 2004. The stapled securities are treated as one security and are quoted and traded together on the Bendigo Stock Exchange ('BSX'). The stapled securities cannot be traded or dealt with separately.

APGT was created by a Trust Deed dated 14 May 2004, which was subsequently amended on 8 November 2004, 9 March 2005, 27 June 2005, 4 September 2006 and 13 February 2007. Units were issued under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by unitholders at an Extraordinary General Meeting held on 20 December 2007. On 19 September 2006 APGT acquired a 99.99% ownership interest in BTT.

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by shareholders at an Extraordinary General Meeting held on 20 December 2007. APGL (Palm Beach) Pty Limited ('APB') and APGF Administration Pty Ltd ('APGA') were incorporated as wholly owned subsidiaries of APGL on 21 March 2005 and 14 June 2007 respectively. On 22 June 2007, APGL acquired a 100% ownership interest in each of APGF Property Limited ('APL'), Austgrowth Property Syndicates Limited ('APS') and Austgrowth Investment Management Pty Ltd ('AIM'). On 31 December 2007 APGL acquired a 100% ownership interest in APGF Management Limited ('APGM').

Directors' Report (continued)

FUND INFORMATION (continued)

Structure of Australian Property Growth Fund (continued)

The two entities comprising the Fund remain separate legal entities in accordance with the Corporations Act 2001, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Regulations 2001.

The Fund's stapled security structure allows equity investors to derive income from passive property ownership (Comalco Place, Melbourne Street, Concord Campus, Collins Street and future projects) supplemented by profits from property funds management and property development (London Woolstore, Palm Beach and future projects).

The Fund is subject to a Stapling and Asset Management Deed dated 8 November 2004, whereby APGM in its own capacity is the Manager of the Fund and Asset Manager of the projects of the Fund.

Nature of Operations and Principal Activities

The Fund was established to invest in and develop a portfolio of quality property projects and businesses including:

- Comalco Place at 12 Creek Street, Brisbane, a 37 level commercial office building located in the heart of Brisbane's "golden triangle";
- 99 Melbourne Street, South Brisbane, a five level commercial office building located next to Brisbane's Exhibition and Convention Centre;
- 7 King Street Concord West Sydney, a commercial/business park development fully occupied by Westpac Bank, that includes approximately 16,500 m² of office accommodation and parking for 485 cars. The acquisition of this property was settled on 2 October 2007;
- 287-301 Collins Street, Melbourne, a 13 level Art-Deco style office building which is fully occupied by ANZ Bank. The acquisition of this property was settled on 4 October 2007;
- Property funds management business managing property trusts/syndicates containing properties encompassing commercial office, industrial and retail property sectors in Sydney, Melbourne, Brisbane, Perth, Canberra and Cairns;
- London Woolstore at Vernon Terrace, Teneriffe, Brisbane involving the conversion and refurbishment of three former woolstore buildings into 89 residential apartments, car parking, nine retail shops and commercial office space;
- Palm Beach Plaza, Gold Coast Highway, Palm Beach, Gold Coast. This site is to be developed into an approximate 5,000m² retail and commercial complex and approximately 194 residential apartments to be known as Pavilions on Fifth. The project is planned to be developed in two stages over 2007 – 2010; and
- Future projects which satisfy the Fund Managers' project selection criteria.

Review of Operations for the period

APGT's investment strategy is to acquire and hold a quality portfolio of properties that are supported by long term rental income.

On 21 December 2004 APTG commenced business with the acquisition of a brand new five level 6,200m² office building at 99 Melbourne Street, South Brisbane for \$24.5 million. The building has been fully tenanted since 1 December 2005.

On 19 September 2006 APTG acquired a 99.99% ownership interest in BTT, the owner of the 37 level 32,000m² commercial office building known as Comalco Place situated at 12 Creek Street, Brisbane. This building has been fully tenanted since 1 February 2006. BTT was acquired for \$73 million including acquisition costs which equated to the \$184 million valuation on the building at that time, less BTT's borrowings and working capital.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

In October 2007 APGT completed the acquisition of two commercial properties:

- the Westpac Campus at 7 King Street Concord for \$60.75 million. Located just 15 kilometres from the Sydney CBD, the commercial/business park development comprises approximately 16,500m² of office accommodation together with childcare facilities, café, gymnasium and 485 car parks and was purpose-built for Westpac Bank in 1997. Westpac is the sole tenant and is committed to the property until October 2012. The property is in excellent condition and has great potential for market repositioning.
- the Royal Bank Chambers building in Collins Street Melbourne for \$30.5 million. Built around 1940 the 13 level Art-Deco style sandstone building is situated in one of the most traditional Collins Street locations in Melbourne's CBD. The building is fully occupied by ANZ, but when it vacates the nine upper floors in late 2009, the property can be repositioned through refurbishment and re-leasing.

APGL was established to undertake property funds management and develop a portfolio of quality property development projects.

APGL's first project was the London Woolstore project at Vernon Terrace, Teneriffe, Brisbane. The London Woolstore Project involved the conversion and refurbishment of an early 1900's four storey former woolstore building into 89 residential apartments, car parking and nine ground level retail shops. Construction commenced in December 2004 and was completed in January 2006. In addition to the main Woolstore building, the site also included two smaller buildings (heritage listed) which were refurbished into warehouse style office accommodation and sold for \$5.7 million. As at 15 February 2008, all of the residential apartments and ground level retail shops had settled.

The Palm Beach Project property is situated on the corner of the Gold Coast Highway, Fourth Avenue and Fifth Avenue, Palm Beach, Gold Coast. The site comprises two lots totalling 9,819m² and currently operates as the Palm Beach Plaza Shopping Centre. The Palm Beach site is to be developed into an approximate 5,000m² retail and commercial complex and approximately 194 residential apartments to be known as Pavilions on Fifth. Development approval for this project was received on 28 August 2006. The design development phase has also now been completed. Preliminary construction works commenced in October 2007 and the project is planned to be developed in two stages over 2007 – 2010.

On 22 June 2007 APGL acquired a property funds management group ('EPFM') from Elderslie Finance Corporation Limited, comprising APL, APS and AIM, for \$31.8 million (including acquisition costs and net of settlement adjustments). The acquisition gives the Fund access to additional properties located in Sydney, Melbourne, Brisbane, Perth, Canberra and Cairns, encompassing commercial office, industrial and retail property. As at 15 February 2008, EPFM managed 33 properties contained in 21 property trusts or syndicates, with a total value of \$400 million. In addition to EPFM, APGL agreed to invest in two of Elderslie Property Investments Pty Ltd's property development projects in New South Wales. Both projects are quality residential land subdivisions.

On 31 December 2007 the Fund acquired a 100% interest in APGM, the Responsible Entity and trustee of APGT and BTT and the asset manager of the Fund's projects. The total cost of the acquisition was \$50.2 million and comprised the issue of \$40 million in APGF stapled securities (33,333,333 stapled securities issued at \$1.20 each), payment of \$10 million cash consideration (to be paid by 30 June 2008) and costs of \$0.2 million directly attributable to the acquisition.

On 28 December 2007 the Fund allotted 13,689,365 stapled securities at \$1.20 each, raising \$16.43 million. The funds have been allocated on the basis of \$1.10 per unit in APGT and \$0.10 per share in APGL.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Results

The net operating result of the Fund is presented in the Condensed Income Statement. The net profit attributable to the security holders for the half year ended 31 December 2007 was \$12,681,000 (2006: \$369,000). A summary of results for the period by significant industry segment is set out below.

(a) Property Investment

The net profit attributable to the security holders from the property investment operations for the half year ended 31 December 2007 was \$14,322,000 (2006: \$1,831,000). Reflected in this result are revaluation increments on investment properties of \$20,918,000 (2006: \$484,000) less a performance fee payable of \$8,006,000 (2006: Nil).

(b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders for the half year ended 31 December 2007 is \$3,086,000 (2006 \$1,462,000 loss). This loss resulted from pre-development costs on the Palm Beach Project that are required to be expensed until such time as the Directors resolve to proceed with construction.

(c) Property Funds Management

The net profit attributable to the security holders from the property funds management operations for the half year ended 31 December 2007 was \$1,447,000 (2006: \$Nil).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 22 February 2008 BTT borrowed an additional \$30,000,000 under the facility provided by SML in respect of the Comalco Place Property. The amount of this facility, which has been fully drawn, is \$149,600,000. The expiry date of this \$30,000,000 facility is 22 February 2013.

Except for the item disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent financial years.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 19.

This statement is made in accordance with a resolution of the Directors of APGM as Trustee and Responsible Entity for APGT and the Directors of APGL.

On behalf of the Board
APGF Management Limited as
Trustee and Responsible Entity for
Australian Property Growth Trust
ABN 50 090 257 480



G. McMahon
Managing Director
Brisbane, 22 February 2008

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



N. Summerson
Chairman
Brisbane, 22 February 2008

Condensed Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

		Consolidated	
	Note	2007 \$'000	2006 \$'000
Revenue			
Project delivery management fee income		6,764	17,205
Property funds management fee income		5,671	0
Rental income		11,405	5,857
Interest income		1,275	933
Other income		104	0
Total Revenue		25,219	23,995
Revaluation increment on investment properties		20,918	484
Total Revenue and Other Income		46,137	24,479
Less Expenses			
Air conditioning expenses		202	135
Audit fees		115	131
Borrowing expenses	4	7,614	3,147
Consultancy fees		261	281
Development costs expensed	4	11,656	19,290
Electricity		82	68
Impairment loss - goodwill		1,320	0
Insurance		107	65
Land tax		179	77
Leasing expenses		127	63
Lift expenses		174	94
Management fee expenses	4	9,100	410
Personnel expenses		800	0
Rates		397	207
Recoverable outgoings		597	365
Repairs and maintenance		179	92
Other expenses		680	313
Total Expenses		33,590	24,738
Profit/(loss) from operating activities before income tax		12,547	(259)
Income tax benefit		136	628
Net profit from operating activities after income tax		12,683	369
Profit attributable to minority interest		2	0
Profit after income tax attributable to security holders		12,681	369
Represented by:			
Earnings attributable to members of APGT		14,320	1,831
Loss attributable to members of APGL		(1,639)	(1,462)
		12,681	369
Earnings per stapled security (cents)			
- Basic earnings per stapled security		7.5	0.4
- Diluted earnings per stapled security		7.5	0.4
Tax Deferred Distributions per stapled security (cents)	5	4.5	4.2

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

Condensed Balance Sheet

AS AT 31 DECEMBER 2007

	Consolidated	
	31 December	30 June
Note	2007 (\$'000)	2007 (\$'000)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	28,328	52,056
Trade and other receivables	6,409	1,569
Inventory	710	6,561
Interest rate swap	797	0
Other	1,131	255
Total Current Assets	37,375	60,441
NON-CURRENT ASSETS		
Receivables	13,495	13,495
Inventory	11,606	11,599
Property investments held directly	7 416,250	296,300
Plant and equipment	542	17
Interest rate swap	513	1,109
Management fee assets	11,296	12,168
Deferred tax asset	3,879	1,942
Goodwill	15,553	15,553
Total Non-current Assets	473,134	352,183
TOTAL ASSETS	510,509	412,624
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	21,582	7,871
Borrowings and interest bearing loans	6 7,952	12,539
Income tax payable	2,847	0
Provisions	222	111
Total Current Liabilities	32,603	20,521
NON-CURRENT LIABILITIES		
Payables	757	39,353
Borrowings and interest bearing loans	6 213,156	149,771
Provisions	260	112
Other	3,128	2,415
Total Non-current Liabilities	217,301	191,651
TOTAL LIABILITIES	249,904	212,172
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF	260,605	200,452
REPRESENTED BY:		
Attributable to members of APGL		
Contributed equity	8 22,543	17,874
Accumulated losses	(5,728)	(4,089)
Total attributable to members of APGL	16,815	13,785
Attributable to unitholders of APGT		
Units on issue	8 202,648	151,291
Hedging reserve	635	434
Undistributed earnings	40,495	34,932
Total attributable to unitholders of APGT	243,778	186,657
Minority interests	12	10
TOTAL MEMBERS' INTERESTS	260,605	200,452

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

Condensed Statement of Changes in Security Holders' Interests

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED

	Securities Issued \$'000	Undistributed Income \$'000	Other Reserves \$'000	Minority Interests \$'000	Total \$'000
At 1 July 2006	30,426	3,804	0	0	34,230
Net gain from cash flow hedges	0	0	318	0	318
Total income and expense for the half year recognised directly in equity	0	0	318	0	318
Loss for the half year attributable to members of APGL	0	(1,462)	0	0	(1,462)
Earnings for the half year attributable to unitholders of APGT	0	1,831	0	0	1,831
Total income for the half year attributable to security holders	0	369	0	0	369
Initial recognition of minority interest on acquisition of BTT	0	0	0	5	5
Tax deferred distributions to security holders	0	(6,231)	0	0	(6,231)
Securities issued	119,026	0	0	0	119,026
Transaction costs	(1,514)	0	0	0	(1,514)
At 31 December 2006	147,938	(2,058)	318	5	146,203
At 1 July 2007	169,165	30,843	434	10	200,452
Net gain from cash flow hedges	0	0	201	0	201
Total income and expense for the half year recognised directly in equity	0	0	201	0	201
Loss for the half year attributable to members of APGL	0	(1,639)	0	0	(1,639)
Earnings for the half year attributable to unitholders of APGT	0	14,320	0	2	14,322
Total income for the half year attributable to security holders	0	12,681	0	2	12,683
Tax deferred distributions to security holders	0	(8,757)	0	0	(8,757)
Securities issued	56,428	0	0	0	56,428
Transaction costs	(402)	0	0	0	(402)
At 31 December 2007	225,191	34,767	635	12	260,605

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

Condensed Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated	
		2007	2006
		\$'000	\$'000
Cash flows from operating activities			
Receipt of project delivery management fees		7,526	17,397
Receipt of property funds management fees		2,006	0
Receipts from customers		12,549	8,830
Payments to suppliers & employees		(11,700)	(12,949)
Borrowing costs paid		(6,680)	(3,227)
Interest received		1,275	705
Net cash flows from/(used in) operating activities		4,976	10,756
Cash flows from investing activities			
Payments for property plant and equipment		(526)	0
Payments for investment property purchases		(98,166)	0
Payments for investment property additions		(775)	(77)
Payment of loans to other parties		(102)	0
Acquisition of subsidiary, net of cash acquired	11	2,698	(2,695)
Net cash flows used in investing activities		(96,871)	(2,772)
Cash flows from financing activities			
Proceeds from borrowings		63,350	0
Payment of costs of new borrowings		(254)	0
Repayment of borrowings		(4,762)	(6,494)
Proceeds from borrowings – related parties		565	319
Repayment of borrowings – related parties		0	(1,500)
Distributions paid to security holders		(7,121)	(3,779)
Proceeds from the issue of securities		16,428	49,619
Payment of security issue costs		(39)	(1,257)
Net cash flows from financing activities		68,167	36,908
Net increase/(decrease) in cash held		(23,728)	44,892
Cash and cash equivalents at beginning of the period		52,056	5,732
Cash and cash equivalents at end of the period		28,328	50,624

The above Condensed Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

Australian Property Growth Trust ('APGT' or 'the Trust') is an Australian registered trust. APGF Management Limited ('APGM'), the Trustee and Responsible Entity of the Trust, is incorporated and domiciled in Australia.

Australian Property Growth Limited ('APGL') is a company limited by shares incorporated and domiciled in Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed consolidated financial report for the half year ended 31 December 2007 has been prepared in accordance with the Trust's constitution, the requirements of the Corporations Act 2001 and *AASB 134 Interim Financial Reporting*. The half year consolidated financial report has also been prepared on the basis of historical costs, except for investment properties and derivative financial instruments which have been measured at fair value. The half year consolidated financial report is presented in Australian dollars. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Australian Property Growth Fund ('APGF' or 'the Fund') as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual financial report of the Fund for the year ended 30 June 2007 and considered together with any public announcements made by the Fund during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the BSX Listing Rules.

The half year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2007 except for the adoption of amending standards mandatory for annual reporting periods beginning on or after 1 July 2007 as described below and adoption of revenue recognition policies for the new property funds management businesses (refer note 2(c) below).

Since 1 July 2007 the Fund has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- *AASB 7 Financial Instruments: Disclosures*
- *AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*
- *Interpretation 8 Scope of AASB2 Share-based Payment*
- *Interpretation 9 Reassessment of Embedded Derivatives*
- *Interpretation 10 Interim Financial Reporting and Impairment*

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the consolidated group comprising APGT ('the parent entity') and its controlled entities as at the reporting date ('the Fund'). The consolidated financial statements have been drawn up in accordance with ASIC Class Order 05/642 relating to combining accounts under stapling, and for the purposes of fulfilling the requirements of the Bendigo Stock Exchange. Under AASB 3, APGT is considered to be the parent entity of APGL.

The acquisition of a 100% interest in APGF Management Limited ('APGM') on 31 December 2007 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly the consolidated financial statements include the results of APGM for the period from the acquisition date to 31 December 2007. As APGM was acquired on 31 December 2007, APGM has not contributed to the net result of the Fund for the period.

(c) Revenue Recognition

Following the acquisition of property funds management businesses in June 2007 and December 2007, the revenue recognition policy has been expanded to include revenue from property funds management fees. The revised policy is as follows:

Revenue from management fees is recognised as follows:

- Project delivery management fees in respect of development projects are recognised in accordance with the relevant Development Management Agreement for each project. This reflects the proportion of the project that has been settled.
- Property funds management fees (including performance fees) are recognised as services are performed in accordance with the relevant Property Management Agreement or Asset Management Agreement for each entity that is managed.

Where the fee is not yet due for settlement, but is calculated based on the fair value of underlying assets managed, the fair value of those underlying assets is determined based on management's assessment of the current valuation of the assets held by the respective syndicates and trusts, taking into account independent valuations of those assets or recent market transactions for assets with similar characteristics, and applying the relevant fee percentage as prescribed by each Asset Management Agreement. If more than one fee may apply under the Asset Management Agreement, the lower rate is used.

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

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

3. SEGMENT INFORMATION

The primary reporting format for the group is business segments.

Business Segments	Property Development \$'000	Property Funds Management \$'000	Property Investment \$'000	Total \$'000
31 December 2007				
Revenue				
Project delivery management fee income	6,764	0	0	6,764
Property funds management fee income	0	5,671	0	5,671
Rental income	235	0	11,170	11,405
Interest income	528	171	576	1,275
Revaluation increment on investment properties	0	0	20,918	20,918
Other income	0	104	0	104
Unallocated				0
Total Revenue and other income	7,527	5,946	32,664	46,137
Result				
Segment result before impairment and interest expense	(4,408)	4,825	20,775	21,192
Less: Impairment loss - goodwill	0	1,320	0	1,320
Less: Interest expense	0	872	6,453	7,325
Segment result before income tax expense	(4,408)	2,633	14,322	12,547
Income tax benefit/(expense)	1,322	(1,186)	0	136
Segment Net Profit/(loss)	(3,086)	1,447	14,322	12,683
31 December 2006				
Revenue				
Project delivery management fee income	17,205	0	0	17,205
Rental income	232	0	5,625	5,857
Interest income	49	0	884	933
Revaluation increment on investment properties	0	0	484	484
Total Revenue and other income	17,486	0	6,993	24,479
Result				
Segment result before interest expense	(2,040)	0	4,803	2,763
Less: Interest expense	50	0	2,972	3,022
Segment result after interest expense and before income tax expense	(2,090)	0	1,831	(259)
Income tax benefit	628	0	0	628
Net Profit/(loss)	(1,462)	0	1,831	369

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	2007	2006
	\$	\$
4. EXPENSES		
Depreciation of plant and equipment	4	0
Borrowing expenses		
Interest and finance charges paid or payable to:		
Related parties	0	19
Other parties	7,325	3,003
	7,325	3,022
Amortisation of borrowing costs	289	125
Total borrowing expenses	7,614	3,147
Management fee expenses		
Performance fee expense	8,006	0
Asset management fee expense	889	333
Property management fee expense	205	77
Total management fee expenses	9,100	410
Development costs expensed		
London Woolstore project	6,619	16,838
Palm Beach and other projects	5,037	2,452
Total development costs expensed	11,656	19,290
5. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED		
	2007	2006
	\$	\$
Distributions on stapled securities declared or paid during the half year totalling 4.54 cents (2006: 4.24 cents) per stapled security:		
(a) Tax deferred distributions paid during the half year	3,575	3,082
(b) Tax deferred distributions provided for during the half year	5,182	3,149
	8,757	6,231

No dividends were paid or proposed during the period (2006: Nil). The company had no franking credits at 31 December 2007 (2006: Nil).

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

6. BORROWINGS AND INTEREST-BEARING LOANS

During the half year, APGF had the following significant transactions involving borrowings and interest bearing loans:

- On 31 July 2007 APGL repaid a loan facility provided for the London Woolstore Project. The \$4,763,000 repayment reduced the outstanding balance of the facility from \$4,763,000 at 1 July 2007 to \$Nil.
- On 26 September 2007 BTT borrowed an additional \$4,600,000 under the facility provided by Suncorp Metway Limited ("SML") in respect of the Comalco Place Property. As at 31 December 2007 this \$119,600,000 facility was fully drawn. The expiry date of this facility is 31 December 2009.
- On 2 October 2007 APGT borrowed \$36,450,000 from SML to fund the acquisition of 7 King Street Concord. Security provided to SML is a First Registered Mortgage and a First Registered Fixed and Floating Charge over the 7 King Street Property. The facility, which is fully drawn, expires on 2 October 2012.
- On 4 October 2007 APGT borrowed \$18,300,000 from SML to fund the acquisition of 287-301 Collins Street Melbourne. Security provided to SML is a First Registered Mortgage and a First Registered Fixed and Floating Charge over the 287-301 Collins Street Property. The facility, which is fully drawn, expires on 4 October 2012.
- On 26 October 2007 APGT borrowed an additional \$4,000,000 under the facility provided by SML in respect of the Melbourne Street Property. The amount of this facility increased from \$16,069,000 to \$20,069,000. The facility, which is fully drawn, expires on 31 December 2009.

7. PROPERTY INVESTMENTS HELD DIRECTLY

Details of Property Valuations at 31 December 2007

Property Description	Date Acquired	Cost and additions to 31 December 2007 (\$'000)	Book value at 31 December 2007 (\$'000)	Latest Independent Valuation	
				Valuation* (\$'000)	Date of Valuation
Comalco Place, Brisbane	19/09/2006	188,918	290,000	290,000	19/10/2007
99 Melbourne Street, Brisbane	21/12/2004	28,180	35,000	35,000	19/10/2007
7 King Street, Concord, Sydney	02/10/2007	65,400	60,750	60,750	04/07/2007
287-301 Collins Street, Melbourne	04/10/2007	32,884	30,500	30,500	04/09/2007
Total		315,382	416,250	416,250	

* Valuations are based on:

- Comalco Place and Melbourne Street - fair values as assessed at 19 October 2007 by Savills (Qld) Pty Ltd using a fair market value approach between a willing buyer and seller.
- 7 King Street - fair value as assessed at 4 July 2007 by DTZ Australia (NSW) Pty Ltd using a fair market value approach between a willing buyer and seller.
- 287-301 Collins Street - fair value as assessed at 4 September 2007 by Charter Keck Cramer using a fair market value approach between a willing buyer and seller.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

8. ISSUED SECURITIES	Consolidated		Consolidated	
	31 December 2007 Number	31 December 2007 \$'000	30 June 2007 Number	30 June 2007 \$'000
Units issued in APGT (i)	214,729,822	202,648	167,707,124	151,291
Shares issued in APGL (ii)	214,729,822	22,543	167,707,124	17,874
		<u>225,191</u>		<u>169,165</u>
(i) Units carry one vote per unit and carry the right to distributions.				
(ii) Fully paid ordinary shares carry one vote per share and carry the right to dividends.				
<i>Movements in securities on issue</i>	Units in APGT		Shares in APGL	
	Number	\$'000	Number	\$'000
At 1 July 2006	35,000,000	13,208	35,000,000	17,218
Issued in exchange for issued units of BTT	65,533,623	69,407	65,533,623	0
Issued for cash under prospectus and product disclosure statement	67,173,501	70,532	67,173,501	672
Transaction costs on share issue	0	(1,856)	0	(16)
At 30 June 2007	167,707,124	151,291	167,707,124	17,874
Issued as part of consideration for APGM acquisition	33,333,333	36,667	33,333,333	3,333
Issued for cash by placement	13,689,365	15,058	13,689,365	1,370
Transaction costs on share issue	0	(368)	0	(34)
At 31 December 2007	214,729,822	202,648	214,729,822	22,543

On 28 December 2007, 13,689,365 stapled securities were issued at \$1.20 each to raise funds for APGF's existing and future projects. The value of the stapled securities issued have been allocated on the basis of \$1.10 per unit in APGT and \$0.10 per share in APGL.

On 31 December 2007, 33,333,333 stapled securities were issued at \$1.20 each as part of the consideration for APGL's acquisition of a 100% ownership interest in APGF Management Limited as approved by APGF investors at the Extraordinary General Meeting held on 20 December 2007. The value of the stapled securities issued have also been allocated on the basis of \$1.10 per unit in APGT and \$0.10 per share in APGL.

9. CAPITAL COMMITMENTS AND CONTINGENCIES

The only material changes to capital commitments, contingent liabilities or contingent assets disclosed in the most recent annual financial report are:

- bank guarantees have been provided by St George Bank Limited for \$187,000. These guarantees are secured by cash accounts held with that bank.
- capital commitments at 31 December 2007 for Comalco Place are \$834,000 (30 June 2007: \$389,000).

10. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 22 February 2008 BTT borrowed an additional \$30,000,000 under the facility provided by SML in respect of the Comalco Place Property. The amount of this facility, which has been fully drawn, is \$149,600,000. The expiry date of this \$30,000,000 facility is 22 February 2013.

Except for the item disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent financial years.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

11. ACQUISITION OF APMG

On 31 December 2007 the Fund acquired a 100% interest in APMG, an unlisted public company incorporated in Australia. The total cost of the acquisition was \$50,197,000 and comprised an issue of stapled securities (\$40,000,000), payment of cash consideration (\$10,000,000 - to be paid by 30 June 2008) and costs directly attributable to the acquisition. The Fund issued 33,333,333 stapled securities with a fair value of \$1.20 each on 31 December 2007.

This value was based on Directors' assessment of the fair value of the net assets of APGF and APMG at the date of acquisition, and took into account the Independent Experts Report prepared by PriceWaterhouseCoopers Securities Limited and issued on 16 November 2007 as part of the Explanatory Memorandum and Notice of Extraordinary Meeting held on 20 December 2007.

APMG is the responsible entity of APMG and BTT, as well as asset manager for various projects of the Fund.

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

	Recognised on Acquisition \$'000	Carrying Value \$'000
Cash and cash equivalents	2,895	2,895
Trade and other receivables	98	98
Deposit on management rights acquisition	519	519
Plant and equipment	3	3
Deferred tax asset	9	9
Management fee asset	46,516	0
	<u>50,040</u>	<u>3,524</u>
Trade and other payables	80	80
Income tax payable	1,030	1,030
Employee entitlements	28	28
Deferred tax liability	25	25
	<u>1,163</u>	<u>1,163</u>
Fair value of identifiable net assets	48,877	<u>2,361</u>
Goodwill arising on acquisition (expensed at 31 December 2007 due to impairment)	1,320	
	<u>50,197</u>	
Cost of acquisition		
- Stapled securities issued at fair value	40,000	
- Cash consideration at fair value	10,000	
- Costs associated with the acquisition	197	
Total cost of acquisition	<u>50,197</u>	
The cash outflow on acquisition is as follows:		
- Net cash acquired with APMG	2,895	
- Cash paid during period	(197)	
Net cash outflow for period	<u>2,698</u>	

As APMG was acquired on 31 December 2007, APMG has not contributed to the net result of the Fund for the period. If the acquisition had taken place at the beginning of the half year, the profit of the Fund would have been \$14,129,000 and the revenue would have been \$46,229,000.

Directors' Declaration

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

- (a) the financial statements and notes of the consolidated entity set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board
APGF Management Limited
as Trustee and Responsible Entity
for Australian Property Growth Trust
ABN 50 090 257 480



G. McMahon
Managing Director
Brisbane, 22 February 2008

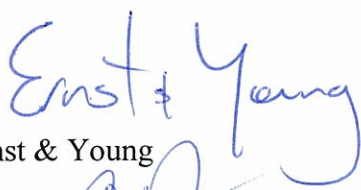
On behalf of the Board
Australian Property Growth Limited
ABN 56 111 628 589



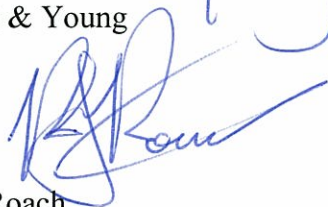
N. Summerson
Chairman
Brisbane, 22 February 2008

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

In relation to our review of the financial report of Australian Property Growth Fund for the financial period ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Ric Roach

Partner

22 February 2008

To the security holders of Australian Property Growth Fund comprising the financial report of Australian Property Growth Trust and its controlled entities

Report on the Condensed Half -Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the “Trust”) and the entities it controlled) (collectively referred to as the “Fund”) during the half-year, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for half-year ended on that date, other selected explanatory notes and the directors’ declaration. The fund, as the consolidated entity, comprises both the trust and the entities it controlled at the half-year end or from time to time during the period.

Directors’ Responsibility for the Half Year Financial Report

The Directors of APGF Management Limited, the Responsible Entity of the Fund (“the directors”) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and Trust Deed. This responsibility includes establishing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Australian Property Growth Trust and the entities it controlled during the six months, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

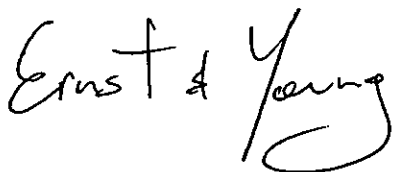
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust and its controlled entities) is not in accordance with;

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Ric Roach
Partner
Brisbane

22 February 2008