Australian Property Growth Fund

Consolidated Annual Financial Report
for the year ended 30 June 2008

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

Fund Information

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

APGT has a 99.99% ownership interest in Blue Tower Trust ('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 (acquired on 31 December 2007) ('APGM')

APGL has a 99% ownership interest in:

- APGF (Victoria) Pty Ltd ('VIC')

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

The Fund's functional and presentation currency is AUD ($) and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

A description of the Fund's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 3 to 17. The Directors' Report is not part of the financial report.

Corporate Information for both APGM (the Trustee and Responsible Entity of APGT) 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 year ended 30 June 2008.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

APGM as Trustee and Responsible Entity for APGT:

Neil Edwin Summerson BCom, FCA, FAICD, FAIM

Neil Summerson is non-executive Chairman of the company. He is a director of several public, private and government corporations and has over 35 years experience practising as a Chartered Accountant. During the last three years Neil has served and continues to serve as a Director of Bank of Queensland Limited (appointed Director 5 December 1996, appointed Chairman on 20 August 2008) and Pioneer Permanent Building Society Limited (appointed 15 December 2006). He was a partner and Managing Partner (Queensland) of Ernst & Young and a past State Chairman of the Institute of Chartered Accountants. As a practising accountant Neil's field of expertise was in corporate reconstruction, mostly in the building and property sectors and consequently he has broad experience in property development and construction. His core strengths include strategic planning, risk management, corporate governance, regulatory compliance and financial analysis.

Geoffrey Michael McMahon BEcon, BCom, FCPA, FAICD, FCIM, F FIN

Geoffrey ('Geoff') McMahon is Managing Director of the company. He has been working in the property sector in excess of 18 years and has been involved in over $750 million worth of successful property projects. Geoff is responsible for the Fund's corporate strategy, property funds management, investments and development. Geoff has been employed by the Fund and its founding securityholder, Leyshon Group, since 1988. He has significant experience in property investment, development and funds management.

Robert Bryan BSc (Hons, Geology), FAusIMM

Robert ('Bob') Bryan joined the Board of APGM as a non-executive Director on 11 March 2008. Bob has had a long-term involvement in the mining industry in Australia and South East Asia. In 1984 Bob founded Pan Australian Mining Ltd and in the capacity as Managing Director oversaw the development of a major gold mine at Mt Leyshon. Bob is an Honorary Life Member of the Queensland Resources Council and a director of the Sustainable Minerals Institute within the University of Queensland. During the last three years Bob has served and unless otherwise indicated continues to serve as Chairman of the following listed companies: PanAust Limited (formerly Pan Australian Resources Limited) (appointed 12 December 1994 and retired on 30 June 2008), Highlands Pacific Ltd (appointed 1 July 1998 and retired on 20 May 2008) and Queensland Gas Company Limited (appointed 22 September 1999). Since selling his controlling interest in Pan Australian Mining in 1989, Bob's private interests, Leyshon Group, has focused on investment in property and resources.

Scott Edward Bryan BSc (Hons, Geology), PhD

Scott Bryan joined the Board of APGM as a non-executive Director on 11 March 2008. Scott is a geologist, graduating from the University of Queensland with First Class Honours in Geology and obtained a PhD from Monash University. Scott was a Research Fellow at Yale University and a Senior Lecturer at Kingston University in the United Kingdom. Since April 2008 Scott has been a Principal Research Fellow with the Sustainable Minerals Institute at the University of Queensland. Scott has been on the Board of APGL since 2004 and has been involved in property funds management, development and investment through his directorship of Leyshon Group since 2001.

Kenneth Ross Pickard BCom, FCA, FITA

Kenneth ('Ken') Pickard joined the Board of APGM as a non-executive Director on 11 March 2008. Ken is the Managing Director of Moore Stephens (Queensland) Limited Chartered Accountants, a Queensland based firm of approximately 220 staff providing a full range of financial services to clients. Ken was a partner of Ernst & Young from 1982, a position he held until the formation of his own firm, Pickards BDS in 1996, which subsequently became Moore Stephens in July 2007. He has over 30 years experience in business services, consulting and audit. Ken has developed a wide range of skills for the provision of accounting services and financial management advice to all business sectors including manufacturing, marine and the property industry.

Directors' Report (continued)

Names, qualifications, experience and special responsibilities (continued)

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

Adriano Cragnolini was an executive Director of the company from 31 August 2007 until 11 March 2008. Adriano has 16 years experience in senior management positions spread between public practice experience at Ernst & Young Australia, and in commerce working for a diversified property/hospitality group based in Papua New Guinea as well as a venture capital backed IT start-up company based in London.

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

William ('Bill') Collins resigned as an executive Director of the Board on 31 August 2007. Bill was a joint founding director of Collins O'Reilly Pty Ltd Property Auditors. Bill has been involved in the property industry since 1968 and has held senior management positions with corporate real estate agencies. Bill's principal activities in the commercial property sector include the development of performance strategies, divestment, acquisition, adaptive re-use and risk management.

Michael O'Reilly MIRAP, MIEF, FAPI

Michael O'Reilly resigned as an executive Director of the Board on 31 August 2007. Michael was a joint founding director of Collins O'Reilly Pty Ltd Property Auditors. Michael is a Fellow of the Australian Property Institute ('FAPI') with over thirty years experience in the property industry during which he has held a number of senior management positions in Australia and South East Asia. Michael's broad range of expertise centres around investment property particularly portfolio analysis, performance strategies, risk management and tenant advocacy. Significant academic post graduate study includes Master of International Relations and Asian Politics, Master of International Economics and Finance and he is currently completing a Juris Doctor through the University of Queensland.

APGL:

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

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

Robert Bryan - Bob Bryan has been a non-executive Director of the company for the entire period. Refer APGM above for qualifications and experience.

Scott Edward Bryan - Scott Bryan has been a non-executive Director of the company for the entire period. Refer APGM above for qualifications and experience.

Kenneth Ross Pickard - Ken Pickard has been a non-executive Director of the company for the entire period. Refer APGM above for qualifications and experience.

William Gerard Collins – William Collins resigned as an executive Director of the Board on 31 August 2007. Refer APGM above for qualifications and experience.

Michael O'Reilly – Michael O'Reilly resigned as an executive Director of the Board on 31 August 2007. Refer APGM above for qualifications and experience.

Sally Kathleen Smith BBus (Human Resource Management)

Sally acts as alternate Director for Scott Bryan. Sally has extensive experience in human resource management having worked in various senior positions involving strategic planning, development and implementation of human resource policies and advice to executive management for Queensland Government. Since 1995 Sally has been on the board of Leyshon Group and has been involved in Leyshon Group's property funds management, development and investments.

COMPANY SECRETARY

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

Adriano Cragnolini was appointed company secretary of APGM and APGL on 16 March 2007. Refer APGM above for qualifications and experience.

Directors' Report (continued)

Relevant interests in units of APGT and shares of APGL

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

	Relevant interests	
	APGT Fully paid units	*APGL Fully paid shares*
N Summerson	81,147,062	81,147,062
G McMahon	81,613,693	81,613,693
R Bryan	79,071,693	79,071,693
S Bryan	77,666	77,666
K Pickard	3,017,300	3,017,300
S Smith	36,000	36,000

The Directors are not party to any contract to which the Directors may be entitled to a benefit or that confer a right to call for or deliver interests in APGT or APGL.

FUND INFORMATION

Structure of Australian Property Growth Fund ('APGF' or 'the 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, 13 February 2007 and 13 May 2008. 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 Blue Tower Trust ('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').

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 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 Deed (formerly called Stapling and Asset Management Deed) dated 8 November 2004, amended on 4 September 2006 and later amended on 13 May 2008 to remove the Asset Management provisions from the Deed.

Directors' Report (continued)

Nature of Operations and Principal Activities

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

- Comalco Place at 12 Creek Street, Brisbane, a 37 level commercial office building located in the heart of Brisbane CBD'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 m^2 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. This project has been completed and fully sold out;
- Palm Beach Plaza, Gold Coast Highway, Palm Beach, Gold Coast. This site is to be developed into an approximate 5,000m^2 retail and commercial complex and 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.

Employees

At 30 June 2008 APGM had no employees (2007: two) and APGL had 17 employees (2007: eight).

OPERATING AND FINANCIAL REVIEW

Review of Operations for the year

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

On 21 December 2004 APGT commenced business with the acquisition of a brand new five level 6,200m^2 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 APGT acquired a 99.99% ownership interest in BTT, the owner of the 37 level 32,000m^2 commercial office building known as Comalco Place situated at 12 Creek Street, Brisbane. 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.

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

- the Westpac Campus at 7 King Street Concord West Sydney for $60.75 million. Located just 15 kilometres from the Sydney CBD, the commercial/business park development comprises approximately 16,500m^2 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.

Directors' Report (continued)

Review of Operations for the year (continued)

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 which were refurbished into warehouse style office accommodation and sold for $5.7 million. All of the residential apartments and ground level retail shops had settled by February 2008.

The Palm Beach Project 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 9,819m^2 and currently operates as the Palm Beach Plaza Shopping Centre. The Palm Beach site is to be developed into an approximate 5,000m^2 retail and commercial complex and 194 residential apartments to be known as Pavilions on Fifth. Development approval for this project was received on 28 August 2006. The design development phase has also now been completed. Construction works commenced in October 2007 and the project is planned to be developed in two stages over 2007 – 2010, with construction of stage 1 expected to be completed in early 2009.

On 22 June 2007 APGL acquired a property funds management group ('SPFM') 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 21 August 2008, SPFM managed 32 properties contained in 23 property trusts or syndicates, with a total value of $433 million. In addition to SPFM, 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 APGL 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 and costs of $0.2 million directly attributable to the acquisition.

During the period December 2007 to June 2008, the Fund allotted 14,889,565 stapled securities at $1.20 each, raising $17.87 million. The funds have been allocated on the basis of $1.10 per unit in APGT and $0.10 per share in APGL.

Results

The net operating result of the Fund is presented in the Income Statement. Net loss attributable to the security holders for the year ended 30 June 2008 was $6,094,000 (2007: $40,277,000 profit). A summary of results for the year by significant industry segments is set out below.

(a) Property Investment

The net profit attributable to the security holders from the property investment operations for the year ended 30 June 2008 was $8,108,000 (2007: $42,327,000). Reflected in this result are net revaluation increments on investment properties of $12,152,000 (2007: $78,228,000) less a performance fee payable of $8,006,000 (2007: $38,510,000).

(b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders for the year ended 30 June 2008 is $14,147,000 (2007 $2,106,000). This loss resulted from an impairment loss on a loan receivable (refer Note 9)and also from pre-development costs incurred up to 31 December 2007 on the Palm Beach Project that are required to be expensed in accordance with Australian Accounting Standards. The Directors resolved to proceed with construction of the Palm Beach Project effective 1 January 2008 so that all development costs (excluding marketing and selling costs) incurred from that date will be capitalised as inventory.

(c) Property Funds Management

The net loss attributable to the security holders from the property funds management operations for the year ended 30 June 2008 is $55,000 (22 June 2007 to 30 June 2007: $55,000 profit). This loss included impairment losses on goodwill of $6,320,000 (refer Note 16).

Directors' Report (continued)

Distributions/Dividends

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

Distributions to security holders during the year were paid quarterly including a distribution of 2.14 cents per stapled security paid on 31 October 2007 in respect of the quarter ended 30 September 2007, a distribution of 2.41 cents per stapled security paid on 31 January 2008 in respect of the quarter ended 31 December 2007 and a distribution of 2.39 cents per stapled security paid on 30 April 2008 in respect of the quarter ended 31 March 2008.

A final distribution was declared for the year ended 30 June 2008 of 2.39 cents per stapled security in respect of the quarter ended 30 June 2008 and was paid on 31 July 2008.

All distributions declared for the year ended 30 June 2008 were paid from APGT as tax deferred distributions.

No dividends were paid or proposed by APGL during the year.

Securityholder Returns

The Fund generated strong returns to investors for the period from establishment until 30 June 2007, but a deterioration in the markets the Fund operates in has had a negative impact on the results for the year ended 30 June 2008. Based on current market conditions, the Directors have adopted a conservative position in respect of the projects of the Fund and as a consequence have recorded impairment losses on some assets. Despite the current period loss, the Directors believe that the Fund's strategy of focussing on quality projects that generate long-term capital growth and stable rental income streams will continue to deliver strong returns to investors in the longer term. The Fund's key financial measures are detailed below:

	2008	**2007**	**2006**	**2005 ***
Basic earnings per stapled security (cents)	(3.2)	31.7	6.0	7.3
Net asset value per stapled security (cents)	107.7	119.5	97.8	99.8
Assets under management ($ million) #	946.7	890.0	76.3	84.8

* Reflects period from 21 December 2004 (commencement of Fund's operations) to 30 June 2005.
# Includes properties owned directly by the Fund and also properties owned by syndicates or trusts managed by the Fund.

SECURITIES ON ISSUE

A total of 215,930,022 stapled securities were on issue at 30 June 2008 (2007: 167,707,124). There were 48,222,898 stapled securities issued during the year (2007: 132,707,124). For further details refer Note 22.

FUND ASSETS

At 30 June 2008, the Fund owned assets to the value of $512,342,000 (2007: $412,624,000). The basis for valuation of assets is disclosed in Note 2 to the financial statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

APGM received fees during the year relating to property management and asset management (including acquisitions) from APGT and BTT and development management from APGL. Fees paid to the Responsible Entity and its associates out of the Fund during the financial year are disclosed in Note 25 to the financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- acquisition of 100% interest in APGM for $50.2 million on 31 December 2007, funded by $40 million from the issue of 33,333,333 stapled securities and $10.2 million from cash reserves;
- acquisition of two commercial properties in October 2007 (the Westpac Campus at 7 King Street Concord West Sydney for $60.75 million and the Royal Bank Chambers building in Collins Street Melbourne for $30.5 million); and
- issue of 14,889,565 stapled securities raising $17.87 million in new capital.

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

Directors' Report (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Fund are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known breaches of any other environmental requirements applicable to the Fund.

OPTIONS

No options over unissued securities or interests in the entities of the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Fund has not given or agreed to give any indemnity to an officer or auditor of the Fund and has not paid any premium for insurance against those officers' or auditor's liability for legal costs. Insurance and indemnity arrangements concerning officers of the Fund were continued throughout the year. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable. The Fund has not given or agreed to indemnify the auditors.

CORPORATE GOVERNANCE

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

Scope of responsibility of the Boards

The Directors have a strong commitment to good corporate governance. Their guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly in accordance with the law in the interests of investors and other stakeholders.

Compliance Committee

In accordance with its Australian Financial Services Licence APGM has established a master compliance plan for APGT. Compliance issues are monitored and managed by the Compliance Committee in accordance with the compliance plan. The majority of the Compliance Committee members are persons who are external and unrelated to APGM and whose role is to supervise APGM's compliance with the compliance plan and the *Corporations Act 2001*.

The Compliance Committee reports to APGM's Board and if necessary, ASIC, in relation to compliance issues.

The members of the Compliance Committee for the year ended 30 June 2008 were:

- Norbury Rogers (Chairman);
- Karen Prentis; and
- Geoff McMahon.

The functions of the Compliance Committee are governed by APGT's compliance plan. The original compliance plan was registered and approved by ASIC prior to registration of APGT as a managed investment scheme.

During the year ended 30 June 2008 four compliance committee meetings were held and all compliance committee members attended these meetings.

The members of the Compliance Committee effective from 1 July 2008 are:

- Brendan Howell;
- Karen Prentis; and
- Luis Garcia.

A replacement master compliance plan was adopted by the Responsible Entity and lodged with ASIC with effect from 1 July 2008.

Directors' Report (continued)

CORPORATE GOVERNANCE (continued)

Audit and Risk Committee

APGM (for APGT) and APGL have established Audit and Risk Committees to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Fund. The members of the committees are:

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

The committees perform a variety of functions relevant to risk management and internal and external reporting and report to the Boards following each meeting.

The APGM Audit and Risk Committee ceased effective 31 December 2007 (when APGM was acquired and became a wholly owned subsidiary of APGL).

During the year ended 30 June 2008 two Audit and Risk Committee meetings were held for APGM and one meeting was held for APGL. Geoff McMahon attended all of these meetings and Neil Summerson attended one APGM meeting. Neil Summerson was represented at the meetings he did not attend by Adriano Cragnolini (one meeting for APGM) and Robert Bryan (one meeting for APGL) who attended as his alternate.

Remuneration Committee

It is the Fund's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. For a full discussion of the Fund's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

The Boards are responsible for determining and reviewing compensation arrangements for the Directors themselves and the Managing Director and executive team. Effective 1 January 2008 APGL established a Remuneration Committee, comprising four non-executive Directors. The members of the committee from 1 January 2008 until the date of this report are:

- Neil Summerson (Chairman);
- Ken Pickard;
- Robert Bryan; and
- Scott Bryan.

The committee discharges its responsibilities regarding the public reporting of remuneration information, compensation of non-executive Directors and other matters.

During the year ended 30 June 2008 one Remuneration Committee meeting was held. This meeting was attended by all members except for Scott Bryan.

Code of Corporate Governance

Overview

The Directors of APGM and APGL are committed to maintaining a high standard of corporate governance that yields the best results for the Fund's security holders and other stakeholders.

To achieve its objectives, the Fund endeavours to be an organisation that rewards its security holders, is responsible to its stakeholders' needs and partners with the community.

Good corporate governance is not just about compliance, but about values and behaviour. The Directors of APGM and APGL have developed and implemented policies and practices which take into account the ASX Principles of Good Corporate Governance and Best Practice Recommendations ('Principles') developed by the ASX Corporate Governance Council in 2003.

These policies are reviewed annually and their maintenance is overseen by the Directors.

A summary of the Fund's corporate governance policies and practices, organised in order of the Principles, is set out below.

Principle 1: Board and Management

This Code of Corporate Governance ('Code') sets out the key governance principles adopted by APGM and APGL in governing the Fund. The Code recognises the fundamental difference between the Directors' roles and responsibilities and that of management – the Directors' main role is to set corporate strategy and goals with management being responsible for their implementation.

Directors' Report (continued)

CORPORATE GOVERNANCE (continued)

Code of corporate governance (continued)

Principle 2: Board Structure

At 30 June 2008 the Boards of APGM and APGL had five Directors (including the Chairman) four of whom were non-executive Directors.

Every Director and Committee Member of the Board has the right to seek independent professional advice in connection with carrying out their duties at the expense of the Fund. Written approval of the Chairman is required prior to a Director or Committee Member seeking independent professional advice.

The Fund does not consider that a Director's independence, age or length of service on the Board is a factor affecting a Director's ability to act in the best interests of security holders and the Fund.

Principle 3: Ethical and Responsible Decision Making

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

Principle 4: Financial Reporting

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

The Fund's Audit and Risk Committees operate under a written charter approved by the Boards. The Audit and Risk Committees are charged with making recommendations to the Boards on the adequacy of the external audits and the independence of the external auditors, internal controls, and risk management and compliance procedures. The Fund's Audit and Risk Committees also monitor and liaise with the Responsible Entity's Compliance Committee to ensure that the conditions of the Responsible Entity's AFSL are adhered to at all times.

Principle 5: Timely and Balanced Disclosure

The Fund is committed to keeping the market informed of all material information and enhancing its communication with the market, thereby ensuring its compliance with legal requirements.

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

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

Principle 6: Respect Rights of Security holders

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

Principle 7: Recognise and Manage Risk

The Boards believe that risk management is a critical part of the Fund's operations and a comprehensive risk management program has been developed. Management of risk is a key function of the Audit and Risk Committees under their charter.

Principle 8: Management Effectiveness

Annual performance reviews are conducted for employees as applicable.

Principle 9: Remuneration

The Fund's Remuneration Committee discharges the Board's responsibilities regarding the public reporting of remuneration information, compensation of non-executive Directors and other matters.

Principle 10: Interests of Stakeholders

All Directors are expected at all times to uphold the Code of Corporate Governance in order to promote the interests of the Fund and its security holders and to drive its relationships with security holders, stakeholders and the community.

Directors' Report (continued)

MEETINGS OF DIRECTORS

APGM

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

Directors	Number of meetings eligible to attend	Number of meetings attended
N Summerson	6	5
G McMahon	6	6
R Bryan (appointed 11 March 2008)	2	2
S Bryan (appointed 11 March 2008)	2	2
K Pickard (appointed 11 March 2008)	2	2
A. Cragnolini (31 August 2007 - 11 March 2008)	3	3
W Collins (resigned 31 August 2007)	2	2
M O'Reilly (resigned 31 August 2007)	2	2

APGL

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

Directors	Number of meetings eligible to attend	Number of meetings attended
N Summerson	4	3
G McMahon	4	4
R Bryan	4	4
S Bryan	4	1
K Pickard	4	3
W Collins (resigned 31 August 2007)	0	0
M O'Reilly (resigned 31 August 2007)	0	0
S Smith *	4	2

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

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 AND NON-AUDIT SERVICES

Auditor Independence

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at Page 18.

Non-Audit Services

The following non-audit services were provided by the Fund's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance and advisory services	$72,050
Corporate advice (takeover/capital raising)	$38,140
Property/business acquisition advice	$13,800

Directors' Report (continued)

REMUNERATION REPORT

This Remuneration Report outlines the Director and executive remuneration arrangements of APGM as Responsible Entity for APGT and of APGL (collectively referred to as 'the Fund') in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of the report Key Management Personnel ('KMP') of the Fund are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Trust and the Fund, directly or indirectly, including any Director (whether executive or otherwise) of the parent entity, and includes the senior executives (excluding Directors) in the Fund receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Managing Director, senior executives, general managers and secretaries of the Fund.

Remuneration Committee

The Remuneration Committee of the Board of Directors of APGL is responsible for determining and reviewing remuneration agreements for the Directors and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board and executive team.

Remuneration Philosophy

The performance of the Fund depends upon the quality of its Directors and executives. To prosper, the Fund must attract, motivate and retain highly skilled Directors and executives.

To this end, the Fund embodies the following in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to securityholder value;
- have a significant portion of remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-executive Director Remuneration

Objective
The Boards seek to aggregate remuneration at a level that provides the Fund with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to securityholders.

Structure
The constitutions and the BSX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Extraordinary General Meetings held on 20 December 2007 when securityholders approved an aggregate remuneration of $350,000 per year for the Fund.

The amount of aggregate remuneration sought to be approved by securityholders and the fee structure is reviewed annually. The Boards consider advice from external consultants as well as the fees paid to non-executive Directors of comparable entities when undertaking the annual review process.

Up to and including 31 December 2007, non-executive Directors did not receive fees for their services. Commencing 1 January 2008, as a result of the securityholder resolutions on 20 December 2007, each non-executive Director receives a base fee of $55,000 (including superannuation) for being a Director of the Fund. The non-executive Chairman receives an additional $55,000 (including superannuation) for being Chairman of the Fund. The payment of additional fees for serving as Chairman recognises the additional time commitment required by the non-executive Director who acts as Chairman.

The non-executive Directors do not participate in any incentive programs and the only retirement benefits they receive is through superannuation contributions included in their fees.

Directors' Report (continued)

REMUNERATION REPORT (Continued)

Non-executive Director Remuneration (Continued)

The remuneration of non-executive Directors for the period from 1 January 2008 to 30 June 2008 is detailed in Table 1 of the report. There was no remuneration paid to non-executive Directors prior to 1 January 2008 as the Fund used an external management model up to 31 December 2007.

Executive Remuneration

Objective
The Fund aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Fund so as to:

- reward executives for Fund, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of securityholders; and
- ensure total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice.

The Remuneration Committee has entered into a detailed contract of employment with the Managing Director and other senior executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:
- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration
    - short term incentive ('STI'); and
    - long term incentive ('LTI').

The proportion of fixed remuneration and variable remuneration (potential short and long term incentives) for each executive is set out in Table 1.

Fixed Remuneration

Objective
Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Fund, business unit and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external independent advice.

Structure
Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Fund.

The fixed remuneration component of executives is detailed in Table 1.

Directors' Report (continued)

REMUNERATION REPORT (Continued)

Variable Remuneration – Short Term Incentive ('STI')

Objective
The objective of the STI program is to link the achievement of the Fund's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Fund is reasonable in the circumstances.

Structure
Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of benchmarks and key performance indicators ('KPIs') covering both financial and non-financial, corporate and individual measures of performance. The targets can include measures such as contribution to net profit after tax, capital management strategies, risk management, business development and leadership/team contribution. The specific measures chosen represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The Fund has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPIs, the Remuneration Committee, in line with its responsibilities, determines the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs within three months after the reporting date.

The aggregate of annual STI payments available for executives across the Fund is subject to the approval of the Remuneration Committee. Payments made are delivered through a combination of cash payments, superannuation and non-monetary benefits in the following reporting period.

STI bonus for 2007 and 2008 financial years
There were no STI amounts paid in respect of the year ended 30 June 2007. The Managing Director and the Remuneration Committee will finalise the STI payments for the year ended 30 June 2008 by no later than 30 September 2008. The maximum STI amount to be paid for the year ended 30 June 2008 is $175,000 (including superannuation), of which $12,500 has been paid in the year ending 30 June 2008. The unpaid amount ($162,500) has been accrued on the basis that it is probable that the executives will meet their respective KPI's for the period. Any adjustments between the actual amounts to be paid as determined by the Managing Director and the Remuneration Committee and the amounts accrued will be adjusted in the year ending 30 June 2009. The minimum amount of the STI amount payable assuming that no executives meet their respective KPI's for the year ended 30 June 2008 was nil.

Variable Remuneration – Long Term Incentive ('LTI')

The LTI plan for the senior executives of the Fund is to be established and to be put into effect by 31 December 2008. Therefore no LTI grants have been made to the senior executives at 30 June 2008. Once established, it is intended that the LTI plan will reward senior executives in a manner that aligns remuneration with the creation of securityholder wealth. As such, LTI grants will only be made to executives who are able to influence the generation of securityholder wealth and thus have an impact on the Fund's performance against the relevant long term performance hurdle.

Directors' Report (continued)

REMUNERATION REPORT (Continued)

Table 1: Remuneration of Key Management Personnel for the year ended 30 June 2008

	Short-term				Post-employment		Long-term		Share-based Payments	Total	% Performance Related
	Salary & Fees	Cash Incentive	Non - monetary Benefits	Other	Super	Retirement Benefits	Incentive Plans	Long service Leave	Options		
	$	$	$	$	$	$	$	$	$	$	
Non-executive Directors *											
N. Summerson (Chairman)	50,459	0	0	0	4,541	0	0	0	0	55,000	
R. Bryan	27,500	0	0	0	0	0	0	0	0	27,500	
S. Bryan	25,000	0	0	0	2,500	0	0	0	0	27,500	
K. Pickard	25,229	0	0	0	2,271	0	0	0	0	27,500	
S. Smith (Alternate for S. Bryan)	0	0	0	0	0	0	0	0	0	0	
Subtotal – non-executive Directors	**128,188**	**0**	**0**	**0**	**9,312**	**0**	**0**	**0**	**0**	**137,500**	
Managing Director and executive Directors											
G. McMahon (Managing Director) **	345,235	0	4,765	0	0	0	0	0	0	350,000	0.00%
M. O'Reilly ***	0	0	0	0	0	0	0	0	0	0	0.00%
W. Collins ***	0	0	0	0	0	0	0	0	0	0	0.00%
Other KMP											
L. Garcia (General Manager – Funds Management)	285,000	91,743	3,755	0	33,907	0	0	0	0	414,405	24.13%
R. Cribb (General Manager – NSW Property)	278,212	0	10,897	0	25,333	0	0	0	0	314,442	0.00%
A. Cragnolini (Chief Financial Officer) **	113,780	45,872	940	0	14,408	0	0	0	0	175,000	28.57%
M. Rundle (Manager – Property Development) **	108,119	23,968	12,625	0	5,288	0	0	0	0	150,000	16.67%
Subtotal - executive KMP	**1,130,346**	**161,583**	**32,982**	**0**	**78,936**	**0**	**0**	**0**	**0**	**1,403,847**	
Total	**1,258,534**	**161,583**	**32,982**	**0**	**88,248**	**0**	**0**	**0**	**0**	**1,541,347**	

No remuneration was paid to Directors or other KMP by the Fund during the year ended 30 June 2007.

* Non-executive Directors fees commenced from 1 January 2008.

** Commenced employment with the Fund on 1 January 2008.

*** No remuneration was paid to these Directors by the Fund from 1 July 2007 until they resigned on 31 August 2007.

Directors' Report (continued)

REMUNERATION REPORT (Continued)

Employment Contracts

The Managing Director and senior executives are employed under Executive Employment Agreements. These agreements have no fixed period or termination date. The terms of the current employment contracts are summarised below:

	Position	Commencement Date of Contract	Fixed Remuneration (per annum)	Minimum Notice Required on Termination* to be given by: Executive	Employer
G. McMahon	Managing Director	1 January 2008 **	$700,000	3 months	12 months
L. Garcia	General Manager – Funds Management	21 June 2007	$310,650	6 months	6 months
R. Cribb	General Manager – NSW Property	21 June 2007	$310,650	6 months	6 months
A. Cragnolini	Chief Financial Officer/Company Secretary	1 January 2008 **	$250,000	3 months	3 months
M. Rundle	Manager - Property Development	1 January 2008 **	$250,000	3 months	6 months

* The minimum notice can be varied in the following circumstances:

- if either the employer or executive gives notice of termination to the other, the employer may terminate the employment of the executive immediately or at any time during the notice period and pay to the executive their fixed remuneration for the balance of the notice period,
- notwithstanding the notice periods disclosed above, the employer may terminate the contract at any time without notice or payment in lieu of notice if the executive:
    - o is guilty of misconduct;
    - o is charged with any offence that involves fraud or dishonesty or any other offence that is punishable by imprisonment, or any offence that in the employer's reasonable opinion, affects the executive's suitability for their position;
    - o neglects their duties or is incompetent;
    - o becomes bankrupt or compound with, or assigns their estate for the benefit of, one or more of the executive's creditors;
    - o engages in conduct of a sort which, in the employer's reasonable opinion, may injure its reputation; or
    - o breaches his obligations in respect of confidential information or protection of the employer's goodwill.

** Previously employed by an entity related to the Fund's external manager, APGM.

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

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

G. McMahon
Managing Director
Brisbane, 11 September 2008

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

N. Summerson
Chairman
Brisbane, 11 September 2008

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Brisbane QLD 4000 Australia
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Auditor's Independence Declaration to the Directors of APGF Management Limited as Responsible Entity and Trustee of Australian Property Growth Trust and the Directors of Australian Property Growth Limited

In relation to our audit of the financial report of Australian Property Growth Fund for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R J Roach

R J Roach
Partner
5 September 2008

Income Statement

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	$000	$000	$000	$000
Revenue					
Project delivery management fee income		7,514	21,967	0	0
Property funds management fee income		12,099	140	0	0
Rental income		25,130	15,445	6,833	2,579
Interest income		3,596	3,003	482	1,136
Other income		201	0	0	10
Total Revenue	4 (a)	48,540	40,555	7,315	3,725
Revaluation increment/(decrement) on investment properties		12,152	78,228	(14,486)	3,326
Fair value movement in investments		0	0	30,133	76,619
Total Revenue and Other Income		60,692	118,783	22,962	83,670
Less Expenses					
Air conditioning expenses		(489)	(420)	(27)	(22)
Audit fees		(264)	(261)	(131)	(133)
Borrowing expenses	4 (b)	(18,100)	(8,459)	(5,188)	(1,231)
Consultancy fees		(598)	(404)	(102)	(200)
Development costs expensed	4 (b)	(13,101)	(26,508)	0	0
Electricity		(169)	(151)	(69)	(74)
Impairment loss - goodwill	16	(6,320)	0	0	0
Impairment loss – loans receivable	9 (v)	(10,464)	0	0	0
Insurance		(218)	(172)	(47)	(31)
Land tax		(358)	(196)	(63)	(45)
Leasing expenses		(263)	(180)	(7)	(7)
Lift expenses		(347)	(257)	(15)	(14)
Loans forgiven		0	0	(46,517)	0
Management fee expenses	4 (b)	(9,139)	(39,629)	37,683	(38,695)
Personnel expenses		(3,067)	(72)	0	0
Rates		(799)	(567)	(88)	(85)
Recoverable outgoings		(1,250)	(958)	(254)	(224)
Repairs and maintenance		(329)	(261)	(62)	(30)
Other expenses		(1,647)	(886)	(275)	(269)
Total Expenses		(66,922)	(79,381)	(15,162)	(41,060)
Profit/(loss) from operating activities before income tax		(6,230)	39,402	7,800	42,610
Income tax benefit	2(j),5	138	880	0	0
Net profit/(loss) from operating activities after income tax		(6,092)	40,282	7,800	42,610
Profit attributable to minority interest		(2)	(5)	0	0
Profit/(loss) after income tax attributable to security holders		(6,094)	40,277	7,800	42,610
Represented by:					
Earnings attributable to members of APGT		8,454	42,327	7,800	42,610
Profit/(loss) attributable to members of APGL		(14,548)	(2,050)	0	0
		(6,094)	40,277	7,800	42,610
Earnings per stapled security (cents)					
- Basic earnings per stapled security	6	(3.2)	31.7		
- Diluted earnings per stapled security	6	(3.2)	31.7		
Tax Deferred Distributions per stapled security (cents)	7	9.3	8.5		

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

Balance Sheet

AS AT 30 JUNE 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
ASSETS					
Current Assets					
Cash and cash equivalents	8	38,514	52,056	2,546	2,606
Trade and other receivables	9	5,766	1,569	125	46
Inventory	10	19,584	6,561	0	0
Interest rate swap	14	364	0	0	0
Other	11	178	255	32	70
Total Current Assets		64,406	60,441	2,703	2,722
Non-Current Assets					
Trade and other receivables	9	3,537	13,495	10,150	59,800
Inventory	10	5,203	11,599	0	0
Property investments held directly	17	408,150	296,300	117,150	33,300
Plant and equipment	12	542	17	4	8
Interest rate swap and caps	14	684	1,109	548	438
Investments in subsidiaries	13	0	0	179,838	149,705
Management fee assets	15	15,090	12,168	0	0
Goodwill	16	10,553	15,553	0	0
Deferred tax asset	5	4,177	1,942	0	0
Total Non-current Assets		447,936	352,183	307,690	243,251
TOTAL ASSETS		512,342	412,624	310,393	245,973
LIABILITIES					
Current Liabilities					
Trade and other payables	18	15,308	7,871	7,080	3,957
Borrowings and interest bearing loans	19	14,664	12,539	0	0
Income tax payable		2,302	0	0	0
Provisions	20	267	111	0	0
Total Current Liabilities		32,541	20,521	7,080	3,957
Non-Current Liabilities					
Payables	18	671	39,353	671	39,353
Borrowings and interest bearing loans	19	243,352	149,771	74,571	16,007
Provisions	20	326	112	0	0
Other	21	3,000	2,415	0	0
Total Non-current Liabilities		247,349	191,651	75,242	55,360
TOTAL LIABILITIES		279,890	212,172	82,322	59,317
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		232,452	200,452	228,071	186,656
REPRESENTED BY:					
Attributable to members of APGL					
Contributed equity	22	22,659	17,874	0	0
Accumulated losses		(18,636)	(4,089)	0	0
Total attributable to members of APGL		4,023	13,785	0	0
Attributable to unit holders of APGT					
Units on issue	22	203,929	151,291	203,929	151,291
Hedging reserve		147	434	172	151
Undistributed earnings		24,341	34,932	23,970	35,214
Total attributable to unit holders of APGT		228,417	186,657	228,071	186,656
Minority interests		12	10	0	0
TOTAL MEMBERS' INTERESTS		232,452	200,452	228,071	186,656

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

Statement of Changes in Security Holders' Interests
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED				
	Note	**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	434	0	434
Total income and expense for the year recognised directly in equity		0	0	434	0	434
Profit/(loss) for the year attributable to members of APGL		0	(2,050)	0	0	(2,050)
Earnings for the year attributable to unit holders of APGT		0	42,327	0	5	42,332
Total income for the year attributable to security holders		0	40,277	0	5	40,282
Initial recognition of minority interest on acquisition of BTT		0	0	0	5	5
Securities issued	22	140,611	0	0	0	140,611
Transaction costs	22	(1,872)	0	0	0	(1,872)
Tax deferred distributions to security holders	7	0	(13,238)	0	0	(13,238)
At 30 June 2007		**169,165**	**30,843**	**434**	**10**	**200,452**
At 1 July 2007		169,165	30,843	434	10	200,452
Net loss from cash flow hedges		0	0	(287)	0	(287)
Total income and expense for the year recognised directly in equity		0	0	(287)	0	(287)
Profit/(loss) for the year attributable to members of APGL		0	(14,548)	0	0	(14,548)
Earnings for the year attributable to unit holders of APGT		0	8,454	0	2	8,456
Total income for the year attributable to security holders		0	(6,094)	0	2	(6,092)
Securities issued	22	57,868	0	0	0	57,868
Transaction costs	22	(445)	0	0	0	(445)
Tax deferred distributions to security holders	7	0	(19,044)	0	0	(19,044)
At 30 June 2008		**226,588**	**5,705**	**147**	**12**	**232,452**

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

Statement of Changes in Security Holders' Interests (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	Note	PARENT Securities Issued $000	Undistributed Income $000	Other Reserves $000	Total $000
At 1 July 2006		13,208	5,842	0	19,050
Net gain from cash flow hedges		0	0	151	151
Total income and expense for the year recognised directly in equity		0	0	151	151
Earnings for the year attributable to unit holders of APGT		0	42,610	0	42,610
Total income for the year attributable to security holders		0	42,610	0	42,610
Securities issued	22	139,939	0	0	139,939
Transaction costs	22	(1,856)	0	0	(1,856)
Tax deferred distributions to security holders	7	0	(13,238)	0	(13,238)
At 30 June 2007		**151,291**	**35,214**	**151**	**186,656**
At 1 July 2007		151,291	35,214	151	186,656
Net gain from cash flow hedges		0	0	21	21
Total income and expense for the year recognised directly in equity		0	0	21	21
Earnings for the year attributable to unit holders of APGT		0	7,800	0	7,800
Total income for the year attributable to security holders		0	7,800	0	7,800
Securities issued	22	53,046	0	0	53,046
Transaction costs	22	(408)	0	0	(408)
Tax deferred distributions to security holders	7	0	(19,044)	0	(19,044)
At 30 June 2008		**203,929**	**23,970**	**172**	**228,071**

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

Cash Flow Statement
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Cash flows from operating activities					
Receipt of project delivery management fees		8,351	24,233	0	0
Receipt of property funds management fees		5,315	135	0	0
Receipt of rental income		27,461	18,618	7,635	2,686
Other receipts from customers		103	0	0	0
Payments to suppliers & employees		(28,629)	(17,855)	(2,099)	(1,635)
Borrowing costs paid		(17,292)	(8,891)	(4,667)	(1,199)
Trust distributions received		0	0	0	10
Interest received		3,614	3,100	482	1,208
Income tax paid		(841)	0	0	0
Net cash flows from/(used in) operating activities	8	(1,918)	19,340	1,351	1,070
Cash flows from investing activities					
Payments for plant and equipment		(569)	(10)	0	(10)
Payments for investment property purchases		(98,116)	0	(98,116)	0
Payments for investment property additions		(1,492)	(303)	0	(11)
Payment of loans to controlled entities		0	0	0	(59,800)
Payment of advances to syndicates		(249)	0	0	0
Repayment of loans by controlled entities		0	0	39,800	0
Payment of loans to other parties		(507)	(13,495)	0	0
Acquisition of APGM, net of cash acquired	29	(7,302)	0	0	0
Acquisition of BTT, net of cash acquired	29	0	(2,695)	0	(3,680)
Acquisition of SPFM, net of cash acquired	29	932	(27,702)	0	0
Receipts for unsecured notes redeemed		0	0	0	1,500
Refund of deposit paid on acquisition		500	0	0	0
Payments for lease fitout incentives		0	(275)	0	0
Net cash flows used in investing activities		(106,803)	(44,480)	(58,316)	(62,001)
Cash flows from financing activities					
Proceeds from borrowings		100,876	20,322	58,750	0
Payment of costs of new borrowings		(617)	(65)	(255)	0
Payment to acquire interest rate caps		(305)	0	(127)	0
Proceeds from borrowings – related parties		0	0	5,000	0
Repayment of borrowings – related parties		(4,763)	(7,993)	(5,000)	0
Distributions paid to security holders		(17,435)	(10,390)	(17,435)	(10,390)
Proceeds from the issue of securities		17,868	71,204	16,379	70,532
Payment of security issue costs		(445)	(1,614)	(407)	(1,598)
Net cash flows from financing activities		95,179	71,464	56,905	58,544
Net increase/(decrease) in cash held		(13,542)	46,324	(60)	(2,387)
Cash and cash equivalents at beginning of the year		52,056	5,732	2,606	4,993
Cash and cash equivalents at end of the year	8	38,514	52,056	2,546	2,606

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

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

1. CORPORATE INFORMATION

The Consolidated Annual Financial Report of Australian Property Growth Fund ('APGF' or 'the Fund') for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of Directors on 9 September 2008.

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.

The nature of the operations and principal activities of the Fund are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the Trust's constitution, the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investment properties, management fee assets and derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The financial report is to be read in conjunction with any public announcements by the Fund during the year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and the BSX Listing Rules.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ending 30 June 2008. These are outlined in the table below:

Ref	Title	Summary	Applic'n Date of Standard	Impact on entity Financial Report	Applic'n Date for entity*
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Fund's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Fund's segment disclosures.	1 July 2009

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Ref	Title	Summary	Applic'n Date of Standard	Impact on entity Financial Report	Applic'n Date for entity*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Fund has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Fund's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Fund's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Fund has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Fund may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Fund has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Ref	Title	Summary	Applic'n Date of Standard	Impact on entity Financial Report	Applic'n Date for entity*
AASB 2008-5 & AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 1 July 2009	The Fund has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value (An issue sometimes known as a "dividend trap" in newcos).	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income could give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Fund enters into any Fund reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Ref	Title	Summary	Applic'n Date of Standard	Impact on entity Financial Report	Applic'n Date for entity*
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Fund changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendment to International Financial Reporting Standards	Eligible Hedged Items	To clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.	1 July 2009	The group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Fund does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Fund's financial report.	1 July 2009

* designates the beginning of the applicable annual reporting period.

These revisions have been assessed to require no change in accounting policies nor are they expected to result in any significant impact on reported results.

Adoption of new accounting standard
The Fund has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Significant accounting judgements, estimates and assumptions

In the process of applying the Fund's accounting policies management has made various judgements, estimations and assumptions. Where significant, further information on these judgements, estimates and assumptions are disclosed in the relevant notes to the financial statements. The significant estimates are in relation to the measurement of the fair value of investment properties (note 17), management fee assets (Note 15), goodwill impairment testing (Note 16), performance fee liability (Note 18) and derivatives (Note 14), and in determining the allocation of costs associated with revenue recognition on property development.

(d) Basis of consolidation (including accounting for investment in subsidiaries)

The consolidated financial statements comprise the financial statements of the consolidated group comprising APGT ("the parent entity") and its controlled entities as at 30 June each year ("the Fund" or "the group"). The consolidated financial statements have been drawn up in accordance with ASIC Class Order 05/642 relating to combining accounts under stapling, and for the purposes of fulfilling the requirements of the Bendigo Stock Exchange. Under AASB 3, APGT is considered to be the parent entity of APGL.

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

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

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

Investments in subsidiaries for which the primary undertaking is to hold investment properties are accounted for on the basis described in Note 2 (l). All other investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity.

The Fund accounts for acquisitions of subsidiaries 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 the following entities for the period from the acquisition date to 30 June 2008:

- 99.99% interest in Blue Tower Trust ('BTT') acquired on 19 September 2006,
- 100% interest in APGF Property Limited ('APL'), Austgrowth Property Syndicates Limited ('APS') and Austgrowth Investment Management Pty Ltd ('AIM') acquired on 22 June 2007, and
- 100% interest in APGF Management Limited ('APGM') acquired on 31 December 2007.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Rental income and recoverable outgoings

Rental income from investment properties is accounted for on a straight-line basis for fixed increase leases over the lease term. Contingent rental income is recognised as income in the years in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

Revenues from rents and recoverable outgoings are recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. Revenue received in advance is classified as prepaid income and recognised as revenue over the period to which the revenue received relates.

(iii) Management fee income

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 expanded policy is as follows:

Revenue from management fees is recognised as and when the fee could be estimated reliably and its receipt is probable. These fees are calculated 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 and leasing fees) are recognised as services are performed in accordance with the relevant Property Management Agreement or Asset Management Agreement for each entity.

  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.

(iv) Property development sales income

Sales revenue in respect of property development projects is recognised on settlement of individual units. Costs in relation to individual settled units are recognised in proportion to the total costs for the project that the settled units represent.

All revenue is stated net of the amount of goods and services tax.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Borrowing costs

Borrowing costs such as interest are recognised as an expense in the year in which they accrue using the effective interest method and if not paid at balance date, they are reflected in the balance sheet as a payable. Under AASB 139 borrowing costs such as facility fees are capitalised and recorded as a deduction from borrowings, instead of being recognised as an asset. The borrowing costs are then amortised over the life of the borrowings using the effective interest rate method. Borrowing costs relating specifically to a qualifying asset are capitalised as part of inventories.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for impairment is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(i) Derivative financial instruments

The Fund uses derivative financial instruments such as interest rate swaps and interest rate caps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value, which is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

In relation to cash flow hedges (incl interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised directly in equity. For cash flow hedges (incl interest rate caps) that do not meet the conditions for hedge accounting, but are used by the Fund to provide an economic hedge, any gains or losses arising from remeasuring the instrument at fair value is recognised in the profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ('GST') except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

(l) Investment properties

Property (including land and buildings) held for long-term rental yield is classified as an investment property.

Initially, investment properties are measured at cost including transaction costs.

Subsequent to initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset or where this is not available, an appropriate valuation method which may include discounted cashflow projections and the capitalisation method. The fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflows (excluding those relating to future capital expenditure) that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably.

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

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

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on derecognition of an investment property are recognised in the income statement in the year of derecognition.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets

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

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

Loans and Receivables

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

Available for Sale Investments

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

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

Impairment

The Fund assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(n) Trade and other payables

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Inventories

Development work in progress

Development land, including the acquisition costs of the land, together with associated development costs is valued at the lower of cost and net realisable value.

(q) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Fund expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(i) Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before reporting date.

(ii) Distributions

A provision for distributions is recognised in the Balance Sheet if the distribution has been declared, determined or publicly recommended prior to balance date.

(iii) Employee leave benefits

<u>Wages, salaries, annual leave and sick leave</u>
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of the employees' services up to reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses from non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

<u>Long service leave</u>
The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contributed equity and unit holders' funds

Issued and paid up capital is recognised at the fair value of the consideration received by the Fund. Each issued security confers upon the security holder an equal interest in the Fund, and is of equal value. A security does not confer any interest in any particular asset or investment of the Fund. The rights, obligations and restrictions attached to each security holder are identical in all respects.

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

(s) Earnings per security (EPS)

Basic EPS is calculated as net profit attributable to security holders of the Fund where securities are classified as equity, adjusted to exclude costs of servicing equity (other than dividends/distributions) divided by the weighted average number of ordinary securities.

Diluted EPS is calculated as net profit attributable to security holders where securities are classified as equity, adjusted for:

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

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

(t) Leasing fees expense

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

(u) Leasing incentives

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

(v) Business Combinations

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

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment Reporting

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

(x) Distributions

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

(y) Goodwill

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

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

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

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

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

Impairment losses for goodwill are not subsequently reversed.

(z) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation. All other repairs and maintenance are recognised in the profit and loss as incurred.

Depreciation is calculated on a straight-line or diminishing value basis over the estimated useful life of the specific assets as follows:
Leasehold improvements – 13 years
Office equipment – 3 to 10 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

3. SEGMENT INFORMATION

(a) Segment accounting policies

During the year there were no changes in segment accounting policies that materially affected the segment information.

(b) Segment Information

(i) Primary Segment - Business Segments	Property Investment $000	Property Funds Management $000	Property Development $000	Total $000
30 June 2008				
Revenue				
Project delivery management fee income	0	0	7,514	7,514
Property funds management fee income	0	12,099	0	12,099
Rental income	24,691	0	439	25,130
Interest income	2,158	529	909	3,596
Other income	3	198	0	201
Revaluation increment on investment property	12,152	0	0	12,152
Total Revenue and other income	39,004	12,826	8,862	60,692
Result				
Segment result before impairment and interest expense	23,846	10,215	(5,991)	28,070
Less: Impairment loss – goodwill	0	(6,320)	0	(6,320)
Less: Impairment loss – loans receivable	0	0	(10,464)	(10,464)
Less: Interest expense	(15,736)	(1,780)	0	(17,516)
Segment result before income tax expense	8,110	2,115	(16,455)	(6,230)
Income tax expense/(benefit)	0	2,170	(2,308)	(138)
Net Profit/(loss)	8,110	(55)	(14,147)	(6,092)
Assets				
Segment assets	437,235	39,884	35,223	512,342
Non-segment assets				0
Total Assets	437,235	39,884	35,223	512,342
Liabilities				
Segment liabilities	233,735	23,485	22,670	279,890
Non-segment liabilities				0
Total Liabilities	233,735	23,485	22,670	279,890
Cash flow information				
Net cash flows from/(used in) operating activities	5,661	(962)	(6,617)	(1,918)
Net cash flows from/(used in) investing activities	(99,608)	(6,853)	(342)	(106,803)
Net cash flows from/(used in) financing activities	91,230	0	3,949	95,179

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2008

3. SEGMENT INFORMATION (Continued)

(b) Segment Information (Continued)

(i) Primary Segment - Business Segments	Property Investment $000	Property Funds Management $000	Property Development $000	Total $000
30 June 2007				
Revenue				
Project delivery management fee income	0	0	21,967	21,967
Property funds management fee income	0	140	0	140
Rental income	14,975	0	470	15,445
Interest income	1,345	2	1,656	3,003
Revaluation increment on investment property	78,228	0	0	78,228
Total Revenue and other income	94,548	142	24,093	118,783
Result				
Segment result before interest expense	50,287	78	(2,951)	47,414
Interest expense	(7,954)	0	(58)	(8,012)
Segment result before income tax expense	42,333	78	(3,009)	39,402
Income tax expense/(benefit)	0	23	(903)	(880)
Net Profit/(loss)	42,333	55	(2,106)	40,282
Assets				
Segment assets	302,841	33,221	76,562	412,624
Non-segment assets	0	0	0	0
Total Assets	302,841	33,221	76,562	412,624
Liabilities				
Segment liabilities	175,975	20,677	15,520	212,172
Non-segment liabilities	0	0	0	0
Total Liabilities	175,975	20,677	15,520	212,172
Cash flow information				
Net cash flows from operating activities	3,004	144	16,192	19,340
Net cash flows used in investing activities	(3,282)	(27,703)	(13,495)	(44,480)
Net cash flows from financing activities	241	19,438	51,785	71,464

(ii) Secondary Reporting Segment – Geographical segments
The Fund operates in one geographical segment, being Australia.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Parent	
		2008 $000	2007 $000	2008 $000	2007 $000
4.	**REVENUE AND EXPENSES**				
(a)	**Revenue from operating activities**				
	Project delivery management fee income	7,514	21,967	0	0
	Property funds management fee income	12,099	140	0	0
	Rental income	25,130	15,445	6,833	2,579
	Interest income	3,596	3,003	482	1,136
	Other income	201	0	0	10
	Total Revenue from operating activities	48,540	40,555	7,315	3,725
	Property funds management fee income includes:				
	Transaction/disposal fee income	5,851	0	0	0
	Asset management fee income	2,604	60	0	0
	Property management fee income	378	80	0	0
	Leasing fee income	344	0	0	0
	Fair value movement in management fee asset	2,922	0	0	0
		12,099	140	0	0
(b)	**Expenses**				
	Depreciation of plant and equipment	46	1	4	1
	Borrowing expenses				
	Interest and finance charges paid or payable to:				
	Related parties	0	19	219	0
	Other parties	17,516	7,993	4,902	1,205
		17,516	8,012	5,121	1,205
	Amortisation of borrowing costs	584	447	67	26
	Total borrowing expenses	18,100	8,459	5,188	1,231
	Management fee expenses				
	Performance fee expense	8,006	38,510	(38,510)	38,510
	Asset management fee expense	889	903	197	151
	Property management fee expense	244	216	149	34
	Management services fee expense	0	0	481	0
	Total management fee expenses	9,139	39,629	(37,683)	38,695
	Development costs expenses				
	London Woolstore project	7,432	21,778	0	0
	Palm Beach and other projects	5,669	4,730	0	0
	Total development cost expenses	13,101	26,508	0	0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
5. INCOME TAX				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge	3,479	6,275	0	0
Use of carry forward losses	(1,366)	(6,275)	0	0
Net deferred tax asset/(deferred tax liability) acquired - (refer Note 29 (i) & (iii))	(16)	63	0	0
Deferred income tax				
Relating to origination and reversal of temporary differences	(3,601)	(7,218)	0	0
Movement in losses recognised	1,366	6,275	0	0
Income tax benefit reported in the income statement	(138)	(880)	0	0

A reconciliation between income tax expense/(benefit) and the product of accounting profit/(loss) before income tax multiplied by the Fund's applicable income tax rate is as follows:				
Accounting profit before income tax	(6,230)	39,402	7,800	42,610
Less: Profit relating to APGT (refer (i))	(8,454)	(42,332)	(7,800)	(42,610)
Adjusted accounting profit/(loss)	(14,684)	(2,930)	0	0
At the Fund's statutory income tax rate of 30% (2007: 30%)	(4,405)	(880)	0	0
Adjustments in respect of current income tax of previous years:				
Impairment losses not allowed for tax purposes	5,035	0	0	0
Other income not assessible for tax purposes	(877)	0	0	0
Expenditure not allowed for tax purposes	111	2	0	0
Other items (net)	(2)	(2)	0	0
Income tax expense/(benefit) reported in the income statement	(138)	(880)	0	0

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

5. INCOME TAX (CONTINUED)	Consolidated 2008 $000	Consolidated 2007 $000	Income Statement 2008 $000	Income Statement 2007 $000
CONSOLIDATED				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Capitalisation of work in progress	0	1,968	1,968	6,036
Deferred tax assets				
Formation costs and share issue costs	75	89	(14)	34
Prepayments	0	0	0	(50)
Borrowing costs	11	15	(4)	15
Accrued expenses	180	90	90	38
Leave liabilities	178	67	111	67
Provision for doubtful debts	0	0	0	(10)
Work in progress expensed	3,733	2,283	1,450	1,088
	4,177	2,544	3,601	7,218
Losses available for offset against future taxable income	0	1,366	(1,366)	(6,275)
Gross deferred income tax assets	4,177	3,910		
Net deferred income tax assets	4,177	1,942		
Deferred tax income/(expense)			2,235	943

Under current tax legislation, APGT (the parent) is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unit holders, therefore no tax disclosures are made for APGT.

The Fund has brought to account the tax effect of benefits from APGL's tax losses arising in Australia. The tax effect of these losses is $Nil (2007: $1,366,000) and these are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

Tax consolidation

APGL and its 100% owned Australian resident subsidiary (APB) formed a tax consolidated group with effect from 21 March 2005. APGA joined the tax consolidated group on 14 June 2007, APL, APS and AIM joined the tax consolidated group on 22 June 2007 and APGM joined the tax consolidated group on 31 December 2007. APGL is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the year, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

6. EARNINGS PER SECURITY

Basic earnings per security amounts are calculated by dividing net profit/(loss) for the year attributable to security holders of the Fund by the weighted average number of ordinary outstanding securities during the year.

Diluted earnings per security amounts are calculated by dividing net profit/(loss) for the year attributable to security holders of the Fund by the weighted average number of ordinary outstanding securities during the year plus the weighted average number of securities that would be issued on the conversion of all the dilutive potential securities into securities.

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

	Consolidated	
	2008	**2007**
	$000	**$000**
Net profit/(loss) attributable to security holders of the Fund *	(6,094)	40,277
	Number	**Number**
	000	**000**
Weighted average number of securities for basic earnings per security *	191,483	127,021

There have been no transactions involving ordinary securities or potential securities between reporting date and the date of completion of these financial statements.

* This has been used for the calculation of both basic and diluted earnings per security.

		Consolidated		Parent	
7.	**DISTRIBUTION/DIVIDENDS PAID OR PROPOSED**	**2008 $000**	**2007 $000**	**2008 $000**	**2007 $000**
	Distributions on stapled securities declared or paid during the year totalling 9.33 cents (2007: 8.48 cents) per annum per stapled security:				
(a)	Tax deferred distributions paid during the year	13,890	9,692	13,890	9,692
(b)	Tax deferred distributions provided for during the year	5,154	3,546	5,154	3,546
		19,044	13,238	19,044	13,238

No dividends were paid or proposed during the year (2007: Nil). APGL had no franking credits at 30 June 2008 (2007: Nil).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

8. CASH AND CASH EQUIVALENTS	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Cash at bank and on hand	24,708	29,684	2,059	2,606
Short term deposits	13,806	22,372	487	0
	38,514	52,056	2,546	2,606

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

At 30 June 2008 the Fund had available $Nil (30 June 2007: $4,600,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation to Cash Flow Statement	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:				
Cash at bank and on hand	24,708	29,684	2,059	2,606
Short term deposits	13,806	22,372	487	0
	38,514	52,056	2,546	2,606
Reconciliation of net profit/(loss) after tax to net cash flows from/(used in) operations				
Net profit/(loss) after income tax	(6,092)	40,282	7,800	42,610
Adjustment for:				
Amortisation of borrowing costs	584	447	67	25
Amortisation of lease fitout incentives	441	407	296	296
Amortisation of prepaid leasing fees	261	180	7	7
Straight line rent adjustments	(741)	(777)	(472)	(232)
Intercompany loans forgiven	0	0	46,517	0
Depreciation expense	46	1	4	1
Borrowing costs capitalised	101	(471)	0	0
Impairment loss - goodwill	6,320	0	0	0
Impairment loss – loans receivable	10,464	0	0	0
Fair value movement in investments	0	0	(30,133)	(76,619)
Revaluation of property investment	(12,152)	(78,228)	14,486	(3,326)
Changes in assets and liabilities				
(Increase)/decrease in receivables	(6,659)	1,738	(79)	46
(Increase)/decrease in inventories	(6,627)	20,639	0	0
(Increase)/decrease in management fee asset	(2,922)	0	0	0
(Increase)/decrease in deferred tax asset	(258)	5,156	0	0
(Increase)/decrease in interest rate cap	80	0	36	0
(Increase)/decrease in other assets	45	310	(12)	(60)
Increase/(decrease) in payables	15,568	35,645	(37,166)	38,322
Increase/(decrease) in current tax liability	1,272	0	0	0
Increase/(decrease) in provisions	343	47	0	0
Increase/(decrease) in deferred tax liability	(1,992)	(6,036)	0	0
Net cash from/(used in) operating activities	(1,918)	19,340	1,351	1,070

Disclosure of financing facilities
Refer to Note 19.

Non-cash financing and investing activities
Settlement of subsidiary purchase with shares – refer Note 29.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
9. TRADE AND OTHER RECEIVABLES				
Current				
Trade debtors (i)	4,036	279	46	1
Other debtors (ii)	1,481	1,290	79	45
Advances to syndicates (iv)	249	0	0	0
	5,766	1,569	125	46
Non-Current				
Unsecured loan provided to related party (iii)	0	0	10,150	59,800
Loans receivable (v)	14,001	13,495	0	0
Impairment – loans receivable (v)	(10,464)	0	0	0
	3,537	13,495	10,150	59,800

(i) Trade debtors are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that and individual trade receivable is impaired. There have been no impairment losses recognised in the year ended 30 June 2008 (2007: Nil).

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

(iii) This loan from APGT to APGL is unsecured and interest free, with no set repayment terms.

(iv) These advances have been made to syndicates for which an entity in the Fund acts as Responsible Entity. The short-term advances are unsecured and interest free, with no set repayment terms.

(v) On 22 June 2007 APGL advanced two loans to Elderslie Property Investments Pty Ltd ('EPI'). These loans are interest free with no fixed repayment dates. The loans are part of an arrangement whereby APGL can benefit from the development of two of EPI's residential land subdivisions – Dolphin Point and Springfield Meadows. The loans are secured by registered second mortgages over the respective development properties. In addition to the loans described above, APGL has:

- provided St George Bank Limited ("St George") with an unlimited guarantee and indemnity in respect of loans provided by St George to EPI to finance the development of each of these projects. St George has provided EPI with a $6 million facility for Dolphin Point ($5.6 million drawn to 30 June 2008 (2007: $5.2 million)) and an $11.3 million facility for Springfield Meadows ($10.5 million drawn to 30 June 2008 (2007: $8.7 million)). These loans are secured by a registered first mortgage over the respective development properties and a first registered fixed charge over the assets and undertakings of EPI, limited to its interest in the Dolphin Point and Springfield Meadows development projects.
- agreed that in the event of a default by EPI in respect of the facilities provided by St George (described above), St George will have no right of recourse against EPI other than the registered first mortgage and first registered fixed charge over the developments described above.
- entered into put and call arrangements with EPI in respect of the Dolphin Point development property giving EPI the right to require APGL to purchase the property and APGL the right to require EPI to sell the property for total consideration of $12 million. There are three separate put and call options, one for each of the three remaining stages of the project. The options expire on 30 November 2008.

The Directors do not expect the guarantees provided by APGL to result in any liability to APGL.

At 30 June 2008, the Directors have assessed the valuations of the properties and expect that, based on current market conditions, future net cash flows from the development projects will be insufficient to fully repay the St George loans and the loans provided by APGL to EPI. As a consequence the Directors consider that the loans provided by APGL to EPI are impaired at balance date and have recognised impairment losses in the year ended 30 June 2008 of $10,464,000 (2007: Nil). Movements in the provision for impairment loss were as follows:

	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Opening balance	0	0	0	0
Impairment loss for the year	10,464	0	0	0
Closing balance	10,464	0	0	0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

9. TRADE AND OTHER RECEIVABLES (continued)

(vi) At 30 June 2008, the ageing analysis of trade receivables and other debtors is as follows:	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
0 – 30 days	779	1,434	122	45
31 – 60 days	727	36	0	1
61 – 90 days	553	47	0	0
+ 91 days	3,458	52	3	0
Total	5,517	1,569	125	46

Receivables past due but not considered impaired are $4,738,000 for the consolidated entity (2007: $135,000) and $3,000 for the parent (2007: $1,000). The past due but not considered impaired receivables for the consolidated entity at 30 June 2008 includes amounts totalling $4,650,000 receivable from syndicates under the management of the Fund. The Directors have agreed to defer settlement of these amounts (as allowed under the respective Product Disclosure Statements of the syndicates) whilst new financing arrangements for those syndicates are being finalised. Payment terms for the other amounts have not been renegotiated. Management has been monitoring and has been in direct contact with the relevant debtor and is satisfied that payment will be received and that no material items are impaired.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Fair value and risk exposure
Due to the short term nature of the current receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at balance date is the fair value of receivables. Security has been provided in respect of the Loans to EPI (refer note (v) above). Except for these loans, collateral is not held as security for any other receivables, nor is it the Fund's policy to transfer (on-sell) receivables to special purpose entities.

Details regarding interest rate risk exposure is disclosed in Note 23.

10. INVENTORY

	Consolidated 2008 $000	Consolidated 2007 $000	Parent 2008 $000	Parent 2007 $000
Current				
Work in progress at cost (Palm Beach)	19,584	0	0	0
Work in progress at cost (Teneriffe)	0	6,561	0	0
Total inventories at lower of cost and net realisable value	19,584	6,561	0	0
Non-Current				
Work in progress at cost (Palm Beach/Other)	5,203	11,599	0	0
Total inventories at lower of cost and net realisable value	5,203	11,599	0	0

Included in work in progress are capitalised borrowing costs of $486,000 (2007: $1,224,000).

Inventory expense
Inventories recognised as an expense for the year ended 30 June 2008 totalled $13,101,000 (2007: $26,396,000) for the Fund and $Nil (2007: $Nil) for the parent. This expense has been included in the development costs expensed line item in the income statement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008	**2007**	**2008**	**2007**
11. OTHER ASSETS	**$000**	**$000**	**$000**	**$000**
Current				
Prepayments	177	203	32	20
Deposit on property acquisition	0	50	0	50
Security deposits	1	2	0	0
	178	255	32	70
12. PLANT AND EQUIPMENT				
Leasehold improvements at cost	439	9	9	9
Accumulated depreciation	(22)	(1)	(5)	(1)
	417	8	4	8
Office equipment at cost	229	9	0	0
Accumulated depreciation	(104)	0	0	0
	125	9	0	0
TOTAL PLANT AND EQUIPMENT	542	17	4	8

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

	Leasehold improvements $000	Office Equipment $000	Total $000
Balance as at 1 July 2006	0	0	0
Additions	9	0	9
Acquisitions with subsidiaries	0	9	9
Depreciation expense	(1)	0	(1)
Balance as at 30 June 2007	8	9	17
Balance as at 1 July 2007	8	9	17
Additions	429	140	569
Acquisitions with subsidiaries	0	3	3
Disposals	0	(1)	(1)
Depreciation expense	(20)	(26)	(46)
Balance as at 30 June 2008	417	125	542

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

13. INVESTMENTS		Consolidated		Parent	
		2008	**2007**	**2008**	**2007**
		$000	**$000**	**$000**	**$000**
Non-Current					
Investments in controlled entities	(i)	0	0	179,838	149,705

(i) Investments in controlled entities

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

Name	**Country of Regist.**	**Equity Interest 2008 %**	**Equity Interest 2007 %**	**Investment 2008 $000**	**Investment 2007 $000**
Blue Tower Trust	Australia	99.99	99.99	179,838	149,705
Australian Property Growth Limited and its controlled entities:	Australia	100 *	100 *		
APGL (Palm Beach) Pty Ltd	Australia	100 *	100 *		
APGF (Victoria) Pty Ltd	Australia	99 *	99 *		
APGF Administration Pty Ltd	Australia	100 *	100 *		
APGF Management Limited	Australia	100 *	0		
APGF Property Limited	Australia	100 *	100 *		
Austgrowth Property Syndicates Limited	Australia	100 *	100 *		
Austgrowth Investment Management Pty Ltd	Australia	100 *	100 *		

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

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

- APGF Management Limited – Refer Note 29 (i)
- Blue Tower Trust – Refer Note 29 (ii)
- APGF Property Limited, Austgrowth Property Syndicates Limited and Austgrowth Investment Management Pty Ltd – refer Note 29 (iii)
- APGF (Victoria) Pty Ltd was incorporated on 15 December 2006 and has remained dormant since incorporation.
- APGF Administration Pty Ltd was incorporated on 14 June 2007 to employ staff involved in the Fund's operations.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

14. INTEREST RATE SWAPS AND CAPS	**Consolidated 2008 $000**	**Consolidated 2007 $000**	**Parent 2008 $000**	**Parent 2007 $000**
Current				
Interest rate swap	364	0	0	0
Non-Current				
Interest rate swaps	458	1,109	458	438
Interest rate caps	226	0	90	0
	684	1,109	548	438

Interest rate caps and swaps are used by the Fund in the normal course of business in order to hedge exposures to fluctuations in interest rates. The Fund has arranged the following interest rate swaps and caps:

Interest Rate Swaps

At 30 June 2008, the Fund had interest rate swaps in place for notional amounts of $91,500,000 and $16,068,520 whereby it pays fixed rates of 6.04% and 5.56% respectively and receives a variable rate equal to AUD Bank Bill rate on the notional amounts. These contracts expire on 30 September 2008 and 30 November 2009 respectively. The swaps are being used to hedge the changes in interest cash flows on part of its borrowings. The borrowings and the interest rate swaps have the same critical terms.

Interest Rate Caps

At 30 June 2008, the Fund had interest rate caps under which it will receive the amount (if any) by which the AUD Bank Bill rate exceeds the cap rate of 8.00%. This amount is calculated based on the total notional borrowing amount of $50,000,000. These contracts expire on 26 February 2010. The caps are being used to provide an economic hedge to limit the Fund's exposure to unfavourable changes in interest rates on part of its borrowings.

15. MANAGEMENT FEE ASSETS		**Consolidated 2008 $000**	**Consolidated 2007 $000**	**Parent 2008 $000**	**Parent 2007 $000**
Non-Current					
Management fee assets	(i)	15,090	12,168	0	0

(i) Management Fee Assets

This asset represents the fees payable to the Fund in the event of the termination of the Asset Management Agreements or the sale of the underlying assets by syndicates or trusts for which the Fund acts as Asset Manager. Refer Note 2 (e)(iii).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent	
	2008	**2007**	**2008**	**2007**
16. INTANGIBLE ASSETS	**$000**	**$000**	**$000**	**$000**
Non-Current				
Goodwill				
Opening balance	15,553	0	0	0
Acquisition of subsidiaries	1,320	15,553	0	0
Impairment	(6,320)	0	0	0
Closing balance	10,553	15,553	0	0

(i) Description of Goodwill

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

(ii) Impairment testing

For the purposes of impairment testing, goodwill acquired through business combinations has been allocated to one individual cash generating unit, the Property Funds Management ('PFM') unit. PFM is a reportable segment (refer Note 3). The amount of goodwill after providing for impairment allocated to this unit is $10,553,000 (2007: $15,553,000).

The goodwill was acquired in the following transactions:

- SPFM acquisition which occurred on 22 June 2007 resulting in goodwill of $15,553,000 (refer Note 29 (iii)). The Directors consider that the markets applicable to the SPFM business have deteriorated and that key assumptions used to assess the value of the goodwill at acquisition are no longer current and applicable at 30 June 2008. The Directors consider that this asset is impaired, and have recognised an impairment loss of $5,000,000 in the accounts in the year ended 30 June 2008.
- APGM acquisition which occurred on 31 December 2007 resulting in goodwill of $1,320,000 (refer Note 29 (i)). As APGM does not have any revenues or profits from parties other than APGF entities, the Directors have elected to expense this goodwill in the accounts in the year ended 30 June 2008.

The recoverable amount of the PFM unit has been determined based on fair value and has been arrived at taking into account multiples of earnings and also discounted cash flow techniques. The key assumptions that the fair value is most sensitive to are:

- applicable multiples and discount rates used - the multiples and discount rates are based on averages paid on recent transactions of similar businesses.
- expected earnings - the earnings multiple has been applied to future expected earnings as forecast by management. This is based on historical results adjusted for the expected impact of management's future plans for the unit.

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2008

17. INVESTMENT PROPERTY HELD DIRECTLY	**Consolidated 2008 $000**	**Consolidated 2007 $000**	**Parent 2008 $000**	**Parent 2007 $000**
Property investments held directly	408,150	296,300	117,150	33,300
Included in the carrying amount of investment properties are the following components:				
Property asset	400,286	288,727	114,656	30,975
Lease fitout incentives (at written down value)	2,180	2,621	1,341	1,637
Straight line rent receivable *	3,934	3,087	1,134	662
Rental incentives (at written down value)	796	906	0	0
Leasing fees (at written down value)	954	959	19	26
Investment property (at valuation)	408,150	296,300	117,150	33,300

* Asset arising from recording lease income on a straight line basis

(a) Reconciliation of Carrying Amounts

Reconciliation of carrying amounts of property investments	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Opening balance at start of year	296,300	30,033	33,300	30,033
Acquisition (Comalco Place)	0	187,189	0	0
Acquisition (Concord)	65,343	0	65,343	0
Acquisition (Collins Street)	32,823	0	32,823	0
Additions	2,234	1,438	473	244
Amortisation	(441)	(408)	(296)	(296)
Leasing fees expensed	(261)	(180)	(7)	(7)
Net gain/(loss) from fair value adjustments	12,152	78,228	(14,486)	3,326
Closing balance at end of year	408,150	296,300	117,150	33,300

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

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

The carrying value of the assets pledged as securities are:

	Consolidated 2008 $000	**Consolidated 2007 $000**	**Parent 2008 $000**	**Parent 2007 $000**
Property investments held directly	408,150	296,300	117,150	33,300

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

17. INVESTMENT PROPERTY HELD DIRECTLY (continued)

(c) Details of Property Valuation as at 30 June 2008

				Latest Independent Valuation	
Property Description	**Date Acquired**	**Cost and additions to 30 June 2008 $'000**	**Book value at 30 June 2008 $'000**	**Valuation* $'000**	**Date of Valuation**
Comalco Place, Brisbane	19/09/2006	189,461	291,000	291,000	04/08/2008
99 Melbourne Street, Brisbane	21/12/2004	28,068	31,000	31,000	04/08/2008
7 King Street, Concord, Sydney	02/10/2007	65,511	55,400	55,400	18/08/2008
287-301 Collins Street, Melbourne	04/10/2007	33,008	30,750	30,750	07/08/2008
Total		**316,048**	**408,150**	**408,150**	

* Valuations are based on fair values as assessed using a fair market value approach between a willing buyer and seller by:

- Comalco Place and Melbourne Street – Knight Frank Valuations Queensland.
- 7 King Street - DTZ Australia (NSW) Pty Ltd.
- 287-301 Collins Street - Charter Keck Cramer.

18. TRADE AND OTHER PAYABLES	**Consolidated 2008 $000**	**Consolidated 2007 $000**	**Parent 2008 $000**	**Parent 2007 $000**
Current				
Trade creditors (i)	5,525	582	581	21
Prepaid income (ii)	1,305	804	706	173
Other creditors and accruals (iii)	3,324	2,939	639	217
Accrued distribution (iv)	5,154	3,546	5,154	3,546
	15,308	7,871	7,080	3,957
Non – Current				
Prepaid income (ii)	671	843	671	843
Performance fee (v)	0	38,510	0	38,510
	671	39,353	671	39,353

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
(ii) Prepaid income is non-interest bearing and recognised as income over the period to which the income relates.
(iii) Other creditors and accruals are non-interest bearing and are generally settled between 30 and 60 days of amounts becoming due and payable.
(iv) Accrued distribution represents a tax deferred distribution for the quarter ended 30 June.
(v) At 30 June 2007, if APGT and/or BTT had sold an investment property they owned, then under the terms of the Asset Management Agreement, a performance fee may have been payable to the Fund's Asset Manager, APGM. The amount of the performance fee was dependent on the Fund's internal rate of return at that time. The performance fee payable was accrued by the Fund based on property valuations that were current at balance date (refer Note 17). Following the Fund's acquisition of APGM on 31 December 2007, this performance fee arrangement was reduced to nil.

Fair value and risk exposure

Due to the short term nature of the current payables and the nature of non-current prepaid income, their carrying value is estimated to approximate their fair value. The fair value of the non current performance fee is described in Note (v) above.

Details regarding the Fund's interest rate and liquidity risk exposure is disclosed in Note 23.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

19. BORROWINGS AND INTEREST-BEARING LOANS		**Consolidated 2008 $000**	**Consolidated 2007 $000**	**Parent 2008 $000**	**Parent 2007 $000**
Current					
Secured borrowings:					
Related party loan	(i)	0	4,763	0	0
Less: Net borrowing costs		0	(1)	0	0
Secured bank loan	(ii)	14,664	7,777	0	0
		14,664	12,539	0	0
Non Current					
Secured borrowings:					
Secured bank loans	(iii)	243,919	150,569	74,819	16,069
Less: Net borrowing costs		(567)	(798)	(248)	(62)
		243,352	149,771	74,571	16,007

(i) The loan facility was provided by Leyshon Properties Pty Ltd as Trustee for London Woolstore Trust ('LWT'). The loan was secured by a second mortgage over the London Woolstore property. Interest on the loan was initially paid by LWT and was then reimbursed by APGL in accordance with the Development Agreement dated 8 November 2004. The loan facility was repaid in full on 31 July 2007.

(ii) The loan facility is provided by St George Bank Limited. Security provided to the lender is a guarantee and indemnity from APGL, first registered mortgage by APB over the commercial property located at Palm Beach Shopping Centre, 1102 & 1112 Gold Coast Highway, Palm Beach, first registered fixed and floating charge over the assets and undertakings of APB and a set off deed over an amount of $250,000 on deposit with St George Bank Limited given by APB. The $50,128,000 loan facility, expiring on 31 December 2009, is drawn to $14,664,000 at 30 June 2008, leaving $35,464,000 undrawn.

(iii) The loan facilities are provided by Suncorp-Metway Limited. Details of the loans and security provided to the lender is:

- A fully drawn facility for $20,069,000 (2007: $16,069,000 fully drawn) expiring on 31 December 2009. Security provided to the lender is a guarantee and indemnity from Public Trustee of Queensland as Custodian for APGT via first registered mortgage over the 99 Melbourne Street, Brisbane Property. Refer to Note 17(b).
- A fully drawn facility totalling $149,600,000 (2007: $119,600,000 drawn to $115,000,000) expiring on 31 December 2009 ($119,600,000) and 22 February 2013 ($30,000,000). Security provided to the lender is a guarantee and indemnity from Public Trustee of Queensland as Custodian for BTT via registered first mortgage over the 12 Creek Street, Brisbane Property. Refer to Note 17(b).
- A fully drawn facility for $19,500,000 (2007: $19,500,000) established on 22 June 2007 as part of the funding arrangements for the SPFM acquisition. The loan facility expires on 22 June 2010. Security provided to the lender is a fixed and floating charge over all of APGL's assets and undertakings, excluding property development assets, and a share mortgage granted over all of the shares issued by APGM, APL, APS and AIM.
- A fully drawn facility for $36,450,000 (2007: $Nil) established on 2 October 2007 to provide funding for the acquisition of the property at 7 King Street Concord. The loan facility expires on 2 October 2012. Security provided to the lender is a guarantee and indemnity from Public Trustee of Queensland as Custodian for APGT via first registered mortgage over the 7 King Street Concord Property. Refer to Note 17(b).
- A fully drawn facility for $18,300,000 (2007: $Nil) established on 4 October 2007 to provide funding for the acquisition of the property at 287-301 Collins Street Melbourne. The loan facility expires on 4 October 2012. Security provided to the lender is a guarantee and indemnity from Public Trustee of Queensland as Custodian for APGT via first registered mortgage over the 287-301 Collins Street Melbourne Property. Refer to Note 17(b).

Fair value and risk exposure

The carrying amount of the Fund's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

Details regarding the Fund's interest rate and liquidity risk exposure is disclosed in Note 23.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2008

19. BORROWINGS AND INTEREST-BEARING LOANS (Continued)

Financing facilities available

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

	Consolidated		Parent	
	2008 $000	2007 $000	2008 $000	2007 $000
Facilities unused	35,464	4,600	0	0
Facilities used	258,583	163,109	74,819	16,069
Total facilities	294,047	167,709	74,819	16,069

Assets pledged as security

Details of assets pledged as security are disclosed in note 17(b) and note 19.

Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

20. PROVISIONS

	Consolidated		Parent	
	2008 $000	2007 $000	2008 $000	2007 $000
Current				
Annual leave	267	111	0	0
Non – Current				
Long service leave	326	112	0	0

Refer to note 2(q) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of these provisions.

21. OTHER LIABILITIES

	Consolidated		Parent	
	2008 $000	2007 $000	2008 $000	2007 $000
Non - Current				
Loan - Palm Beach Developments Pty Ltd (i)	3,000	2,415	0	0

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

22. MEMBERS' INTERESTS

	2008 Number	2008 $000	2007 Number	2007 $000
CONSOLIDATED				
Units issued in APGT (i)	215,930,022	203,929	167,707,124	151,291
Shares issued in APGL (ii)	215,930,022	22,659	167,707,124	17,874
		226,588		169,165
PARENT				
Units issued in APGT (i)	215,930,022	203,929	167,707,124	151,291

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

Movements in securities on issue	Units in APGT Number	Units in APGT $000	Shares in APGL Number	Shares in APGL $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 in exchange for issued shares in APGM	33,333,333	36,667	33,333,333	3,333
Issued for cash by placement	14,889,565	16,379	14,889,565	1,489
Transaction costs on share issue		(408)		(37)
At 30 June 2008	215,930,022	203,929	215,930,022	22,659

The following issues of securities occurred during the years ended 30 June 2008 and 2007:

- 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 APGM as approved by APGF investors at the Extraordinary General Meetings held on 20 December 2007. 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.

- During the period December 2007 to June 2008, the Fund allotted 14,889,565 stapled securities at $1.20 each, raising $17.87 million in 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 19 September 2006 APGT acquired a 99.99% ownership interest in BTT via a takeover in which 65,533,623 stapled securities were issued to existing BTT investors at an issue price of $1.0591 each. The value of the stapled securities issued has been fully allocated to units in APGT.

- During the year ended 30 June 2007, 67,173,501 stapled securities were issued by the Fund at an issue price of $1.06 per stapled security. The funds raised have been allocated on the basis of $1.05 per unit in APGT and $0.01 per share in APGL.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

22. MEMBERS' INTERESTS (Continued)

Capital Management

When managing the capital, management's objective is to ensure the Fund continues as a going concern as well as to maintain optimal levels of returns to securityholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity, whilst also complying with any capital requirements of relevant regulatory authorities.

Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or returns on assets. As the market is constantly changing, management may change the amount of dividends or distributions to be paid to securityholders, return capital to securityholders, issue new stapled securities or sell assets to reduce debt.

During 2008, the Fund paid distributions of \$19,044,000 (2007: \$13,238,000) at the rate of 9.33 cents (2007: 8.48 cents) per stapled security.

On 20 December 2007 the Fund's investors approved the allotment of up to 25,156,068 stapled securities at \$1.20 per stapled security. At 30 June 2008, 14,889,565 stapled securities had been allotted under this program.

Management monitors capital through the gearing ratio (total interest bearing liabilities divided by total capital). The target for the Fund's gearing ratio is between 40% and 60%. The gearing ratios at 30 June 2008 and 2007 were as follows:

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Total interest bearing liabilities	258,583	163,109	74,819	16,069
Total equity	232,452	200,452	228,071	186,656
Total capital	491,035	363,561	302,890	202,725
Gearing ratio	52.7%	44.9%	24.7%	7.9%

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial instruments comprise receivables, payables, bank and other loans, cash and short-term deposits and derivatives.

The Fund manages its exposure to key financial risks, including interest rate risk, in accordance with the Fund's financial risk management policy. The objective of the policy is to support the delivery of the Fund's financial targets whilst protecting future financial security.

The Fund enters into derivative transactions, principally interest rate swaps and interest rate caps. The purpose is to manage the interest rate risk arising from the Fund's operations and its sources of finance. Trading in derivatives has not been undertaken. The main risks arising from the Fund's financial instruments are interest rate risk, credit risk and liquidity risk. The Fund is not exposed to any material foreign currency risk. The Fund uses different methods to measure and manage different types of risks to which it is exposed. These include:

- monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates,
- ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, and
- liquidity risk is monitored through the development of rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including hedging cover of interest rate risk, credit allowances and monitoring future cash flow forecast projections.

<u>**Risk Exposure and Responses**</u>

Interest rate risk

The Fund's exposure to market interest rates relates primarily to the Fund's long-term debt obligations and interest rate swaps and caps. The level of debt is disclosed in note 19.

At balance date, the Fund had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk (excluding liabilities for which there are designated cash flow hedges):

	Consolidated		Parent	
	2008 $000	2007 $000	2008 $000	2007 $000
Financial assets				
Cash and cash equivalents	38,514	52,056	2,546	2,606
Financial liabilities				
Secured bank loans	(151,014)	(50,777)	(58,750)	0
Secured loan from related party	0	(4,763)	0	0
	(151,014)	(55,540)	(58,750)	0
Net exposure	(112,500)	(3,484)	(56,204)	2,606

Interest rate swap contracts and interest rate cap contracts (refer Note 14) with a fair value of Consolidated $1,048,000 (2007: $1,109,000), Parent $548,000 (2007: $438,000), are exposed to fair value movements if interest rates change.

Controlled entities of the Fund have provided an interest rate subsidy to a related Trust. This was at 2% pa based on a principal amount of $5,000,000 from 1 July 2007 to 31 December 2007 and $2,500,000 from 1 January 2008 to 30 June 2008. This arrangement is expected to cease effective 31 December 2008.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Interest rate risk (continued)

The Fund's policy is to manage its finance costs using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, for debt obligations with original terms exceeding three years, the Fund enters into:

- interest rate swaps in which the Fund agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations, or
- interest rate caps in which the Fund agrees to receive, at specified intervals, the amount (if any) by which the variable rate interest amount exceeds the fixed rate cap interest amount calculated by reference to an agreed-upon notional principal amount. These caps provide economic hedges, but do not qualify for hedge accounting.

The Fund constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

Based on average values of financial assets and financial liabilities for the year ended 30 June 2008, if interest rates had moved with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/ (Lower)		**Equity Higher/ (Lower)**	
Judgements of reasonably possible movements:	**2008 $000**	2007 $000	**2008 $000**	2007 $000
Consolidated				
+ .5% (50 basis points)	17	57	221	730
- 1% (100 basis points)	711	(115)	(443)	(1,460)
Parent				
+ .5% (50 basis points)	(44)	78	108	179
- 1% (100 basis points)	386	(156)	(215)	(359)

The movements in profit are due to higher interest rates on variable rate debt, interest rate caps and cash balances. The movement in equity, which excludes the post tax profit impact above, is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges (interest rate swaps). The sensitivity in profits is higher in 2008 than in 2007 because of an increase in outstanding borrowings and reduction in cash balances due to acquisitions completed during the period. The sensitivity in equity is lower in 2008 than in 2007 because of swap contracts in 2008 having a shorter term to maturity than in 2007.

Credit risk

Credit risk arises from the financial assets of the Fund, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Fund's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Fund trades only with recognised, creditworthy counterparties, and as such, except for Loans receivable in Note 9 (v), collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The Fund does not hold any credit derivatives to offset its credit exposure.

It is the Fund's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Fund's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Fund.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk

Liquidity risk is the risk the Fund will not have sufficient funds to settle a transaction on the due date. The Fund's main liquidity risk is its ability to refinance its existing borrowings when they expire. To limit this risk, management has arranged a number of separate fully drawn bank facilities with maturities due over a number of years. Cash flow forecasts and liquidity are monitored on an ongoing basis. This includes an assessment of expected cash flows and the availability of suitable collateral which could be used to secure additional funding if required. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Fund.

The table below summarises the maturity profile of the Fund's financial liabilities at 30 June 2008 based on contractual undiscounted repayment obligations. Cash flows for financial liabilities without fixed amount or timing are based on the conditions and expectations existing at balance date. The remaining contractual maturities of the Fund's and parent entity's financial liabilities are:

Year ended 30 June 2008	≤6 Months $000	6-12 Months $000	1-5 Years $000	>5 years $000	Total $000
Consolidated					
Financial liabilities					
Trade and other payables	14,723	508	748	0	15,979
Interest bearing loans & borrowings	10,645	26,715	268,199	0	305,559
Other liabilities	0	0	3,000	0	3,000
	25,368	27,223	271,947	0	324,538
Parent					
Financial liabilities					
Trade and other payables	6,994	86	671	0	7,751
Interest bearing loans & borrowings	3,195	3,195	90,751	0	97,141
	10,189	3,281	91,422	0	104,892
Year ended 30 June 2007					
Consolidated					
Financial liabilities					
Trade and other payables	7,412	459	690	38,663	47,224
Interest bearing loans & borrowings	18,288	5,748	158,405	0	182,441
Other liabilities	0	0	2,415	0	2,415
	25,700	6,207	161,510	38,663	232,080
Parent					
Financial liabilities					
Trade and other payables	3,869	86	690	38,663	43,308
Interest bearing loans & borrowings	610	610	17,898	0	19,118
	4,479	696	18,588	38,663	62,426

Fair value

The recognised financial assets and liabilities included in the Fund's Balance Sheet are carried at values which Directors consider approximates their net fair value.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

24. COMMITMENTS AND CONTINGENCIES

Capital Commitments

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

- Palm Beach Project – $22,427,000 at 30 June 2008 (2007: $Nil).
- Comalco Place - $1,833,000 (2007: $389,000).

These capital commitments are all due for settlement within 12 months of the balance sheet date.

Bank Guarantees

At 30 June 2008 bank guarantees totalling $197,000 have been provided by St George Bank Limited (2007: Nil). These are secured by cash accounts with the bank.

Contingencies

The Directors are of the opinion that there are no contingent liabilities or assets as at balance date that are not already provided for or disclosed in the notes to the financial statements, including the option arrangement described in Note 9 (v).

Operating lease commitments – Fund as lessor

Some of the properties owned by the Fund are leased to third parties under operating leases.

	Consolidated		Parent	
Future minimum rental revenues under non-cancellable operating leases are as follows:	**2008 $000**	**2007 $000**	**2008 $000**	**2007 $000**
- not later than one year	25,121	17,873	7,720	2,447
- later than one year and not later than five years	69,548	47,783	25,744	9,944
- later than five years	10,490	10,870	6,288	2,583
Total	105,159	76,526	39,752	14,974

25. RELATED PARTY DISCLOSURES

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

Trustee and Responsible Entity

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

Shareholdings of APGM were:	30 June 2008 %	30 June 2008 No. of Shares	30 June 2007 %	30 June 2007 No. of Shares
APGL	100.0	1,065	0.0	0
Leyshon Pty Ltd	0.0	0	45.0	450
W G Collins Pty Ltd atf W G Collins Discretionary Trust	0.0	0	22.5	225
O'Reilly Enterprises Pty Ltd atf O'Reilly Family Trust	0.0	0	22.5	225
G & M Rees Investments Pty Ltd atf G & M Investment Trust	0.0	0	7.5	75
Glendower Investments Pty Ltd atf Glendower Super Fund	0.0	0	2.5	25
	100	1,065	100	1,000

On 31 August 2007 Leyshon Pty Ltd's shareholding increased to 90% when it acquired the shares owned by W G Collins Pty Ltd atf W G Collins Discretionary Trust and O'Reilly Enterprises Pty Ltd atf O'Reilly Family Trust. On 31 December 2007 APGL acquired 100% of the issued shares of APGM from the existing shareholders at that time.

Key Management Personnel

Details relating to directors and key management personnel of APGM and APGL are included in note 28.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

25. RELATED PARTY DISCLOSURES (Continued)

Scheme Management and Transaction Fees
Subsidiaries of the Fund act as Responsible Entity and provide asset management services (APGM, APL and APS) and property management services (APGM and AIM) to the following trusts and syndicates:

APGT *
BTT *
APGF Diversified Property Fund **
APGF Property Syndicate 4 **
APGF Property Syndicate 5 **
APGF Property Syndicate 7 **
APGF Property Syndicate 2000 **
Burwood Property Syndicate **
Brisbane CBD Property Syndicate **
Brisbane Property Syndicate **
North Sydney Property Syndicate **
Canberra Property Syndicate **
Lane Cove Property Syndicate **
Melbourne Property Syndicate **
Merrylands Property Syndicate **
Rhodes Property Syndicate **
Wetherill Park Property Syndicate **
Penrith Property Syndicate **
Austgrowth Property Syndicate 18 **
Austgrowth Property Syndicate 19 **
Austgrowth Property Syndicate 20 **
Austgrowth Property Syndicate 21 **
Austgrowth Property Syndicate 22 **
Austgrowth Property Syndicate 23 **
Austgrowth Property Syndicate 24 **
Warnbro Property Syndicate **
Mernda Land Trust **
Harvey Street Property Syndicate **

	2008 $000	2007 $000
Property funds management fees paid/payable by these entities to the Fund	12,099	140

These fees include $2,922,000 for the movement in the fair value of the management fee asset (refer Note 15) for the year ended 30 June 2008 (2007: Nil).

* Only includes fees from 31 December 2007 (date APGM was acquired by the Fund) to 30 June 2008. These fees have been eliminated on consolidation.
** Comparatives are from 22 June 2007 (date APL, APS and AIM were acquired by the Fund) to 30 June 2007

<u>Other fees</u>

During the year ended 30 June 2008 management (including transaction related) fees of $3,681,000 (2007: $6,122,000) were paid or payable by the Fund to APGM in its capacity as Responsible Entity, Asset Manager, Property Manager or Development Manager of APGT, BTT and APB. Any fees incurred subsequent to 31 December 2007 (the date APGM was acquired by the Fund) have been eliminated on consolidation.

At 30 June 2007, if APGT and/or BTT had sold an investment property they owned, then under the terms of the Asset Management Agreement, a performance fee may have been payable to the Fund's Asset Manager, APGM. The amount of the performance fee was dependent on the Fund's internal rate of return at that time. The performance fee payable based on valuations at 30 June 2007 totalled $38.5 million (refer Note 18). In accordance with Australian Accounting Standards this amount was reflected in the Fund's liabilities at 30 June 2007. At 31 December this accrual had increased to $46.5 million, with a corresponding charge to the profit and loss of $8 million. Following the Fund's acquisition of APGM on 31 December 2007, this performance fee arrangement was reduced to nil, with a corresponding reduction in expenses in the parent entity's financial statements of $46.5 million (this reduction was eliminated when determining the Fund's consolidated accounts).

Transactions between APGM, APL, APS and AIM and the abovementioned entities result from normal dealings with those entities in accordance with the applicable Management Agreements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

25. RELATED PARTY DISCLOSURES (Continued)

Other transactions

Development Agreement

During the year APGL reimbursed London Woolstore Trust for costs of $871,000 (2007: $2,678,000) incurred in the development of the London Woolstore project. During the year London Woolstore Trust paid APGL a management fee (Project Delivery Fee) of $7,514,000 (2007: $21,967,000) in respect of settlements of the London Woolstore project.

Finance for the London Woolstore project has been arranged by Leyshon Properties Pty Ltd as Trustee for London Woolstore Trust in accordance with the Development Agreement (refer Note 19(i)).

Transactions between APGL and Leyshon Properties Pty Ltd as Trustee for London Woolstore Trust result from normal dealings with those companies in accordance with the Development Agreement.

Loans

APGT has provided a loan of $10,150,000 (2007: $59,800,000) to APGL. This loan is unsecured and interest free, with no set repayment terms. During the period this loan was reduced in accordance with an agreement between APGT and APGL, whereby APGT forgave $46.5 million of the loan balance payable by APGL.

BTT provided a short term loan of $5,000,000 (2007: $Nil) to APGT which was fully repaid during the period. This loan was unsecured. Interest applicable to the loan was based on BTT's cost of borrowing plus a margin of 0.25% pa. Interest paid on this loan during the period is $219,000 (2007: Nil).

Management services fees

APGT paid APGFA $481,000 (2007: Nil) to reimburse APGFA for actual costs incurred for the provision of management and administrative services for the period 1 January 2008 to 30 June 2008.

26. AUDITOR'S REMUNERATION

	Consolidated		Parent	
	2008	2007	2008	2007
	$	$	$	$
The auditor of APGF is Ernst & Young. Amounts received or due and receivable by Ernst & Young for:				
• an audit or review of the financial report of the Fund and any other entity in the Fund	238,500	196,881	108,000	104,760
• other services in relation to the Fund and any other entity in the Fund				
- other audit services – compliance plan and AFSL audits	19,300	27,500	19,300	13,750
- taxation services	72,050	115,310	34,420	50,360
- corporate advice (takeover/capital raising)	38,140	213,254	5,800	162,396
- property/business acquisition advice	13,800	67,980	13,800	30,440
	381,790	620,925	181,320	361,706
Amounts received or due and receivable by non Ernst & Young audit firms for:				
• an audit or review of the financial report of the Fund and any other entity in the Fund	0	17,550	0	0
• other services in relation to the Fund and any other entity in the Fund				
- other audit services – compliance plan and AFSL audits	0	5,750	0	0
- taxation services	0	3,158	0	0
- other services	0	650	0	0
	0	27,108	0	0

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2008

27. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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.

28. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key Management Personnel ("KMP")

APGT

The KMP of APGM, the Trustee and Responsible Entity of APGT, during the year were:

Directors

N. E. Summerson	Chairman (non-executive)
G. M. McMahon	Managing Director
R. Bryan	Director (non-executive – appointed 11 March 2008))
S. E. Bryan	Director (non-executive – appointed 11 March 2008))
K. R. Pickard	Director (non-executive – appointed 11 March 2008))
A. J. Cragnolini	Director (executive - appointed 31 August 2007, resigned 11 March 2008)
W. G. Collins	Director (executive - resigned 31 August 2007)
M. O'Reilly	Director (executive - resigned 31 August 2007)

Executives

A. J. Cragnolini	Chief Financial Officer/Company Secretary
L. Garcia	General Manager – Funds Management
R. I. Cribb	General Manager – NSW Property
M. S. Rundle	Manager – Property Development

APGM, as the Responsible Entity of APGT, is considered to be included in KMP of APGT. There were no changes to the KMP after reporting date and before the date the financial report was authorised for issue.

APGL

The KMP of APGL during the year were:

Directors

N. E. Summerson	Chairman (non-executive)
G. M. McMahon	Managing Director
R. Bryan	Director (non-executive)
S. E. Bryan	Director (non-executive)
K. R. Pickard	Director (non-executive)
S. K. Smith	Alternate Director for S. E. Bryan
W. G. Collins	Director (executive - resigned 31 August 2007)
M. O'Reilly	Director (executive - resigned 31 August 2007)

Executives

A. J. Cragnolini	Chief Financial Officer/Company Secretary
L. Garcia	General Manager – Funds Management
R. I. Cribb	General Manager – NSW Property
M. S. Rundle	Manager - Property Development

There were no changes to the KMP after reporting date and before the date the financial report was authorised for issue.

(b) Compensation for KMP	**Consolidated**		**Parent**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Short-term employee benefits	1,453,099	0	1,453,099	0
Post-employment benefits	88,248	0	88,248	0
Other long-term benefits	0	0	0	0
Termination benefits	0	0	0	0
Share-based payments	0	0	0	0
Total compensation	1,541,347	0	1,541,347	0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

28. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(c) Securityholdings of KMP (Consolidated)

Securities held in the Fund* (number)

30 June 2008	Balance at 01-07-2007	Granted as Remuneration	On Exercise of Options	Other Net Change	Balance at 30-06-2008
Directors					
N. E. Summerson #	50,313,729	0	0	30,833,333	81,147,062
G. M. McMahon #	49,113,693	0	0	32,500,000	81,613,693
R. Bryan #	49,071,693	0	0	30,000,000	79,071,693
S. E. Bryan	36,000	0	0	41,666	77,666
K. R. Pickard	3,017,300	0	0	0	3,017,300
S. K. Smith	36,000	0	0	0	36,000
W. G. Collins	490,305	0	0	0	490,305
M. O'Reilly	490,305	0	0	0	490,305
Executives					
A. J. Cragnolini	9,434	0	0	0	9,434
L. Garcia	0	0	0	0	0
R. I. Cribb	0	0	0	0	0
M. S. Rundle	6,000	0	0	5,000	11,000
Total #	54,441,073	0	0	33,379,999	87,821,072

30 June 2007	Balance at 01-07-2006	Granted as Remuneration	On Exercise of Options	Other Net Change	Balance at 30-06-2007
Directors					
N. E. Summerson #	10,613,000	0	0	39,700,729	50,313,729
G. M. McMahon #	10,615,000	0	0	38,498,693	49,113,693
R. Bryan #	10,601,000	0	0	38,470,693	49,071,693
S. E. Bryan	0	0	0	36,000	36,000
K. R. Pickard	500,000	0	0	2,517,300	3,017,300
S. K. Smith	0	0	0	36,000	36,000
W. G. Collins	36,000	0	0	454,305	490,305
M. O'Reilly	36,000	0	0	454,305	490,305
Executives					
A. J. Cragnolini	0	0	0	9,434	9,434
L. Garcia	0	0	0	0	0
R. I. Cribb	0	0	0	0	0
M. S. Rundle	2,000	0	0	4,000	6,000
Total #	11,201,000	0	0	43,240,073	54,441,073

* Securities held in the Fund represent one unit issued in APGT stapled to one share issued in APGL. The stapled securities are treated as one security and cannot be traded or dealt with separately.

The holdings of N. E. Summerson, G. M. McMahon and R. Bryan each include the same securities held by the Leyshon Group of Companies. At 30 June 2008 this holding is 79,071,693 securities (2007: 49,071,693 securities). To avoid duplication, these have only been included once in the total number of securities held by KMP.

All equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Fund would have adopted if dealing at arm's length.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

28. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(d) Loans to KMP (Consolidated)

There were no loans between the Fund and the KMP during the period (2007: Nil).

(e) Other transactions and balances with KMP and their related parties (Consolidated)

(i) APGM, as the Responsible Entity of APGT, is considered to be included in the KMP of APGT. Compensation is paid to APGM in the form of fees which are disclosed in Note 25.

(ii) On 31 December 2007, the Fund acquired a 100% interest in APGM. The APGM shareholders immediately prior to the sale were Leyshon Pty Ltd ('Leyshon') (90%), G & M Rees Investments Pty Ltd atf G & M Rees Investment Trust ('G&M Rees') (7.5%) and Glendower Investments Pty Ltd atf Glendower Super Fund ('Glendower') (2.5%). Mr Summerson, Mr McMahon and Mr R. Bryan are Directors and shareholders of Leyshon Pty Ltd and Mr S Bryan and Mrs Smith are Directors of Leyshon Pty Ltd. Mr Summerson is also a shareholder and Director of Glendower and Mr McMahon is a shareholder and Director of G&M Rees.

The purchase consideration comprised an issue of stapled securities ($40,000,000) and payment of cash consideration ($10,000,000). The Fund issued 33,333,000 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 APGM 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.

Further details of the transaction are provided in Note 29 (i).

(iii) The Fund also entered into the following transactions with Leyshon during the period:

- Transfer of property plant and equipment valued at $413,000 from Leyshon to APGFA (2007: Nil).
- Provision of management services by Leyshon to APL for the period 22 June 2007 to 31 December 2007 for consideration of $105,000
- Provision of accounting and support services and office accommodation by APGFA to Leyshon for the period 1 January 2008 to 30 June 2008 for consideration of $94,000

These transactions between the Fund and Leyshon result from normal dealings with those companies in accordance with the relevant Management Agreement and Asset Transfer and Services Agreement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

29. BUSINESS COMBINATIONS

(i) ACQUISITION OF APGM

On 31 December 2007 the Fund acquired a 100% interest in APGM, 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) and costs directly attributable to the acquisition. The Fund issued 33,333,000 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 APGM 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.

APGM is the Responsible Entity of APGT and BTT, as well as asset manager for various projects of the Fund.

The fair value of the identifiable assets and liabilities of APGM 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
	50,040	3,524
Trade and other payables	80	80
Income tax payable	1,030	1,030
Employee entitlements	28	28
Deferred tax liability	25	25
	1,163	1,163
Fair value of identifiable net assets	48,877	2,361
Goodwill arising on acquisition (expensed at date of acquisition) *	1,320	
	50,197	
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	50,197	
The cash outflow on acquisition is as follows:		
- Net cash acquired with APGM	2,895	
- Cash paid during period	(10,197)	
Net cash outflow for period	(7,302)	

* As APGM does not have any revenues or profits from parties other than APGF entities, the Directors have elected to expense this goodwill in the accounts in the year ended 30 June 2008.

From the date of acquisition to 30 June 2008, after adjusting for the effect of intercompany transactions, APGM has contributed a loss of $1,391,000 (including Goodwill expensed of $1,320,000) to the net result of the Fund. If the acquisition had taken place at the beginning of the financial year (1 July 2007), after adjusting for the effect of intercompany transactions, the profit of the Fund for the year ended 30 June 2008 would have been $5,827,000 and the revenue would have been $60,784,000.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

29. BUSINESS COMBINATIONS (Continued)

(ii) ACQUISITION OF BTT

On 19 September 2006 the Fund acquired a 99.99% interest in BTT, an Australian registered Trust. The total cost of the acquisition was $73,087,000 and comprised an issue of stapled securities and costs directly attributable to the acquisition. The Fund issued 65,534,000 stapled securities with a fair value of $1.0591 each. This value was based on Directors' assessment of the fair value of the net assets of BTT at the date of acquisition, and took into account the independent valuation and the independent experts report included in the Prospectus and Product Disclosure Statement issued on 19 July 2006.

BTT owns the 37 level commercial office building known as Comalco Place situated at 12 Creek Street, Brisbane.

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

	Recognised on Acquisition $000	Carrying Value $000
Property investments held directly	182,524	180,054
Lease fitout incentives	821	821
Cash and cash equivalents	985	985
Trade and other receivables	4,643	4,643
Interest rate swap	389	95
Other	1,353	1,353
	190,715	187,951
Trade and other payables	3,524	3,524
Interest bearing liabilities	114,099	114,099
	117,623	117,623
Fair value of identifiable net assets (100% of BTT)	73,092	70,328

Cost of acquisition	
- Stapled securities issued at fair value	69,407
- Costs associated with the acquisition	3,680
Total cost of acquisition (99.99% of BTT)	73,087

The cash outflow on acquisition is as follows:	
- Net cash acquired with BTT	985
- Cash paid	(3,680)
Net cash outflow	2,695

From the date of acquisition to 30 June 2007, BTT contributed a profit of $76,351,000 to the net result of the Fund. If the acquisition of BTT had taken place at the beginning of the financial year (1 July 2006), the profit of the Fund for the year ended 30 June 2007 would have been $43,497,000 (excluding an asset management fee of $17,663,000 paid by BTT when it was acquired by APGT) and the revenue would have been $124,759,000.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

29. BUSINESS COMBINATIONS (Continued)

(iii) ACQUISITION OF PROPERTY FUNDS MANAGEMENT GROUP

On 22 June 2007 APGL acquired a 100% interest in a property funds management group ('SPFM') from Elderslie Finance Corporation Limited, comprising APL, APS and AIM. The total cost of the acquisition was $31,829,000 and comprised a cash payment of $32,500,000 plus costs directly attributable to the acquisition and less settlement adjustments.

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

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

	Recognised on Acquisition $000	Carrying Value $000
Cash and cash equivalents	5,082	5,082
Trade and other receivables	164	164
Other assets	22	22
Plant and equipment	9	9
Deferred tax asset	63	63
Exit fee asset (Note 13)	12,168	0
	17,508	5,340
Trade and other payables	1,056	1,056
Provisions	176	176
	1,232	1,232
Fair value of identifiable net assets	16,276	4,108
Goodwill arising on acquisition (Note 14)	15,553	
	31,829	
Cost of acquisition		
- Purchase price (settled by cash payment)	32,500	
- Settlement adjustment (included in receivables)	(955)	
- Costs associated with the acquisition	284	
Total cost of acquisition	31,829	
The cash outflow on acquisition is as follows:		
- Net cash acquired with SPFM	5,082	
- Cash paid	(32,784)	
Net cash outflow	(27,702)	

From the date of acquisition to 30 June 2007, SPFM contributed a profit of $105,000 to the net result of the Fund. If the acquisition of SPFM had taken place at the beginning of the financial year (1 July 2006), the profit of the Fund for the year ended 30 June 2007 would have been $41,903,000 and the revenue would have been $122,958,000.

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:

(1) In the opinion of the Directors:

(a) the financial statements and notes of the Trust and of the consolidated entity are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) compliance with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2008.

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, 11 September 2008

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

N. Summerson
Chairman
Brisbane, 11 September 2008

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

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

Report on the Financial Report

We have audited the accompanying financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in security holders' interests and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity. The Fund, as the consolidated entity, comprises both the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of APGF Management Limited, the Responsible Entity of the Fund ("the directors") are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and trust deed. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors a written Auditor's Independence Declaration, a copy of which is included in the directors' report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed. In addition to our audit of the financial report we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust and its controlled entities) is in accordance with:

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

(i) giving a true and fair view of the financial position of the Trust and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
11 September 2008