

# **Australian Property Growth Fund**

**Interim Consolidated Financial Report  
for the half year ended 31 December 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 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 Australian Accounting Standards, APTG 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 ('APGM')

APGL has a 99% ownership interest in:

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

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

The Fund's structure is described further in the Directors' Report.

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

**Registered office and principal place of business is located at:**

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

### **Auditors**

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

## **Directors' Report**

The Board of Directors of APGF Management Limited ('APGM') the Trustee and Responsible Entity of Australian Property Growth Trust ('APGT') and the Board of Directors of Australian Property Growth Limited ('APGL') present their financial report on the Fund consisting of APGT and APGL and their controlled entities for the half year ended 31 December 2008.

### **DIRECTORS**

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

#### **APGM as Trustee and Responsible Entity for APGT:**

Neil Edwin Summerson	(Non-executive Chairman)
Geoffrey Michael McMahon	(Managing Director)
Robert Bryan	(Non-executive Director)
Kenneth Ross Pickard	(Non-executive Director)
Scott Edward Bryan	(Non-executive Director)

#### **APGL:**

Neil Edwin Summerson	(Non-executive Chairman)
Geoffrey Michael McMahon	(Managing Director)
Robert Bryan	(Non-executive Director)
Kenneth Ross Pickard	(Non-executive Director)
Scott Edward Bryan	(Non-executive Director)
Sally Kathleen Smith	(Alternate for Scott Edward Bryan)

### **COMPANY SECRETARY**

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

### **FUND INFORMATION**

#### **Structure of Australian Property Growth Fund ("the Fund" or "APGF")**

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 General Meetings held on 20 December 2007 and 28 November 2008. On 19 September 2006 APGT acquired a 99.99% ownership interest in BTT.

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by shareholders at General Meetings held on 20 December 2007 and 28 November 2008. APGL (Palm Beach) Pty Limited ('APB') and APGF Administration Pty Ltd ('APGA') were incorporated as wholly owned subsidiaries of APGL on 21 March 2005 and 14 June 2007 respectively. On 22 June 2007, APGL acquired a 100% ownership interest in each of APGF Property Limited ('APL'), Austgrowth Property Syndicates Limited ('APS') and Austgrowth Investment Management Pty Ltd ('AIM'). On 31 December 2007 APGL acquired a 100% ownership interest in APGF Management Limited ('APGM').

## **Directors' Report (continued)**

### **FUND INFORMATION (continued)**

#### **Structure of Australian Property Growth Fund (continued)**

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

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

#### **Nature of Operations and Principal Activities**

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

- 12 Creek Street, Brisbane (formerly known as Comalco Place), 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<sup>2</sup> of office accommodation and parking for 485 cars;
- 287-301 Collins Street, Melbourne, a 13 level Art-Deco style office building which is fully occupied by ANZ Bank;
- 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<sup>2</sup> retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is planned to be developed in two stages over 2007 – 2010; and
- Future projects which satisfy the Fund Managers' project selection criteria.

#### **Review of Operations for the period**

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

On 21 December 2004 APGT commenced business with the acquisition of a brand new five level 6,200m<sup>2</sup> 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<sup>2</sup> commercial office building at 12 Creek Street, Brisbane (formerly known as Comalco Place). BTT was acquired for \$73 million including acquisition costs which equated to the \$184 million valuation on the building at that time, less BTT's borrowings and working capital.

## **Directors' Report (continued)**

### **OPERATING AND FINANCIAL REVIEW (continued)**

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

- the Westpac Campus at 7 King Street, Concord West Sydney for \$60.75 million. Located just 15 kilometres from the Sydney CBD, the commercial/business park development comprises approximately 16,500m<sup>2</sup> 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 until December 2009 when ANZ intends to vacate the nine upper floors. The property will then be repositioned through refurbishment and re-leasing.

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

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

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<sup>2</sup> and currently operates as the Palm Beach Plaza Shopping Centre. The Palm Beach site is to be developed into an approximate 5,000m<sup>2</sup> retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. 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 mid 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 20 February 2009, SPFM managed 32 properties contained in 22 property trusts or syndicates, with a total value of \$422 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 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.

On 17 December 2008 the Fund allotted 11,650,000 stapled securities at \$0.80 each, raising \$9.32 million. The funds have been allocated on the basis of \$0.73 per unit in APGT and \$0.07 per share in APGL.

## Directors' Report (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### Results

The net operating result of the Fund is presented in the Condensed Income Statement. The net loss attributable to the security holders for the half year ended 31 December 2008 was \$23,209,000 (2007: \$12,681,000 profit). A summary of results for the period by significant industry segment is set out below.

#### (a) Property Investment

The net loss attributable to the security holders from the property investment operations for the half year ended 31 December 2008 was \$18,869,000 (2007: \$14,320,000 profit). Reflected in this result are revaluation decrements on investment properties of \$21,875,000 (2007: \$20,918,000 increments) less a performance fee payable of Nil (2007: \$8,006,000).

#### (b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders for the half year ended 31 December 2008 is \$3,421,000 (2007 \$3,086,000 loss).

#### (c) Property Funds Management

The net loss attributable to the security holders from the property funds management operations for the half year ended 31 December 2008 was \$919,000 (2007: \$1,447,000 profit).

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

APGF has entered into a contract to purchase the responsible entity of the Domaine property funds. The contract became unconditional on 6 March 2009 and is expected to be settled on 13 March 2009. The Domaine property funds management business manages several unlisted property funds with approximately \$625 million of property assets.

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

### ROUNDING

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

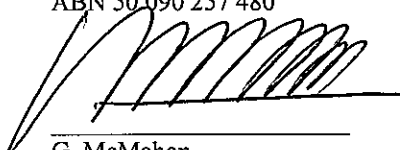
### AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 17.

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

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

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



G. McMahon  
Managing Director  
Brisbane, 12 March 2009



N. Summerson  
Chairman  
Brisbane, 12 March 2009

## Condensed Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2008 (\$000)</b>	<b>31 December 2007 (\$000)</b>
<b>Revenue</b>			
Rental income		15,095	11,405
Property funds management fee income		893	5,671
Project delivery management fee income		0	6,764
Interest income		1,395	1,275
Other income		17	104
<b>Total Revenue</b>		<b>17,400</b>	<b>25,219</b>
Revaluation increment/(decrement) on investment properties		(21,875)	20,918
<b>Total Revenue and Revaluation Increments/(Decrements)</b>		<b>(4,475)</b>	<b>46,137</b>
<b>Less Expenses</b>			
Air conditioning expenses		(238)	(202)
Audit fees		(97)	(115)
Borrowing expenses	4	(11,157)	(7,614)
Consultancy fees		(236)	(261)
Development costs expensed	4	(510)	(11,656)
Electricity		(102)	(82)
Impairment loss - goodwill		0	(1,320)
Impairment loss – loans receivable	4	(2,081)	0
Insurance		(117)	(107)
Land tax		(266)	(179)
Leasing expenses		(146)	(127)
Legal expenses		(137)	(79)
Lift expenses		(170)	(174)
Management fee expenses	4	(57)	(9,100)
Personnel expenses		(1,891)	(800)
Rates		(486)	(397)
Recoverable outgoings		(647)	(597)
Rent expenses		(130)	(2)
Repairs and maintenance		(184)	(179)
Other expenses		(737)	(599)
<b>Total Expenses</b>		<b>(19,389)</b>	<b>(33,590)</b>
<b>Profit/(loss) from operating activities before income tax</b>		<b>(23,864)</b>	<b>12,547</b>
Income tax benefit		654	136
<b>Net profit/(loss) from operating activities after income tax</b>		<b>(23,210)</b>	<b>12,683</b>
Profit/(loss) attributable to minority interest		(1)	2
<b>Profit/(loss) after income tax attributable to security holders</b>		<b>(23,209)</b>	<b>12,681</b>
<b>Represented by:</b>			
Earnings attributable to members of APGT		(19,088)	14,320
Loss attributable to members of APGL		(4,121)	(1,639)
		<b>(23,209)</b>	<b>12,681</b>
<b>Earnings per stapled security (cents)</b>			
- Basic earnings per stapled security		(10.7)	7.5
- Diluted earnings per stapled security		(10.7)	7.5
<b>Distributions per stapled security (cents)</b>	5	4.8	4.5

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

## Condensed Balance Sheet

AS AT 31 DECEMBER 2008

		Consolidated	
	Note	31 December 2008 (\$000)	30 June 2008 (\$000)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		30,234	38,514
Trade and other receivables		4,860	5,766
Inventory		32,130	19,584
Income tax asset		534	0
Other		779	542
<b>Total Current Assets</b>		<b>68,537</b>	<b>64,406</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		4,261	3,537
Inventory		13,341	5,203
Property investments held directly	7	388,650	408,150
Plant and equipment		527	542
Interest rate swap and caps		1	684
Management fee assets		14,156	15,090
Deferred tax asset		4,459	4,177
Goodwill		10,553	10,553
Other		271	0
<b>Total Non-current Assets</b>		<b>436,219</b>	<b>447,936</b>
<b>TOTAL ASSETS</b>		<b>504,756</b>	<b>512,342</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		11,775	15,308
Borrowings and interest bearing loans	6	37,631	14,664
Income tax payable		0	2,302
Provisions		238	267
<b>Total Current Liabilities</b>		<b>49,644</b>	<b>32,541</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables		584	671
Borrowings and interest bearing loans	6	243,575	243,352
Provisions		276	326
Other		3,000	3,000
<b>Total Non-current Liabilities</b>		<b>247,435</b>	<b>247,349</b>
<b>TOTAL LIABILITIES</b>		<b>297,079</b>	<b>279,890</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF</b>		<b>207,677</b>	<b>232,452</b>
<b>REPRESENTED BY:</b>			
<b>Attributable to members of APGL</b>			
Contributed equity	8	23,474	22,659
Accumulated losses		(22,757)	(18,636)
<b>Total attributable to members of APGL</b>		<b>717</b>	<b>4,023</b>
<b>Attributable to unitholders of APGT</b>			
Units on issue	8	212,428	203,929
Hedging reserve		0	147
Undistributed earnings		(5,479)	24,341
<b>Total attributable to unitholders of APGT</b>		<b>206,949</b>	<b>228,417</b>
Minority interests		11	12
<b>TOTAL MEMBERS' INTERESTS</b>		<b>207,677</b>	<b>232,452</b>

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



## Condensed Statement of Changes in Security Holders' Interests

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### CONSOLIDATED

	Securities Issued \$000	Undistributed Income \$000	Other Reserves \$000	Minority Interests \$000	Total \$000
<b>At 1 July 2007</b>	169,165	30,843	434	10	200,452
Net gain from cash flow hedges	0	0	201	0	201
Total income and expense for the half year recognised directly in equity	0	0	201	0	201
Loss for the half year attributable to members of APGL	0	(1,639)	0	0	(1,639)
Earnings for the half year attributable to unitholders of APGT	0	14,320	0	2	14,322
Total income for the half year attributable to security holders	0	12,681	0	2	12,683
Distributions to security holders	0	(8,757)	0	0	(8,757)
Securities issued	56,428	0	0	0	56,428
Transaction costs	(402)	0	0	0	(402)
<b>At 31 December 2007</b>	<b>225,191</b>	<b>34,767</b>	<b>635</b>	<b>12</b>	<b>260,605</b>
<b>At 1 July 2008</b>	226,588	5,705	147	12	232,452
Net gain from cash flow hedges	0	0	(147)	0	(147)
Total income and expense for the half year recognised directly in equity	0	0	(147)	0	(147)
Loss for the half year attributable to members of APGL	0	(4,121)	0	0	(4,121)
Earnings for the half year attributable to unitholders of APGT	0	(19,088)	0	(1)	(19,089)
Total income for the half year attributable to security holders	0	(23,209)	0	(1)	(23,210)
Distributions to security holders	0	(10,732)	0	0	(10,732)
Securities issued	9,320	0	0	0	9,320
Transaction costs	(6)	0	0	0	(6)
<b>At 31 December 2008</b>	<b>235,902</b>	<b>(28,236)</b>	<b>0</b>	<b>11</b>	<b>207,677</b>

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

## Condensed Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	31 December	31 December
Note	2008 (\$000)	2007 (\$000)
<b>Cash flows from operating activities</b>		
Receipt of rental income	16,260	12,549
Receipt of property funds management fees	3,047	2,006
Receipt of project delivery management fees	0	7,526
Payment of Palm Beach project development costs	(24,964)	(4,393)
Payments to other suppliers & employees	(6,668)	(7,307)
Borrowing costs paid	(11,380)	(6,680)
Interest received	1,371	1,275
Income tax paid	(2,464)	0
<b>Net cash flows from/(used in) operating activities</b>	<b>(24,798)</b>	<b>4,976</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(26)	(526)
Payments for investment property purchases	0	(98,166)
Payments for investment property additions	(2,364)	(775)
Payments for investments	(8)	0
Payment of advances to syndicates	(2,210)	0
Payment of loans to other parties	(505)	(102)
Acquisition of subsidiary, net of cash acquired	0	2,698
Payment of deposit on business acquisition	(263)	0
<b>Net cash flows used in investing activities</b>	<b>(5,376)</b>	<b>(96,871)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	6 22,967	63,350
Payment of costs of new borrowings	(8)	(254)
Repayment of borrowings	0	(4,762)
Proceeds from borrowings – related parties	0	565
Distributions paid to security holders	(10,379)	(7,121)
Proceeds from the issue of securities	9,320	16,428
Payment of security issue costs	(6)	(39)
<b>Net cash flows from financing activities</b>	<b>21,894</b>	<b>68,167</b>
Net increase/(decrease) in cash held	(8,280)	(23,728)
Cash and cash equivalents at beginning of the period	38,514	52,056
<b>Cash and cash equivalents at end of the period</b>	<b>30,234</b>	<b>28,328</b>

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

## **Notes to the Financial Statements**

### **FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

#### **1. CORPORATE INFORMATION**

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

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

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of preparation**

This general purpose condensed consolidated financial report for the half year ended 31 December 2008 has been prepared in accordance with the Trust's constitution, the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. The half year consolidated financial report has also been prepared on the basis of historical costs, except for investment properties, management fee assets and derivative financial instruments which have been measured at fair value. The half year consolidated financial report is presented in Australian dollars. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

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

It is recommended that the half year financial report be read in conjunction with the annual financial report of the Fund for the year ended 30 June 2008 and considered together with any public announcements made by the Fund during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the BSX Listing Rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the annual financial report for the year ended 30 June 2008.

Since 1 July 2008 the Fund has adopted certain Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

#### 3. SEGMENT INFORMATION

The primary reporting format for the group is business segments.

Business Segments	Property Investment	Property Funds Mgmt	Property Development	Total
	\$000	\$000	\$000	\$000
<b>31 December 2008</b>				
<b>Revenue</b>				
Rental income	14,898	0	197	15,095
Property funds management fee income	0	893	0	893
Interest income	1,080	250	65	1,395
Revaluation decrement on investment properties	(21,875)	0	0	(21,875)
Other income	0	17	0	17
<b>Total Revenue and revaluation decrements</b>	<b>(5,897)</b>	<b>1,160</b>	<b>262</b>	<b>(4,475)</b>
<b>Result</b>				
Segment result before interest expense	13,069	717	(2,025)	11,761
Less: Revaluation decrement on investment properties	21,875	0	0	21,875
Less: Impairment loss – loans receivable	0	0	2,081	2,081
Less: Management fee asset decrements	0	743	0	743
Less: Interest expense	10,064	862	0	10,926
Segment result before income tax expense	(18,870)	(888)	(4,106)	(23,864)
Income tax benefit/(expense)	0	(31)	685	654
Segment Net Profit/(loss)	(18,870)	(919)	(3,421)	(23,210)
Profit/(loss) attributable to minority interest	(1)	0	0	(1)
Segment Net Profit/(loss) attributable to security holders	(18,869)	(919)	(3,421)	(23,209)
<b>31 December 2007</b>				
<b>Revenue</b>				
Rental income	11,170	0	235	11,405
Property funds management fee income	0	5,671	0	5,671
Project delivery management fee income	0	0	6,764	6,764
Interest income	576	171	528	1,275
Revaluation increment on investment properties	20,918	0	0	20,918
Other income	0	104	0	104
<b>Total Revenue and revaluation increments</b>	<b>32,664</b>	<b>5,946</b>	<b>7,527</b>	<b>46,137</b>
<b>Result</b>				
Segment result before impairment and interest expense	7,863	4,825	(4,408)	8,280
Add: Revaluation increment on investment properties	20,918	0	0	20,918
Less: Performance fee expense	8,006	0	0	8,006
Less: Impairment loss - goodwill	0	1,320	0	1,320
Less: Interest expense	6,453	872	0	7,325
Segment result before income tax expense	14,322	2,633	(4,408)	12,547
Income tax benefit/(expense)	0	(1,186)	1,322	136
Segment Net Profit/(loss)	14,322	1,447	(3,086)	12,683
Profit/(loss) attributable to minority interest	2	0	0	2
Segment Net Profit/(loss) attributable to security holders	14,320	1,447	(3,086)	12,681

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	2008	2007
	\$000	\$000
<b>4. EXPENSES</b>		
Depreciation of plant and equipment	40	4
Borrowing expenses		
Interest and finance charges paid or payable to:		
Other parties	10,926	7,325
Amortisation of borrowing costs	231	289
Total borrowing expenses	11,157	7,614
Management fee expenses		
Performance fee expense	0	8,006
Asset management fee expense	0	889
Property management fee expense	57	205
Total management fee expenses	57	9,100
Development costs expensed		
London Woolstore project	0	6,619
Palm Beach and other projects	510	5,037
Total development costs expensed	510	11,656
Impairment loss – loans receivable *	2,081	0

\* At 31 December 2008, the Directors have assessed the recoverability of the loans receivable from Elderslie Property Investments Pty Ltd ("EPI"), which is dependent on the development of two of EPI's residential land subdivisions – Dolphin Point and Springfield Meadows. Based on their assessment of the valuations of the properties, and after considering current market conditions, the Directors have concluded that the future net cash flows from the development projects will be insufficient to fully repay both the project debt and the book value of 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 half year ended 31 December 2008 of \$2,081,000 (six months ended 31 December 2007: Nil).

	Consolidated	
	2008	2007
	\$000	\$000
<b>5. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED</b>		
Distributions on stapled securities declared or paid during the half year totalling 4.84 cents (2007: 4.54 cents) per stapled security:		
(a) Distributions paid during the half year	5,225	3,575
(b) Distributions provided for during the half year	5,507	5,182
	10,732	8,757

No dividends were paid or proposed during the period (2007: Nil).

## Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2008

#### 6. BORROWINGS AND INTEREST-BEARING LOANS

- During the half year, APGF had the following significant transactions involving borrowings and interest bearing loans:
- An additional \$22,967,000 was drawn against the facility provided by St George Bank Limited in respect of the Palm Beach Project. The \$50,128,000 facility, expiring on 31 December 2009, is drawn to \$37,631,000 at 31 December 2008, leaving \$12,497,000 undrawn.
  - Expiry dates of facilities provided by Suncorp Metway Limited totalling \$139,669,000 were extended from 31 December 2009 to 31 March 2010.

#### 7. PROPERTY INVESTMENTS HELD DIRECTLY

##### Details of Property Valuations at 31 December 2008

Property Description	Date Acquired	Cost and additions to 31 December 2008 (\$000)	Book value at 31 December 2008* (\$000)	Latest Independent Valuation**	
				Valuation (\$000)	Date of Valuation
12 Creek Street, Brisbane	19/09/2006	191,725	281,000	291,000	04/08/2008
99 Melbourne Street, Brisbane	21/12/2004	27,968	29,000	31,000	04/08/2008
7 King Street, Concord, Sydney	02/10/2007	65,598	50,900	55,400	18/08/2008
287-301 Collins Street, Melbourne	04/10/2007	33,132	27,750	30,750	07/08/2008
<b>Total</b>		<b>318,423</b>	<b>388,650</b>	<b>408,150</b>	

\* Fair value at 31 December 2008 as assessed by the APGM Directors in accordance with AASB 140 *Investment Property*.

The global market for all types of property has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards property and the number of property transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. The current lack of comparable market evidence means that there is less certainty in regard to valuations.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the fair value recorded in the financial statements.

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

- 12 Creek Street and 99 Melbourne Street – Knight Frank Valuations Queensland.
- 7 King Street - DTZ Australia (NSW) Pty Ltd.
- 287-301 Collins Street - Charter Keck Cramer.

## Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

8. ISSUED SECURITIES	Consolidated		Consolidated	
	31 December 2008 Number	31 December 2008 \$000	30 June 2008 Number	30 June 2008 \$000
Units issued in APGT (i)	227,580,022	212,428	215,930,022	203,929
Shares issued in APGL (ii)	227,580,022	23,474	215,930,022	22,659
		<u>235,902</u>		<u>226,588</u>
(i) Units carry one vote per unit and carry the right to distributions.				
(ii) Fully paid ordinary shares carry one vote per share and carry the right to dividends.				
<i>Movements in securities on issue</i>	<b>Units in APGT</b>		<b>Shares in APGL</b>	
	<b>Number</b>	<b>\$000</b>	<b>Number</b>	<b>\$000</b>
At 1 July 2007	167,707,124	151,291	167,707,124	17,874
Issued as part of consideration for APGM acquisition	33,333,333	36,667	33,333,333	3,333
Issued for cash by placement	14,889,565	16,379	14,889,565	1,489
Transaction costs on share issue	0	(408)	0	(37)
At 30 June 2008	215,930,022	203,929	215,930,022	22,659
Issued for cash by placement	11,650,000	8,505	11,650,000	815
Transaction costs on share issue	0	(6)	0	0
At 31 December 2008	227,580,022	212,428	227,580,022	23,474

On 17 December 2008, 11,650,000 stapled securities were issued at \$0.80 each to raise funds for APGF's existing and future projects. The value of the stapled securities issued have been allocated on the basis of \$0.73 per unit in APGT and \$0.07 per share in APGL.

## 9. CAPITAL COMMITMENTS AND CONTINGENCIES

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

- bank guarantees at 31 December 2008 are \$625,000 (30 June 2008: \$197,000). These guarantees are secured by cash accounts held with the bank.
- capital commitments at 31 December 2008 are \$4,140,000 for 12 Creek Street (30 June 2008: \$1,833,000) and \$6,480,000 for the Palm Beach Project (30 June 2008: \$22,427,000).

## 10. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

APGF has entered into a contract to purchase the responsible entity of the Domaine property funds. The contract became unconditional on 6 March 2009 and is expected to be settled on 13 March 2009. The Domaine property funds management business manages several unlisted property funds with approximately \$625 million of property assets.

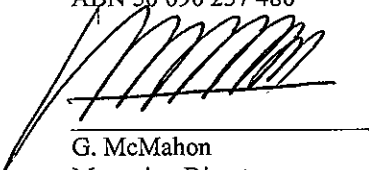
Except for the item disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the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

## **Directors' Declaration**

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

- (a) the financial statements and notes of the consolidated entity set out on pages 7 to 15 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



G. McMahon  
Managing Director  
Brisbane, 12 March 2009

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

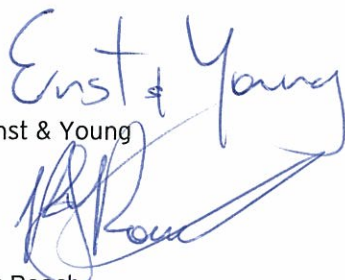


N. Summerson  
Chairman  
Brisbane, 12 March 2009



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

In relation to our review of the financial report of Australian Property Growth Fund for the half-year ended 31 December 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.

A handwritten signature in blue ink, appearing to read 'Ric Roach', is written over a faint, stylized 'Ernst & Young' logo.

Ernst & Young

Ric Roach  
Partner  
9 March 2009

## To the security holders of Australian Property Growth Fund

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

### Report on the Condensed Half -Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund") during the half-year, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for half-year ended on that date, other selected explanatory notes and the directors' declaration. The fund, as the consolidated entity, comprises both the trust and the entities it controlled at the half-year end or from time to time during the period.

### Directors' Responsibility for the Half Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Australian Property Growth Trust and the entities it controlled during the six months, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

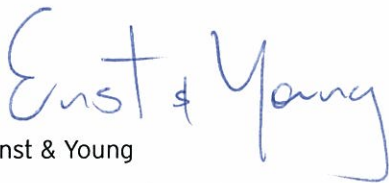
### Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust and its controlled entities) is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, likely belonging to Ric Roach, consisting of stylized initials and a surname.

Ric Roach  
Partner  
Brisbane

12 March 2009