

AUSTRALIAN PROPERTY GROWTH FUND
ANNUAL REPORT
2008-09

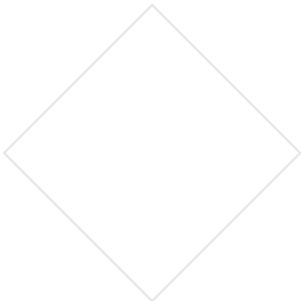




2008–09



Property has long been seen as an asset-driven industry. However at APGF we believe our highly skilled and experienced people can make a major difference to investment performance.



APGF is operated by a small team of industry professionals with decades of industry experience. Our people have experienced a number of property cycles and understand how to identify opportunities and secure acquisitions with strong investment metrics, even in down markets.

APGF understands the key driver of value during challenging times is intensive asset management to maximise income.



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ABOUT APGF

Australian Property Growth Fund (APGF/the Fund) specialises in property funds management, investment and development, with a goal of producing long-term sustainable returns to investors from its quality property portfolio.

APGF has approximately \$1.3 billion of property assets under management, led by the flagship Blue Tower commercial office building in the Brisbane CBD.

The Fund spans the sectors of commercial office, residential, retail and industrial property. Consistent with the Fund's name, APGF's assets are diversified geographically across Australia, including Sydney, Melbourne, Brisbane, Perth, Canberra, the Gold Coast, Newcastle and Cairns.

Having participated in substantial and successful property funds management, investments and developments nationwide, APGF's experienced management team is committed to utilising its core strengths of managing property assets and adding value to these assets through proactive and hands on management.





2008-09 KEY FEATURES

- Underlying profit after tax of \$8.5 million*
- Accounting net loss after tax of \$64 million (includes non-operating and non-cash asset devaluations and impairments of \$72.5 million)
- Net asset value per stapled security of 70 cents
- Net assets of \$160 million
- Assets under management of approximately \$1.3 billion
- Cash of \$25 million as at 30 June 2009
- No major investment property loan maturities until September 2011
- Compliance with all bank loan covenants
- Construction of Stage 1 of Pavilions on 5th, Palm Beach completed in June 2009 with 95% of Stage 1 retail leased and 82% of Stage 1 apartments under unconditional sales contracts
- APGF acquired the Domaine property funds management business in March 2009
- Other excellent acquisition opportunities are emerging.

**Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of APGF in accordance with Australian Institute of Company Directors (AICD) / Financial Services Institute of Australia (FINSIA) principles of reporting underlying profit.*

CHAIRMAN AND MANAGING DIRECTOR'S REPORT



NEIL SUMMERSON
Chairman



GEOFF McMAHON
Managing Director

The 2008/09 financial year has been extremely volatile and challenging for APGF.

The global financial crisis (GFC) has been one of the most significant economic events to occur since the 1930s.

APGF's results reflect the challenges the Fund faced, along with all other property companies, as a result of these difficult economic conditions.

Despite the headline accounting loss, the Fund has delivered a respectable underlying profit against the headwinds of this challenging environment.

Throughout the year we focused on proactively managing the impact of the current market conditions and took decisive action in relation to risk minimisation, capital management and cost efficiency initiatives.

Our key objective was to ensure that we emerged from the current economic downturn in a strong financial position.

We have started the 2009/10 financial year with positive developments on a number of fronts including the finalisation of integration of the Domaine property funds management business and the continuing strong pre-sales being achieved at Pavilions on 5th at Palm Beach.

APGF's 2008/09 statutory accounting result is a net loss after tax of \$64 million. However, all of this loss is due to non-cash items which do not directly relate to the performance of APGF's operating business. These non-cash items are property devaluations and asset impairment losses totalling \$72.5 million and represent approximately 15.5% of total assets. Excluding these non-cash items, APGF recorded an underlying profit after tax of \$8.5 million.

ECONOMIC ENVIRONMENT

In the current difficult economic environment, access to debt and equity has become extremely limited and expensive. As a result, asset values globally - in every asset class - have fallen significantly.

Governments throughout the world, including Australia, took unprecedented action in response to the GFC, employing aggressive fiscal and monetary policies to stimulate economic activity. While these policies appear to be working and the worst of the crisis may now be over, the fallout is expected to continue for some time to come.

PROPERTY MARKET

The Australian property sector, in particular, continues to be adversely impacted due to the prevailing credit crunch, which has resulted in a lack of capital for property transactions. This has created a market where there are currently more sellers than buyers.

All property sectors and classes have been adversely impacted by declining valuations.

Like other property funds, APGF has been impacted by changes in the sales capitalisation rates adopted by valuers and the negative sentiment directed towards the property sector.

Despite this economic climate, APGF remains in a solid position. And when considering APGF's 2008/09 results, it is important to note APGF's property investments are long term assets and are not intended to be sold in the short term.

CAPITAL MANAGEMENT

APGF continues to respond to the volatile and challenging conditions by taking steps to minimise risk and efficiently manage its capital base.

The Fund is in a sound capital position with approximately \$25 million in cash at 30 June 2009. Also, APGF continues to comply with all of its debt covenants and has no major investment property loan maturities until September 2011.

The Fund's capital management strategy is to ensure distributions are in line with underlying profits, so as to ensure the sustainability of investor returns.

Consistent with this policy and reflecting the deteriorating economy and property markets, the distribution rate will be reduced to 3.5 cents per stapled security per annum from 1 July 2009.

APGF's major shareholder, Leyshon Group, has demonstrated continued strong support for the Fund through the investment of a further \$9 million in APGF in December 2008. This capital raising assisted the Fund to ensure that we emerge from the current economic conditions as an even stronger business.

STRATEGY

Already attractive counter-cyclical acquisition opportunities are starting to emerge in a number of key property sectors.

APGF's management team has decades of experience and an excellent track record of securing acquisitions with strong investment fundamentals across numerous market cycles and a diverse range of property sectors.

As an example of this, APGF acquired the Domaine property funds management business in March 2009 at an attractive acquisition price.

This business comprises the management of several significant unlisted property funds with approximately \$480 million of property assets as at 30 June 2009.

APGF management has proven expertise acquiring and integrating new businesses into the Fund's structure as evidenced by the successful integration of the former Elderslie property funds management business which was purchased by APGF in June 2007. We are confident that the Domaine acquisition will also prove to be a success.

OUTLOOK

There are currently tentative but positive economic "green shoots" emerging with evidence of increased business and consumer confidence and improved trading profits for a number of companies in the broad economy.

In uncertain times like the present, it is important to look through short term volatility and negativity and focus on medium and long term fundamentals.

The fundamentals for the Australian economy and its major property markets remain intact and investor and consumer sentiment will inevitably improve.

Having experienced the credit crunch of the early 1990s, APGF's management team has the ability to continue managing the Fund and to deliver sustainable long term returns to our investors.

We enter the 2009/10 financial year with confidence, given our core operating business is in good shape, and our commitment to continued prudent management through this uncertain economic cycle.



Neil Summerson
Chairman



Geoff McMahon
Managing Director





Left to Right: GEOFF McMAHON, NEIL SUMMERSON,
BOB BRYAN, KEN PICKARD, SCOTT BRYAN

BOARD OF DIRECTORS

NEIL EDWIN SUMMERSON

BCom, FCA, FAICD, FAIM
Chairman

Neil Summerson is Chairman of APGF. He is currently and has been a director of several public, private and government corporations. He is Chairman of Bank of Queensland, and has over 35 years experience practising as a chartered accountant. He was a partner and managing partner of Ernst & Young (Queensland) and a past State Chairman of the Institute of Chartered Accountants.

As a practising chartered 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, development and construction.

GEOFFREY MICHAEL McMAHON

BEcon, BCom, FCPA, FAICD, FCIM, F FIN
Managing Director

Geoffrey ('Geoff') McMahon is Managing Director of APGF. He has been working in the property sector for more than 19 years and is responsible for APGF's corporate strategy, property funds management, investments and developments.

Geoff has been involved in over \$1 billion of property investments and developments and has been a driving force within APGF since its inception. Geoff has significant experience in corporate finance and strategy, property funds management, property investment, property development, capital raising and management, risk management, corporate governance and financial management.

ROBERT BRYAN

BSc (Hons, Geology), FAusIMM
Non-Executive Director

Robert ('Bob') Bryan has had a long-term involvement in the property and mining industries in Australia and South East Asia. In 1983, 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. Until late 2008 he was Chairman of Queensland Gas Company Limited and until mid-2008 served as Chairman of PanAust Limited and Highlands Pacific Ltd.

Since selling his controlling interest in the original Pan Australian Mining in 1989, Bob's private company, Leyshon Group, has focussed on property funds management, investment and development. Leyshon Group is APGF's major shareholder.

SCOTT EDWARD BRYAN

BSc (Hons, Geology), PhD
Non-Executive Director

Scott Bryan is a geologist, graduating from the University of Queensland with First Class Honours in Geology and having obtained a PhD from Monash University. Scott was a Research Fellow at Yale University from 2003-2005 and is currently working at the University of Queensland.

Scott has been on the board of the Company since 2004 and has been involved in property funds management, development and investments through his directorship of Leyshon Group since 2001.

KENNETH ROSS PICKARD

BCom, FCA, MAICD
Non-Executive Director

Kenneth ('Ken') Pickard is the managing director of Moore Stephens Queensland, an accounting and business advisory company with seven offices throughout Queensland.

Ken was a partner of Ernst & Young from 1982, a position he held until the formation of Pickards BDS in 1996. In July 2007, Pickards BDS merged with Moore Stephens, Qld.

He has over 30 years experience in property, 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.



MICHAEL O'REILLY

Juris Doctor, MIEF, MA (IRAP),
FAPI, MRICS
Director, Asset Management

Michael O'Reilly is Director, Asset Management and is responsible for all of the Fund's asset management.

Michael is a Fellow of the Australian Property Institute with over 35 years experience in the property industry, during which he has held a number of senior management positions in Australia and South-East Asia.

Michael has a broad range of expertise centred on investment property including asset management, portfolio analysis, performance strategies, risk management and tenant advocacy.



LUIS GARCIA

MBA, Dip Fin Ad, CPA
General Manager,
Funds Management

Luis Garcia was a founding director of APGF's Sydney based property funds management business, which was acquired by APGF in June 2007.

He has over 35 years experience in property funds management, banking, investment, finance and general management and has held senior executive positions with various major Australian banks, international companies and government.

He is a Certified Practising Accountant and holds a Masters of Business Administration from Macquarie University, as well as a Diploma of Financial Advising from the Financial Services Institute of Australasia.



ADRIANO CRAGNOLINI

B.Bus (Acc), CA, F FIN
Chief Financial Officer

Adriano Cagnolini is APGF's Chief Financial Officer.

He has more than 15 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.

Adriano is a Chartered Accountant and a member of the Australasian Compliance Institute, in addition to being a Fellow of the Financial Services Institute of Australasia.



MARK RUNDLE

B.App.Sc (PRM), AAPI
General Manager,
Property Development

Mark Rundle has a degree in land economics and is a qualified property valuer with 25 years experience in property valuation, feasibility analysis, finance and development.

He has successfully managed the development of numerous multi-million dollar commercial, retail and residential projects in several Australian cities.

MANAGEMENT TEAM



ANDREW BRODIE

B.Bus (Real Estate Valuation
and Business)

Senior Retail Asset Manager

Andrew Brodie is Senior Retail Asset Manager and is responsible for the asset management of the Fund's retail assets.

He is an experienced retail executive who has had extensive experience with GPT/Lend Lease and AMP and has managed and overseen some of Australia's leading shopping centres.

Andrew is a qualified valuer and holds a real estate licence.



ANDREW PAGE

B.Ec; Grad Cert Prop Ec
Senior Asset Manager

Andrew Page is a Senior Asset Manager responsible for all of APGF's Queensland commercial property assets

Andrew has almost 20 years experience in property asset management having managed commercial, industrial and retail assets for major organisations during his career.

He holds a Bachelor of Economics from University of Queensland and postgraduate qualifications in Property Economics from Queensland University of Technology.



IAN FORTESCUE

Senior Asset Manager

Ian Fortescue is Senior Asset Manager and is responsible for APGF's NSW, Canberra, Victorian and Western Australian assets.

He has 16 years experience in commercial and industrial property leasing with the past 7 years as a manager of APGF and its predecessor companies' assets.



BRIDGET WOODS

Dip Inv Rel
Investor Relations Manager -
Property Funds Management

Bridget Woods is Investor Relations Manager and is responsible for communications with investors in APGF's managed property trusts/syndicates.

Having held a senior management role in an ASX 300 listed property trust, Bridget has transferred her experience and knowledge to APGF and since her appointment has introduced significant innovations to investor communications.



BLUE TOWER'S SERVICES UPGRADE
IS WELL UNDERWAY WITH NEW
AIR-CONDITIONING CHILLERS AND
CONTROLS ALREADY INSTALLED AS PART
OF THE MODERNISATION PROGRAM

TRUST ASSETS

12 CREEK STREET ("BLUE TOWER") BRISBANE CBD

Located in the heart of Brisbane's 'golden triangle', the 32,000 square metre Blue Tower commercial office tower in Creek Street, Brisbane, is APGF's flagship property. Situated 150 metres from the GPO, it provides close proximity to both the financial and retail sectors of the Brisbane CBD. The property consists of a 37-level commercial office building and a separate two-level annexe building. The main office tower has 32 levels of offices, ground floor lobby and retail, and four levels of basement car parking comprising approximately 308 car parks.

The building was purchased by Blue Tower Trust from AMP Statutory Fund No. 1 for \$113 million in November 2003, the first time it was offered for sale since the tower was opened in 1984. On 19 September 2006, APGF acquired Blue Tower Trust based on a property valuation of \$184 million.

Blue Tower's \$8 million services upgrade is well underway with new air-conditioning chillers and controls already installed as part of the modernisation program.

Introduction of the new lifts is six months into its eighteen month installation program.

The Brisbane CBD office market has been impacted by the fallout from the GFC.

There has been a reduction in demand for office space from tenants and many proposed office development projects have been deferred which will have the benefit of reducing future supply.

However, as a result of movement in sales capitalisation rates and the negative sentiment towards property, Blue Tower's valuation was reduced by \$43.9 million to a carrying value of \$247 million at 30 June 2009, representing a 15% reduction over the 2008/09 financial year.





99 MELBOURNE STREET SOUTH BRISBANE

Located on a prime 2,700 square metre site adjacent to the Brisbane Convention & Exhibition Centre in South Brisbane, 99 Melbourne Street is a five-level office building, comprising a net lettable area of approximately 6,200 square metres. Constructed in 2004, the low-rise building was designed to capitalise on the main street location, offering a 90-metre frontage in the heart of South Brisbane's thriving South Bank precinct. The building is defined by its classic red brick façade and extensive glazing.

The spacious floor plates with minimal intrusion of columns provide tenants with flexibility in office design and fitout. The inclusion of a café at ground level further enhances the overall amenity for the building's tenants, as well as pedestrians and other local users within the precinct.

99 Melbourne Street has been fully occupied since it opened in early 2005 and remains a quality commercial office building.

Reflecting the negative property market sentiment, the building's valuation was reduced by \$3 million to \$28 million at 30 June 2009, which represents a 9.7% reduction over the past 12 months.





THIS COMMERCIAL AND
BUSINESS PARK DEVELOPMENT
OF 16,500 SQUARE METRES
HAS GOOD LONG-TERM
PROSPECTS FOR REPOSITIONING

TRUST ASSETS

WESTPAC CONCORD CAMPUS CONCORD WEST, SYDNEY

Situated at 7 King St, Concord West, Sydney, the Westpac Concord Campus is a commercial/business park development comprising approximately 16,500 square metres of office accommodation with onsite childcare facilities, café, gymnasium and 485 car parks. The property was purpose-built for Westpac Banking Corporation Limited in 1997 and is in excellent condition. It currently houses Westpac's administration, processing and call centre services for a number of the bank's business units.

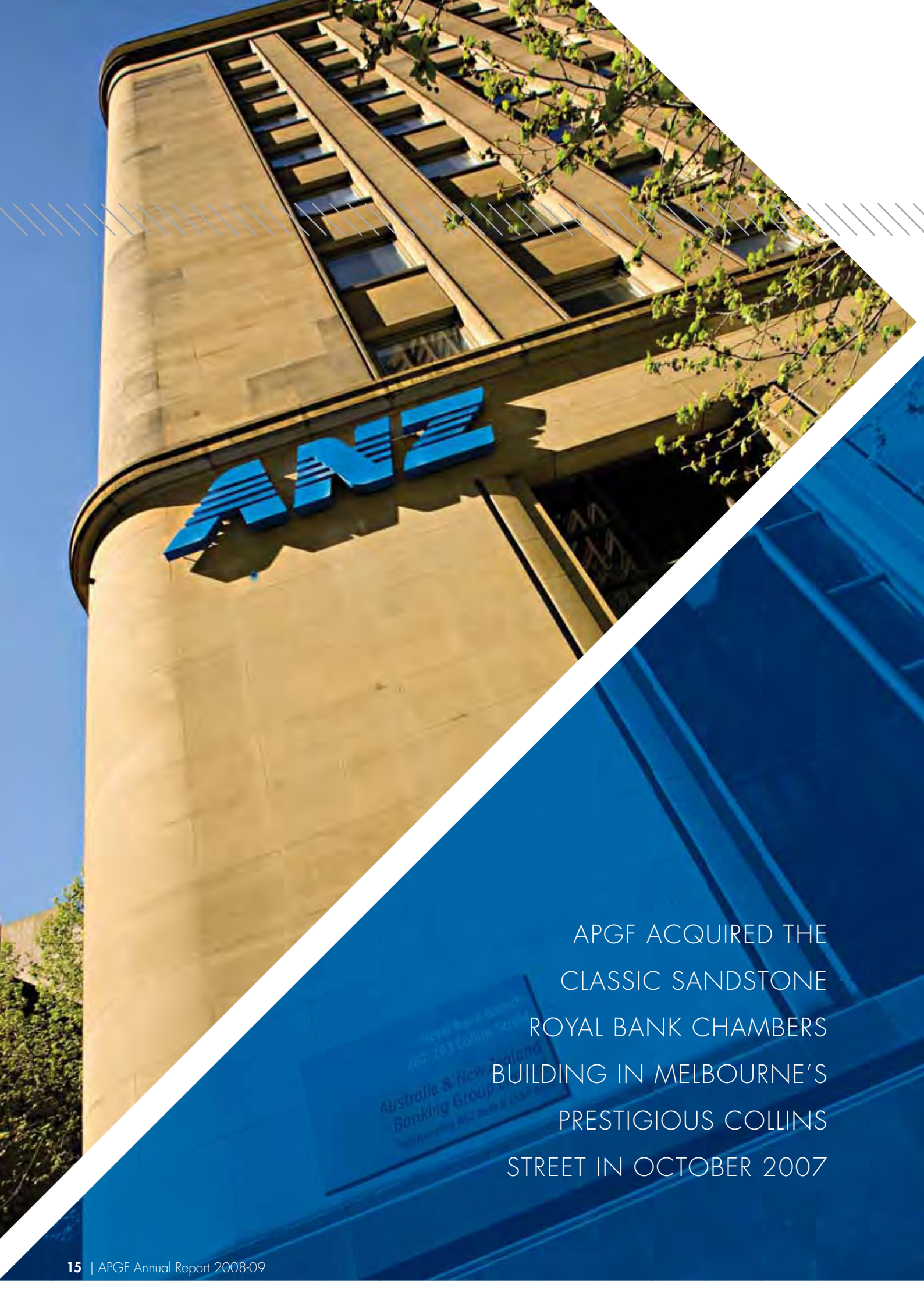
The property has one of the largest floor plates of any building in Sydney as its office component is on a single level. The building area comprises around 15,000 square metres of office space, 458 square metres for childcare and a lower ground area of approximately 1,400 square metres including the café and gym.

The campus is also well situated to public transport services, located adjacent to the Concord West Railway Station. Concord West is centrally located within Sydney, with Parramatta being 12 kilometres to the west, Homebush Bay one kilometre to the east and the Sydney CBD approximately 15 kilometres to the east.

Westpac Concord Campus, was acquired by APGF in October 2007. The property is fully leased to Westpac Bank and has good long-term prospects for repositioning.

As at 30 June 2009, the property was valued at \$48.6 million, a \$6.8 million reduction. This represents a 12.3% drop over the past 12 months.





APGF ACQUIRED THE
CLASSIC SANDSTONE
ROYAL BANK CHAMBERS
BUILDING IN MELBOURNE'S
PRESTIGIOUS COLLINS
STREET IN OCTOBER 2007

ROYAL BANK CHAMBERS COLLINS ST, MELBOURNE CBD

Royal Bank Chambers is a classic sandstone building constructed for bank premises in 1940. Located at 287-301 Collins Street, Melbourne, the quality property is situated at one of the most prominent and traditional Collins Street locations in the heart of the CBD.

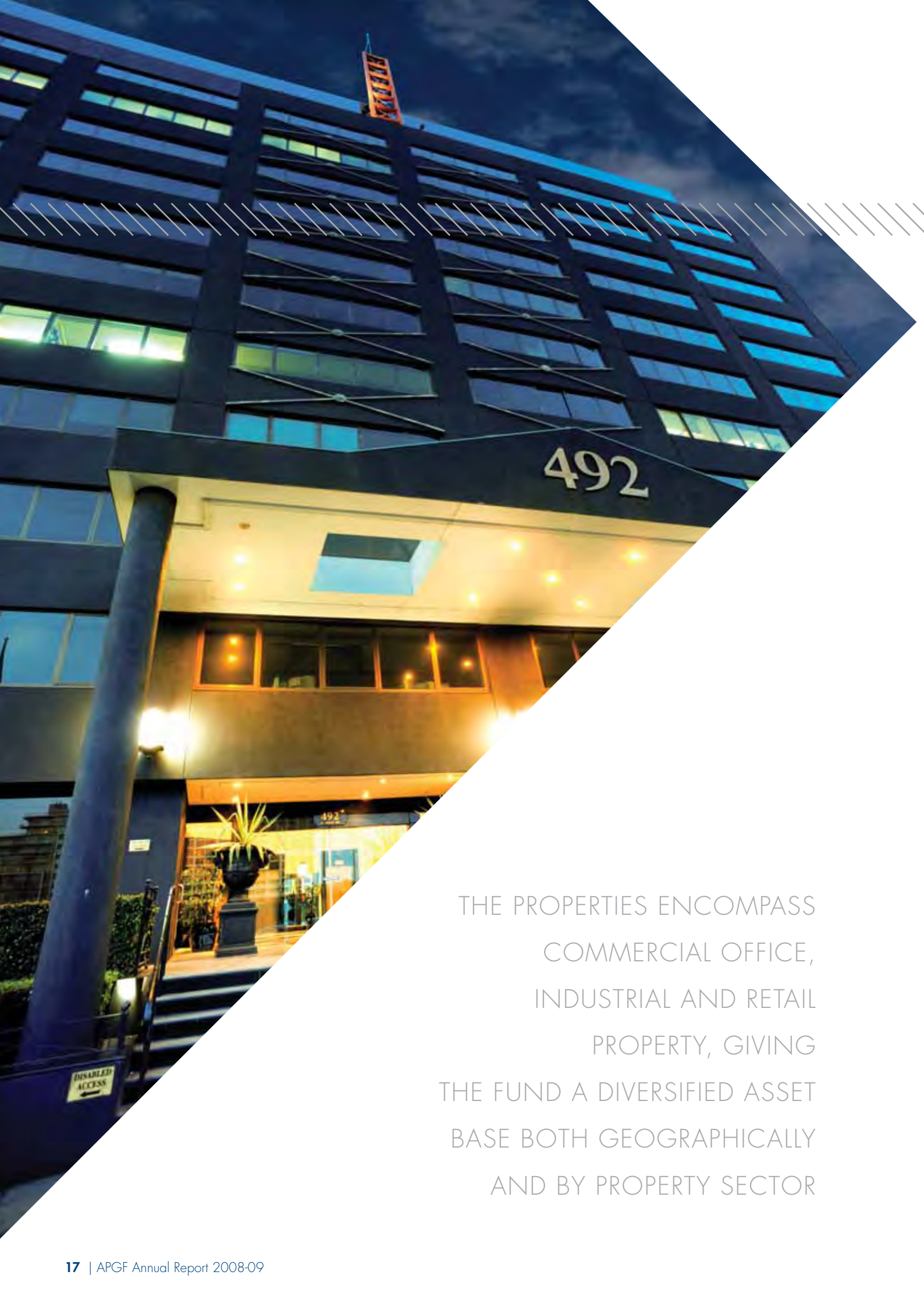
With a net lettable area of approximately 5,280 square metres, the Art Deco-style building encompasses two basement floors, a large ground floor and mezzanine level in addition to the nine upper floors. The property has significant street frontage to both Collins Street and Elizabeth Street and is fully occupied by ANZ Bank.

Notable surrounding landmarks include Flinders Street Station and 333 Collins Street. The property is well situated close to public transport facilities and a number of blue-chip financial and telecommunications companies, in addition to specialty retailers and hotels.

APGF will have the opportunity to reposition the property in 2010, when the nine upper floors become available for re-leasing after ANZ relocates to its new Docklands building. Planning for the refurbishment and re-leasing process is well advanced.

As at 30 June 2009, the building was revalued at \$25 million, representing a fall of \$5.8 million. This is a decline of 18.8% on its previous valuation 12 months ago.





THE PROPERTIES ENCOMPASS
COMMERCIAL OFFICE,
INDUSTRIAL AND RETAIL
PROPERTY, GIVING
THE FUND A DIVERSIFIED ASSET
BASE BOTH GEOGRAPHICALLY
AND BY PROPERTY SECTOR

PROPERTY FUNDS MANAGEMENT

Australian Property Growth Fund has a substantial property funds management business, encompassing 30 properties valued at a total of approximately \$368 million (excluding the Domaine Funds - refer page 20).

The properties are located in Sydney, Melbourne, Brisbane, Perth, Canberra and Cairns and are held within 18 property trusts/syndicates. They encompass commercial office, industrial and retail property, giving the Fund a diversified asset base both geographically and by property sector.

Key assets under management include:

- \$30.9 million multi-level commercial office building at 492 St Kilda Road, Melbourne;
- \$30.8 million Country Road building in Richmond, Melbourne;
- \$20 million commercial office building at 533 Little Lonsdale Street, Melbourne; and
- \$15 million commercial office building at 299 Coronation Drive, Milton, Brisbane.

The 18 property trusts/syndicates allow investors to participate in the ownership benefits of substantial investment-grade commercial property that would otherwise be unaffordable for retail investors.

Benefits to the Fund from its property funds management business include:

- stable recurring funds management fee income;
- significant project pipeline;
- over 5,500 investors Australia-wide;
- geographic and property sector diversification.





PROPERTY FUNDS MANAGEMENT

DOMAINE FUNDS

APGF purchased the Responsible Entity of the Domaine Property Funds on 13 March 2009. The Domaine property funds management business commenced in 1999 and at 30 June 2009 had property assets under management of approximately \$480 million.

It currently has four unlisted property investment funds:

- **Domaine SEQ Growth Fund**
Diversified portfolio of South East Queensland retail, commercial and industrial properties.
- **Domaine Diversified Property Fund**
A diversified property fund across geographic and property sectors within Australia.
- **Domaine Hunter Fund**
Properties in the Hunter region of New South Wales.
- **Domaine Land Fund**
A land development and subdivision fund, with individual land sub-division projects operated as separate investments.

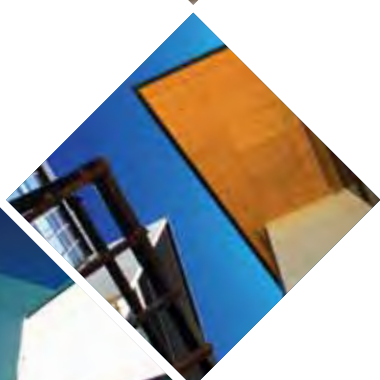
The Domaine acquisition fits perfectly with APGF's strategy to acquire businesses which enable us to utilise our strong property funds management expertise to maximise returns from properties under management.

The transaction offered an attractive return on equity and is expected to generate significant recurring income from management fees paid to APGF as the Responsible Entity of the funds.

APGF has a strong brand in the unlisted property fund market and we have well established expertise in sourcing and managing properties for investment and development. Further strengthening our property funds management platform with the Domaine acquisition will add further value for our investors.

The acquisition of this property funds management business, together with a future project pipeline, creates a new range of options for APGF to manage and reposition the funds, and will best serve the interests of the Domaine investors.

The increase in market share provided by this latest acquisition also places APGF in a strong strategic position in the property funds management sector and enhances our ability to continue to grow the business when market conditions improve.





THE SALES SUCCESS OF THE
PALM BEACH DEVELOPMENT
REFLECTS THE QUALITY OF THE
PROJECT AND CONFIRMS THAT THE
AREA'S DEMOGRAPHICS SUPPORT
THE PROJECT'S CONCEPT

DEVELOPMENT PROJECTS

PAVILIONS ON 5TH, PALM BEACH, QUEENSLAND

APGF has made good progress on the development of Stage 1 of the \$125 million Pavilions on 5th mixed retail and residential project at Palm Beach.

Construction of Stage 1 was completed in June 2009. This stage of the project has been substantially de-risked with 89 of the 104 apartments under unconditional sales contracts and 95% of the retail precinct pre-leased.

The project has continued to attract apartment sales, despite the volatile economic conditions of the past 12 months.

This sales success reflects the quality of the project and confirms that the area's demographics support the project's concept.

Settlement of Stage 1 residential apartment contracts is expected to commence in the last quarter of 2009.

Stage 2 of the project, comprising another 90 apartments and a dedicated dining and café precinct, is set to be released for sale in late 2009. Construction of this stage will commence once the majority of the Stage 1 apartments are settled and sufficient Stage 2 pre-sales are secured.

ULLADULLA, NEW SOUTH WALES

Both of APGF's Ulladulla land subdivisions (Springfield Meadows and Dolphin Point) are quality projects, but they have been substantially impacted by the fallout of the GFC and the resultant downturn in the property development sector. As a result, APGF has booked a non-cash impairment loss of \$3.9 million in the Fund's 2008/09 accounts.

APGF gained its interests in these two properties through the acquisition of a property funds management business in mid-2007.





CONSOLIDATED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

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 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')
- Domaine Property Funds Limited (acquired on 13 March 2009) ('DPF')
- Adviseq Pty Ltd (acquired on 13 March 2009) ('ADPL')
- Adviseq Unit Trust (acquired on 13 March 2009) ('ADUT')

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.

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 25 to 35. The Directors' Report is not part of the financial 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 year ended 30 June 2009.

DIRECTORS

The names and details of the Directors of APGM as the Trustee and Responsible Entity for APGT and APGL in office during the period and until the date of this report 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 currently and has been 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 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 19 years and has been involved in over \$1 billion 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 security holder, Leyshon Group, since 1988. He has significant experience in corporate finance and strategy, property funds management, property investment, property development, capital raising and management, risk management, corporate governance and financial 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 1983 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 as Chairman of the following ASX 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 and resigned 17 November 2008). 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.

DIRECTORS (CONTINUED)

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 200 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 (Queensland) 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.

APGL:

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

Geoffrey Michael McMahon (Managing Director) – Refer APGM above

Robert Bryan - Refer APGM above

Scott Edward Bryan - Refer APGM above

Kenneth Ross Pickard - Refer APGM above

Sally Kathleen Smith BBus (Human Resource Management)

Sally Smith 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 Cragolini B.Bus(Acc), CA, F FIN

Adriano Cragolini was appointed company secretary of APGM and APGL on 16 March 2007. 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.

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 #	92,532,062	92,532,062
G McMahon #	92,963,693	92,963,693
R Bryan #	90,421,693	90,421,693
S Bryan	77,666	77,666
K Pickard	3,017,300	3,017,300
S Smith	36,000	36,000

The holdings of N Summerson, G McMahon and R Bryan each include the same 90,421,693 securities held by the Leyshon Group of Companies.

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.

DIRECTORS' REPORT

(CONTINUED)

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 unit holders at Extraordinary General Meetings held on 20 December 2007 and 28 November 2008. On 19 September 2006 APGT acquired a 99.99% ownership interest in Blue Tower Trust ('BT').

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 Extraordinary 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'). On 13 March 2009 APGL acquired a 100% ownership interest in Domaine Property Funds Limited ('DPF') and its controlled entities Adviseq Pty Ltd ('ADPL') and Adviseq Unit Trust ('ADUT').

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 (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 m2 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, Newcastle, Gold Coast 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 5,000m² retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is being developed in two stages over 2007 – 2012, with construction of stage 1 completed in June 2009; and
- Future projects which satisfy the Fund Managers' project selection criteria.

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 6,200m² office building at 99 Melbourne Street, South Brisbane for \$24.5 million. The building has been fully tenanted since 1 December 2005.

On 19 September 2006 APGT acquired a 99.99% ownership interest in BTT, the owner of the 37 level 32,000m² 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.

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 16,500m² of office accommodation together with childcare facilities, café, gymnasium and 485 car parks and was purpose-built for Westpac Bank in 1997. Westpac is the sole tenant and is committed to the property until October 2012. The property is in excellent condition and has great potential for market repositioning.
- the Royal Bank Chambers building in Collins Street Melbourne for \$30.5 million. Built around 1940 the 13 level Art-Deco style sandstone building is situated in one of the most traditional Collins Street locations in Melbourne's CBD. The building is fully occupied by ANZ until December 2009 when ANZ intends to vacate the nine upper floors. The property will then be repositioned through refurbishment and releasing.

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. The 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 9,819m² and currently operates as the Palm Beach Plaza Shopping Centre. The Palm Beach site is to be developed into an approximate 5,000m² retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. Development approval for this project was received on 28 August 2006. The project is being developed in two stages over 2007 – 2012, with construction of stage 1 completed in June 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. 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.

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.

On 13 March 2009 APGL acquired a 100% interest in Domaine Property Funds Limited ('DPF') and controlled entities from Domaine Holdings Pty Limited (a member of the Mirvac Group). DPF manages several significant unlisted property funds with approximately \$625 million of property assets at acquisition date. The total cost of the acquisition was \$5.8 million and comprised the payment of \$4.3 million cash consideration and also contingent consideration and costs directly attributable to the acquisition of \$1.5 million. The net cash paid for the acquisition was \$1.2 million after deducting DPF's cash at acquisition date.

DIRECTORS' REPORT

(CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Employees

At 30 June 2009 APGL had 18 employees (2008: 17) and APGM had no employees (2008: nil).

Results

The net operating result of the Fund is presented in the Income Statement. The net loss attributable to the security holders for the year ended 30 June 2009 was \$63,996,000 (2008:\$6,094,000). A summary of results for the year by significant industry segments is set out below.

(a) Property Investment

The net loss attributable to the security holders from the property investment operations for the year ended 30 June 2009 was \$55,195,000 (2008: \$8,108,000 profit). Reflected in this result are net revaluation decrements on investment properties of \$63,107,000 (2008: \$12,152,000 increments) less a performance fee payable of Nil (2008: \$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 year ended 30 June 2009 is \$5,072,000 (2008:\$14,147,000). This loss included impairment losses on loans receivable of \$3,870,000 (2008: \$10,464,000) (refer Note 9)

(c) Property Funds Management

The net loss attributable to the security holders from the property funds management operations for the year ended 30 June 2009 is \$3,729,000 (2008: \$55,000). This loss included impairment losses on goodwill of Nil (2008: \$6,320,000) (refer Note 16) and management fee asset decrements of \$4,852,000 (2008: \$2,922,000 increment).

Reconciliation of Loss attributable to security holders to Underlying Profit (Unaudited)

The statutory profit/(loss) amounts disclosed above have been prepared in accordance with the accounting policies described in Note 2 to the financial statements and includes fair value increments/decrements, impairment losses and other non-operating transactions. The reconciliation below shows the adjustments required to determine the underlying profit, which reflects the Directors assessment of the result for the ongoing business activities of the Fund.

	FUND		FUND	
	AFTER INCOME TAX		BEFORE INCOME TAX	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Loss attributable to security holders	(63,996)	(6,094)	(64,806)	(6,230)
Adjust for non-operating items				
Revaluation (increment)/decrement on investment properties	63,107	(12,152)	63,107	(12,152)
Fair value movement in management fee asset	4,852	(2,922)	4,852	(2,922)
Impairment loss - loans receivable	3,870	10,464	3,870	10,464
Impairment loss - goodwill	0	6,320	0	6,320
Performance fee expense *	0	8,006	0	8,006
Palm Beach Project pre-construction costs expensed **	0	3,374	0	4,820
Fair value movement in interest rate caps/swaps	674	0	674	0
Underlying Profit	8,507	6,996	7,697	8,306

* Change in fair value of fee payable to the Fund's external Asset Manager if the Fund sold an investment property that it owned. Following the acquisition of the Asset Manager by the Fund on 31 December 2007, this fee has ceased.

** in accordance with AASB 102 Inventories, development costs incurred on Palm Beach project prior to it formally commencing the construction phase were expensed as incurred.

This reconciliation has been prepared in accordance with the principles for reporting Underlying Profit issued by the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Distributions/Dividends

A final tax deferred 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.

Distributions to security holders during the year were paid quarterly including a capital distribution of 2.42 cents per stapled security paid on 31 October 2008 in respect of the quarter ended 30 September 2008, a capital distribution of 2.42 cents per stapled security paid on 30 January 2009 in respect of the quarter ended 31 December 2008 and a capital distribution of 1.73 cents per stapled security paid on 30 April 2009 in respect of the quarter ended 31 March 2009.

A final distribution was declared for the year ended 30 June 2009 of 1.25 cents per stapled security in respect of the quarter ended 30 June 2009 and was paid on 31 July 2009.

All distributions declared for the year ended 30 June 2009 were paid from APGT.

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

Security Holder Returns

The Fund generated strong returns to investors for the period from establishment until 30 June 2007, but a deterioration in the markets in which the Fund operates in has had a negative impact on the results for the years ended 30 June 2008 and 30 June 2009. 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 and valuation decrements 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:

	2009	2008	2007	2006
Basic earnings per stapled security (cents)	(28.8)	(3.2)	31.7	6.0
Net asset value per stapled security (cents)	70.4	107.7	119.5	97.8
Assets under management (\$ million) #	1,346	947	890	76

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 227,580,022 stapled securities were on issue at 30 June 2009 (2008: 215,930,022). There were 11,650,000 stapled securities issued during the year (2008: 48,222,898). For further details refer Note 22.

FUND ASSETS

At 30 June 2009, the Fund owned assets to the value of \$466,924,000 (2008: \$512,342,000). 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 from APGT and BTT. 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 DPF for \$5.8 million; and
- issue of 11,650,000 stapled securities raising \$9.32 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 APTG and APGL constitutions and investment objectives. In the foreseeable future it is expected that APTG 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 APTG 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

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

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

The members of the Compliance Committee during the period were:

- Brendan Howell (ceased effective 5 May 2009);
- Stuart Russell (appointed effective 30 April 2009);
- Karen Prentis; and
- Luis Garcia.

CORPORATE GOVERNANCE (CONTINUED)

Compliance Committee (Continued)

During the year ended 30 June 2009 four compliance committee meetings were held. Karen Prentis and Luis Garcia attended all four meetings held, Brendan Howell attended the three meetings he was eligible to attend and Stuart Russell attended the one meeting he was eligible to attend.

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

Audit and Risk Committee

APGL has established an Audit and Risk Committee 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 committee are:

- Neil Summerson (Chairman); and
- Geoff McMahon.

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

During the year ended 30 June 2009 two Audit and Risk Committee meetings were held and all audit and risk committee members attended these meetings.

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 details of the Fund's remuneration philosophy and framework and the remuneration received by Directors and other Key Management Personnel please refer to Note 28(b).

The Boards are responsible for determining and reviewing compensation arrangements for the Directors themselves and the Managing Director and executive team. APGL has established a Remuneration Committee comprising four non-executive Directors. The members of the committee are:

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

The committee discharges its responsibilities regarding the public reporting of remuneration information, determining and reviewing remuneration arrangements for the Directors and executives and other matters.

During the year ended 30 June 2009 there was one Remuneration Committee meeting held and all remuneration committee members attended that meeting.

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 second edition of the ASX Principles of Good Corporate Governance

DIRECTORS' REPORT

(CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Code of Corporate Governance (Continued)

and Best Practice Recommendations ('Principles') developed by the ASX Corporate Governance Council and published in August 2007.

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.

Annual performance reviews were conducted during the reporting period for senior executives against appropriate measures.

Principle 2: Board Structure

At 30 June 2009 the Boards of APGM and APGL had five Directors (including the Chairman) four of whom were non-executive Directors. The roles of the Chairman and Managing Director are exercised by different individuals.

The Boards have established an Audit & Risk Committee, Compliance Committee and Remuneration Committee. Due to the limited size of the Boards, the role of a nominations committee has been assumed by the Boards. Every Director and Committee Member of the Boards 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 Boards do 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.

Annual formal performance reviews are not conducted for the Boards, committees and for individual Directors.

Principle 3: Ethical and Responsible Decision Making

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 and responsibilities with security holders, stakeholders and the broad community.

Through training initiatives on compliance with legal obligations, regular reviews of corporate policies including the Conflict of Interests Policy and related party registers, and enforcement of the Code of Corporate Governance, the Boards strive to actively promote ethical and responsible decision-making within the operations and activities of the Fund.

Principle 4: Integrity of Financial Reporting

The Audit and Risk Committee operates under a written charter approved by the Boards and focuses on issues relevant to the integrity of the Fund's financial reporting and risk management. The Audit and Risk Committee is 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 Committee also monitors and liaises with the Responsible Entity's Compliance Committee to ensure that the conditions of the Responsible Entity's AFSL are adhered to at all times.

The Boards do not consider the independence of the Audit & Risk Committee is a factor affecting the committee's ability to safeguard the integrity of the Fund's financial reporting practices.

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.

CORPORATE GOVERNANCE (CONTINUED)

Principle 5: Timely and Balanced Disclosure

The Boards are committed to keeping the market informed in a timely and balanced manner of all material information concerning the Fund including its financial position, performance, ownership and governance.

The Boards are committed to creating and maintaining an informed market in its securities and enhancing corporate governance by encouraging a culture of transparency in relation to the Fund's operations and 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 Managing Director and Company Secretary are responsible for communications with BSX.

Principle 6: Respect Rights of Security holders

The Boards 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. The Fund maintains an informative website that contains copies of press releases, annual reports, security holders information, policies and contact details.

Principle 7: Recognise and Manage Risk

The Boards believe that risk management and internal controls are 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 Committee under its charter.

Due to the size of the Fund, the Boards do not have a defined internal audit function. It is incumbent on the Audit & Risk Committee to manage the inherent risks and preserve the independence of the external audit role.

The Audit & Risk Committee has reported to the Boards that the Fund's management of its material business risks is effective for the reporting period.

The Managing Director and Chief Financial Officer must annually state in writing to the Boards that the declaration provided in accordance with Section 295A of the Corporations Act in respect of the Fund's annual audited statutory financial report is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remuneration

The Board's Remuneration Committee discharges the Board's responsibilities regarding the public reporting of remuneration information, compensation of non-executive Directors, senior executives and other matters. Additional information on the remuneration of Directors and other Key Management Personnel is provided in Note 28(b).

MEETINGS OF DIRECTORS

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

Directors	APGM		APGL	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
N Summerson	4	3	4	3
G McMahon	4	4	4	4
R Bryan	4	3	4	3
S Bryan	4	4	4	4
K Pickard	4	4	4	4
S Smith *	N/a	N/a	4	0

* S Smith - represents meetings of APGL eligible to attend in the capacity of Alternate Director for Scott Bryan. As Scott Bryan attended all APGL meetings during the year, Sally Smith was not required to attend any meetings as his alternate.

A summary of attendance at committee meetings by Directors is included in the Corporate Governance section of this report.

DIRECTORS' REPORT

(CONTINUED)

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 36.

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	\$27,560
Property/business acquisition taxation advice	\$2,850

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, 10 September 2009

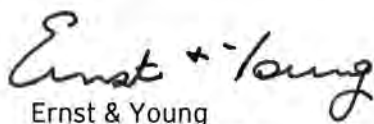
On behalf of the Board
Australian Property Growth Limited
ABN 56 111 628 589



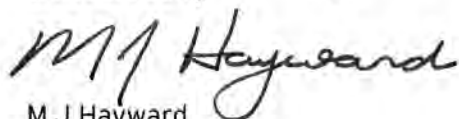
N. Summerson
Chairman
Brisbane, 10 September 2009

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 audit of the financial report of Australian Property Growth Fund for the financial year ended 30 June 2009, 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 stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature of 'M J Hayward' in black ink.

M J Hayward
Partner

10 September 2009

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED		PARENT	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Revenue					
Rental income		29,279	25,130	8,635	6,833
Property funds management fee income	4 (a)	5,100	9,271	0	0
Project delivery management fee income		0	7,514	0	0
Interest income		2,067	3,596	276	482
Other income		96	107	0	0
Total Revenue	4 (a)	36,542	45,618	8,911	7,315
Revaluation increment/(decrement) on investment properties	17 (a)	(63,107)	12,152	(15,685)	(14,486)
Fair value movement in management fee asset	15	(4,852)	2,922	0	0
Fair value movement in investments		0	0	(39,143)	30,133
Total Revenue and Revaluation Increments/(Decrements)		(31,417)	60,692	(45,917)	22,962
Less Expenses					
Air conditioning expenses		(461)	(489)	(37)	(27)
Audit fees		(202)	(264)	(88)	(131)
Borrowing expenses	4 (b)	(17,081)	(18,100)	(5,481)	(5,188)
Consultancy fees		(518)	(598)	(54)	(102)
Development costs expensed	4 (b)	(987)	(13,101)	0	0
Electricity		(206)	(169)	(72)	(69)
Impairment loss - goodwill	16	0	(6,320)	0	0
Impairment loss – loans receivable	9 (v)	(3,870)	(10,464)	0	0
Insurance		(238)	(218)	(88)	(47)
Land tax		(532)	(358)	(90)	(63)
Leasing expenses		(306)	(263)	(5)	(7)
Legal expenses		(214)	(207)	(122)	(39)
Lift expenses		(342)	(347)	(17)	(15)
Loans forgiven		0	0	0	(46,517)
Management fee expenses	4 (b)	(479)	(9,139)	(958)	37,683
Personnel expenses		(3,712)	(3,067)	0	0
Rates		(980)	(799)	(215)	(88)
Recoverable outgoings		(1,237)	(1,250)	(255)	(254)
Repairs and maintenance		(358)	(329)	(46)	(62)
Other expenses		(1,666)	(1,440)	(169)	(236)
Total Expenses		(33,389)	(66,922)	(7,697)	(15,162)
Profit/(loss) from operating activities before income tax		(64,806)	(6,230)	(53,614)	7,800
Income tax benefit	2(j), 5	807	138	0	0
Net profit/(loss) from operating activities after income tax		(63,999)	(6,092)	(53,614)	7,800
(Profit)/loss attributable to minority interest		3	(2)	0	0
Profit/(loss) after income tax attributable to security holders		(63,996)	(6,094)	(53,614)	7,800
Represented by:					
Earnings attributable to members of APGT		(54,013)	8,454	(53,614)	7,800
Loss attributable to members of APGL		(9,983)	(14,548)	0	0
		(63,996)	(6,094)	(53,614)	7,800
Earnings per stapled security (cents)					
- Basic earnings per stapled security	6	(28.8)	(3.2)		
- Diluted earnings per stapled security	6	(28.8)	(3.2)		
Distributions per stapled security (cents)	7	7.8	9.3		

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

BALANCE SHEET

AS AT 30 JUNE 2009

		CONSOLIDATED		PARENT	
	Note	2009 \$000	2008 \$000	2009 \$000	2008 \$000
ASSETS					
Current Assets					
Cash and cash equivalents	8	25,358	38,514	1,072	2,546
Trade and other receivables	9	3,617	5,766	168	125
Inventory	10	41,881	19,584	0	0
Income tax receivable		713	0	0	0
Interest rate swap	14	0	364	0	0
Other assets	11	216	178	48	32
Total Current Assets		71,785	64,406	1,288	2,703
Non-Current Assets					
Trade and other receivables	9	2,703	3,537	7,000	10,150
Inventory	10	15,144	5,203	0	0
Investment properties held directly	17	348,650	408,150	101,575	117,150
Plant and equipment	12	599	542	0	4
Interest rate swap and caps	14	0	684	0	548
Investments	13	82	0	140,695	179,838
Management fee assets	15	10,238	15,090	0	0
Goodwill	16	13,053	10,553	0	0
Deferred tax asset	5	4,670	4,177	0	0
Total Non-current Assets		395,139	447,936	249,270	307,690
TOTAL ASSETS		466,924	512,342	250,558	310,393
LIABILITIES					
Current Liabilities					
Trade and other payables	18	9,526	15,308	3,964	7,080
Borrowings and interest bearing loans	19	48,769	14,664	0	0
Interest rate swap	14	163	0	163	0
Income tax payable		0	2,302	0	0
Provisions	20	263	267	0	0
Total Current Liabilities		58,721	32,541	4,127	7,080
Non-Current Liabilities					
Payables	18	1,359	671	498	671
Borrowings and interest bearing loans	19	243,432	243,352	80,654	74,571
Provisions	20	298	326	0	0
Other liabilities	21	3,000	3,000	0	0
Total Non-current Liabilities		248,089	247,349	81,152	75,242
TOTAL LIABILITIES		306,810	279,890	85,279	82,322
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		160,114	232,452	165,279	228,071
REPRESENTED BY:					
Attributable to members of APGL					
Contributed equity	22	23,473	22,659	0	0
Accumulated losses		(28,619)	(18,636)	0	0
Total attributable to members of APGL		(5,146)	4,023	0	0
Attributable to unit holders of APGT					
Units on issue	22	194,923	203,929	194,923	203,929
Hedging reserve		0	147	0	172
Undistributed earnings		(29,672)	24,341	(29,644)	23,970
Total attributable to unit holders of APGT		165,251	228,417	165,279	228,071
Minority interests		9	12	0	0
TOTAL MEMBERS' INTERESTS		160,114	232,452	165,279	228,071

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 2009

		CONSOLIDATED				
	Note	Securities Issued \$000	Undistributed Income \$000	Other Reserves \$000	Minority Interests \$000	Total \$000
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)
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 earnings for the year attributable to security holders		0	(6,094)	(287)	2	(6,379)
Securities issued	22	57,868	0	0	0	57,868
Transaction costs	22	(445)	0	0	0	(445)
Distributions to security holders	7	0	(19,044)	0	0	(19,044)
At 30 June 2008		226,588	5,705	147	12	232,452
At 1 July 2008		226,588	5,705	147	12	232,452
Net loss from cash flow hedges		0	0	(147)	0	(147)
Total income and expense for the year recognised directly in equity		0	0	(147)	0	(147)
Loss for the year attributable to members of APGL		0	(9,983)	0	0	(9,983)
Earnings for the year attributable to unit holders of APGT		0	(54,013)	0	(3)	(54,016)
Total earnings for the year attributable to security holders		0	(63,996)	(147)	(3)	(64,146)
Securities issued	22	9,320	0	0	0	9,320
Transaction costs	22	(15)	0	0	0	(15)
Distributions to security holders	7	(17,497)	0	0	0	(17,497)
At 30 June 2009		218,396	(58,291)	0	9	160,114

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

FOR THE YEAR ENDED 30 JUNE 2009

			PARENT		
	Note	Securities Issued \$000	Undistributed Income \$000	Other Reserves \$000	Total \$000
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 earnings for the year attributable to security holders		0	7,800	21	7,821
Securities issued	22	53,046	0	0	53,046
Transaction costs	22	(408)	0	0	(408)
Distributions to security holders	7	0	(19,044)	0	(19,044)
At 30 June 2008		203,929	23,970	172	228,071
At 1 July 2008		203,929	23,970	172	228,071
Net gain from cash flow hedges		0	0	(172)	(172)
Total income and expense for the year recognised directly in equity		0	0	(172)	(172)
Earnings for the year attributable to unit holders of APGT		0	(53,614)	0	(53,614)
Total earnings for the year attributable to security holders		0	(53,614)	(172)	(53,786)
Securities issued	22	8,505	0	0	8,505
Transaction costs	22	(14)	0	0	(14)
Distributions to security holders	7	(17,497)	0	0	(17,497)
At 30 June 2009		194,923	(29,644)	0	165,279

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 2009

		CONSOLIDATED		PARENT	
	Note	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash flows from operating activities					
Receipt of rental income		30,703	27,461	8,655	7,635
Receipt of property funds management fees		7,726	5,315	0	0
Receipt of project delivery management fees		0	8,351	0	0
Other receipts from customers		288	103	0	0
Payment of Palm Beach Project development costs		(34,288)	(13,498)	0	0
Payments to other suppliers & employees		(13,908)	(15,131)	(3,160)	(2,099)
Borrowing costs paid		(18,746)	(17,292)	(5,070)	(4,667)
Interest received		2,032	3,614	274	482
Income tax paid		(2,631)	(841)	0	0
Net cash flows from/(used in) operating activities	8	(28,824)	(1,918)	699	1,351
Cash flows from investing activities					
Payments for plant and equipment		(147)	(569)	0	0
Payments for investment property purchases		0	(98,116)	0	(98,116)
Payments for investment property additions		(3,745)	(1,492)	0	0
Payments for investments		(8)	0	0	0
Payment of advances to syndicates		(2,131)	(249)	0	0
Repayment of loans by controlled entities		0	0	3,150	39,800
Payment of loans to other parties		(736)	(507)	0	0
Acquisition of APGM, net of cash acquired	29	0	(7,302)	0	0
Acquisition of SPFM, net of cash acquired		0	932	0	0
Acquisition of DPF, net of cash acquired	29	(1,152)	0	0	0
Refund of deposit paid on acquisition		0	500	0	0
Net cash flows used in investing activities		(7,919)	(106,803)	3,150	(58,316)
Cash flows from financing activities					
Proceeds from Palm Beach Project borrowings		34,104	7,526	0	0
Proceeds from other borrowings		0	93,350	0	58,750
Payment of costs of new borrowings		(8)	(617)	0	(255)
Payment to acquire interest rate caps		0	(305)	0	(127)
Proceeds from borrowings – related parties		0	0	6,000	5,000
Repayment of borrowings – related parties		0	(4,763)	0	(5,000)
Distributions paid to security holders		(19,814)	(17,435)	(19,814)	(17,435)
Proceeds from the issue of securities		9,320	17,868	8,505	16,379
Payment of security issue costs		(15)	(445)	(14)	(407)
Net cash flows from financing activities		23,587	95,179	(5,323)	56,905
Net increase/(decrease) in cash held		(13,156)	(13,542)	(1,474)	(60)
Cash and cash equivalents at beginning of the year		38,514	52,056	2,546	2,606
Cash and cash equivalents at end of the year	8	25,358	38,514	1,072	2,546

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 2009

1. CORPORATE INFORMATION

The Consolidated Annual Financial Report of Australian Property Growth Fund ('APGF' or 'the Fund') for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of Directors on 10 September 2009.

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 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 2009. The impact of these new or amended standards and interpretations (to the extent relevant to the Fund) are set out 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 <i>Segment Reporting</i> , 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
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 capitalises borrowing costs associated with qualifying assets as a part of the cost of that asset. As such the amendments are not expected to have any material impact on the Fund's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8 and 2007-10	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

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 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of includes the requirement to have to expense transaction costs and 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 in future financial years and will be impacted by the requirement to expense transaction costs, which will reduce the value of any goodwill acquired. The Fund has not yet assessed which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction 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. Refer above.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2008-5 & AASB 2008-6	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 amendments are not expected to have a material impact on the amounts included in the Fund's financial statements.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

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 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>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.</p> <p>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.</p>	1 January 2009	<p>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.</p> <p>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.</p>	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 & AASB 1038)	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <p>Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities</p> <p>Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and</p> <p>Level 3 - inputs for the asset or liability that are not based on observable market data</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	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.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139)	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2010	The Fund has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

* 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

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 & 2(e)(iii)), goodwill impairment testing (Note 16), derivatives (Notes 14), and in determining the allocation of costs associated with revenue recognition on property development (Note 2(e)(iv)).

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

The consolidated financial statements comprise the financial statements of APGT ("the parent entity") and its controlled entities as at 30 June each year ("the Fund"). Under AASB 3, APGT is considered to be the parent entity of APGL. 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.

Subsidiaries are all those entities over which the Fund has the power to govern the financial and operating policies so as to gain benefits from their activities.

The financial statements of the subsidiaries 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 2009:

- 100% interest in APGF Management Limited ('APGM') acquired on 31 December 2007; and
- 100% interest in Domaine Property Funds Limited ('DPF'), Adviseq Pty Ltd ('ADPL') and Adviseq Unit Trust ('ADUT') acquired on 13 March 2009.

Minority interests not held by the Fund 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 security holders' equity.

(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. Revenue received in advance is classified as prepaid income and recognised as revenue over the period to which the revenue received relates. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (continued)

(iii) Management fee income

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 of inventory. Costs in relation to individual settled units of inventory are recognised in proportion to the total costs for the project that the settled units of inventory represent.

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

(f) Borrowing costs

Borrowing costs such as interest are recognised as an expense when incurred. 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 30-60 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. Financial difficulties of the debtor and default payments are considered objective evidence of impairment.

(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 on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

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 which meet the conditions for hedge accounting (incl interest rate swaps), any gain or loss from remeasuring the hedging instrument at fair value is recognised directly in equity. For cash flow hedges that do not meet the conditions for hedge accounting (incl interest rate caps), 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derivative financial instruments (continued)

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.

(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.

(k) Other taxes

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

- when 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, which are stated with the amount of GST included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Other taxes (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investments and other financial assets (continued)

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.

(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.

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. Borrowing costs relating specifically to a qualifying asset are capitalised as part of inventories (refer Note 2(f)).

(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.

When 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions (continued)

(iii) Employee leave benefits

Wages, salaries, annual leave and sick leave

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.

Long service leave

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Business Combinations (continued)

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. 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 recognised as 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 a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(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 operating 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.

(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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

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

	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
(i) Primary Segment - Business Segments				
30 June 2009				
Revenue				
Rental income	28,812	0	467	29,279
Property funds management fee income	0	5,100	0	5,100
Interest income	1,435	423	209	2,067
Other income	0	96	0	96
Fair value movement in management fee asset	0	(4,852)	0	(4,852)
Revaluation decrement on investment properties	(63,107)	0	0	(63,107)
Total Revenue and revaluation decrements	(32,860)	767	676	(31,417)
Result				
Segment result before fair value movements, impairment and interest expense	23,257	3,013	(2,493)	23,777
Add/(less):				
Revaluation decrement on investment properties	(63,107)	0	0	(63,107)
Management fee asset decrements	0	(4,852)	0	(4,852)
Impairment loss – loans receivable	0	0	(3,870)	(3,870)
Interest expense	(15,348)	(1,406)	0	(16,754)
Segment result before income tax expense	(55,198)	(3,245)	(6,363)	(64,806)
Income tax (expense)/benefit	0	(484)	1,291	807
Segment Net Loss	(55,198)	(3,729)	(5,072)	(63,999)
Profit attributable to minority interest	3	0	0	3
Segment Net Loss attributable to security holders	(55,195)	(3,729)	(5,072)	(63,996)
Assets				
Segment assets	361,495	39,472	65,957	466,924
Liabilities				
Segment liabilities	230,735	20,854	55,221	306,810
Cash flow information				
Net cash flows from/(used in) operating activities	8,111	4,745	(41,680)	(28,824)
Net cash flows from/(used in) investing activities	(3,745)	(1,110)	(3,064)	(7,919)
Net cash flows from/(used in) financing activities	(11,323)	0	34,910	23,587

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment Information (Continued)

(i) Primary Segment - Business Segments (Continued)	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
30 June 2008				
Revenue				
Rental income	24,691	0	439	25,130
Property funds management fee income	0	9,271	0	9,271
Project delivery management fee income	0	0	7,514	7,514
Interest income	2,158	529	909	3,596
Other income	3	104	0	107
Fair value movement in management fee asset	0	2,922	0	2,922
Revaluation increment on investment properties	12,152	0	0	12,152
Total Revenue and revaluation increments	39,004	12,826	8,862	60,692

Result

Segment result before fair value movements, impairment and interest expense	11,694	7,293	(5,991)	12,996
Add/(less):				
Revaluation increment on investment properties	12,152	0	0	12,152
Management fee asset increments	0	2,922	0	2,922
Impairment loss – goodwill	0	(6,320)	0	(6,320)
Impairment loss – loans receivable	0	0	(10,464)	(10,464)
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
Segment Net Profit/(loss)	8,110	(55)	(14,147)	(6,092)
Profit attributable to minority interest	(2)	0	0	(2)
Segment Net Profit/(loss) attributable to security holders	8,108	(55)	(14,147)	(6,094)

Assets

Segment assets	437,235	39,884	35,223	512,342
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Liabilities

Segment liabilities	233,735	23,485	22,670	279,890
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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

(ii) Secondary Reporting Segment – Geographical segments

The Fund operates in one geographical segment, being Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

4. REVENUE AND EXPENSES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
(a) Revenue from operating activities				
Rental income	29,279	25,130	8,635	6,833
Property funds management fee income	5,100	9,271	0	0
Project delivery management fee income	0	7,514	0	0
Interest income	2,067	3,596	276	482
Other income	96	107	0	0
Total Revenue from operating activities	36,542	45,618	8,911	7,315
<i>Property funds management fee income includes:</i>				
Transaction fee income	244	5,851	0	0
Asset management fee income	4,170	2,604	0	0
Property management fee income	239	378	0	0
Leasing fee income	259	344	0	0
Management services fee income	188	94	0	0
	5,100	9,271	0	0
(b) Expenses				
Depreciation of plant and equipment	88	46	4	4
Defined contribution superannuation expense	255	259	0	0
Borrowing expenses				
Interest and finance charges paid or payable to:				
Related parties	0	0	15	219
Other parties	16,754	17,516	5,383	4,902
	16,754	17,516	5,398	5,121
Amortisation of borrowing costs	327	584	83	67
Total borrowing expenses	17,081	18,100	5,481	5,188
Management fee expenses				
Performance fee expense	0	8,006	0	(38,510)
Asset management fee expense	0	889	0	197
Property management fee expense	114	244	129	149
Management services fee expense	365	0	829	481
Total management fee expenses	479	9,139	958	(37,683)
Development costs expenses				
London Woolstore project	0	7,432	0	0
Palm Beach and other projects	987	5,669	0	0
Total development cost expenses	987	13,101	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

5. INCOME TAX

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
The major components of income tax expense are:				
Income Statement				
<i>Current income tax</i>				
Current income tax charge	(1,297)	3,479	0	0
Use of carry forward losses	0	(1,366)	0	0
Recognition of losses as deferred tax asset	1,284	0	0	0
Adjustments in respect of current income tax of previous years	(66)	0	0	0
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	861	(3,617)	0	0
Adjustments in respect of prior year tax returns	(305)	0	0	0
Movement in losses recognised	(1,284)	1,366	0	0
Income tax benefit reported in the income statement	(807)	(138)	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/(loss) before income tax	(64,806)	(6,230)	(53,614)	7,800
Less: Earnings relating to APGT (refer (i))	54,013	(8,454)	53,614	(7,800)
Adjusted accounting profit/(loss)	(10,793)	(14,684)	0	0
At the Fund's statutory income tax rate of 30% (2008: 30%)				
Adjustments in respect of current income tax of previous years	(66)	0	0	0
Impairment losses not allowed for tax purposes	1,161	5,035	0	0
Fair value movement in management fee asset	1,455	(877)	0	0
Other income not assessable for income tax purposes	(109)	0	0	0
Expenditure not allowed for tax purposes	0	111	0	0
Other items (net)	(10)	(2)	0	0
Income tax expense/(benefit) reported in the income statement	(807)	(138)	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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

5. INCOME TAX (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CONSOLIDATED				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Income receivable	9	0	(9)	0
Capitalisation of work in progress	0	0	0	1,968
	<u>9</u>	<u>0</u>		
<i>Deferred tax assets</i>				
Formation costs and share issue costs	106	75	31	(14)
Borrowing costs	24	11	13	(4)
Accrued expenses	136	180	(44)	90
Leave liabilities	168	178	(10)	111
Work in progress expensed	2,961	3,733	(772)	1,450
Net deferred tax asset/(deferred tax liability) acquired - (refer Note 29 (i) & (iii))			(70)	16
	<u>3,395</u>	<u>4,177</u>	<u>(861)</u>	<u>3,617</u>
Losses available for offset against future taxable income	1,284	0	1,284	(1,366)
Gross deferred income tax assets	<u>4,679</u>	<u>4,177</u>		
Net deferred income tax assets	<u>4,670</u>	<u>4,177</u>		
Deferred tax income/(expense)			<u>423</u>	<u>2,251</u>

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 \$1,284,000 (2008: \$Nil) and these are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The deferred tax asset will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the asset to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Fund in realising the benefit.

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, APGM joined the tax consolidated group on 31 December 2007 and DPF, ADPL and ADUT joined the tax consolidated group on 13 March 2009. 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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

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	
	2009 \$000	2008 \$000
Net profit/(loss) attributable to security holders of the Fund *	(63,996)	(6,094)
	Number 000	Number 000
Weighted average number of securities for basic earnings per security *	222,186	191,483

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.

7. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Distributions on stapled securities declared or paid during the year totalling 7.82 cents (2008: 9.33 cents) per annum per stapled security:				
Tax deferred distributions paid during the year	0	13,890	0	13,890
Tax deferred distributions provided for during the year (Note 18)	0	5,154	0	5,154
Total tax deferred distributions	0	19,044	0	19,044
Capital distributions paid during the year	14,660	0	14,660	0
Capital distributions provided for during the year (Note 18)	2,837	0	2,837	0
Total capital distributions	17,497	0	17,497	0
Total distributions	17,497	19,044	17,497	19,044

No dividends were paid or proposed during the year (2008: Nil). APGL had franking credits of \$3,448,000 at 30 June 2009 (2008: \$817,000).

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash at bank and on hand	13,872	24,708	548	2,059
Short term deposits	6,536	13,806	74	487
Term deposits	4,950	0	450	0
	25,358	38,514	1,072	2,546

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

8. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash at bank and short term deposits earn interest at floating rates based on daily bank deposit rates. Term deposits earn interest at fixed rates for terms of up to 90 days.

At 30 June 2009 the Fund had available \$Nil (30 June 2008: \$Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Reconciliation to Cash Flow Statement				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:				
Cash at bank and on hand	13,872	24,708	548	2,059
Short term deposits	6,536	13,806	74	487
Term deposits	4,950	0	450	0
	<u>25,358</u>	<u>38,514</u>	<u>1,072</u>	<u>2,546</u>

Reconciliation of net profit/(loss) after tax to net cash flows from/(used in) operations

Net profit/(loss) after income tax	(63,999)	(6,092)	(53,614)	7,800
Adjustment for:				
Amortisation of borrowing costs	327	584	83	67
Amortisation of lease fitout incentives	441	441	296	296
Amortisation of prepaid leasing fees	306	261	5	7
Straight line rent adjustments	(450)	(741)	(411)	(472)
Intercompany loans forgiven	0	0	0	46,517
Depreciation expense	88	46	4	4
Borrowing costs capitalised	0	101	0	0
Impairment loss - goodwill	0	6,320	0	0
Impairment loss - loans receivable	3,870	10,464	0	0
Fair value movement in investments	0	0	39,143	(30,133)
Revaluation of property investment	63,107	(12,152)	15,685	14,486
Changes in assets and liabilities				
(Increase)/decrease in receivables	3,456	(6,659)	(43)	(79)
(Increase)/decrease in inventories	(32,238)	(6,627)	0	0
(Increase)/decrease in management fee asset	4,852	(2,922)	0	0
(Increase)/decrease in deferred tax asset	(433)	(258)	0	0
(Increase)/decrease in interest rate cap/swap	1,063	80	539	36
(Increase)/decrease in other assets	(112)	45	(16)	(12)
Increase/(decrease) in payables	(6,064)	15,568	(972)	(37,166)
Increase/(decrease) in current tax liability	(3,015)	1,272	0	0
Increase/(decrease) in provisions	(32)	343	0	0
Increase/(decrease) in deferred tax liability	9	(1,992)	0	0
Net cash from/(used in) operating activities	<u>(28,824)</u>	<u>(1,918)</u>	<u>699</u>	<u>1,351</u>

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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current				
Trade debtors (i)	2,408	4,036	85	46
Other debtors (ii)	1,129	1,481	83	79
Advances to syndicates (iv)	80	249	0	0
	3,617	5,766	168	125
Non-Current				
Unsecured loan provided to related party (iii)	0	0	7,000	10,150
Advance to syndicate (iv)	2,300	0	0	0
Loans receivable (v)	14,737	14,001	0	0
Impairment – loans receivable (v)	(14,334)	(10,464)	0	0
	2,703	3,537	7,000	10,150

- (i) Trade debtors are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There have been no impairment losses recognised in the year ended 30 June 2009 (2008: 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 fixed repayment date. APGT has agreed not to request payment of this loan before December 2010.
- (iv) These advances, which are unsecured with no set repayment terms, have been made to syndicates for which an entity in the Fund acts as Responsible Entity. An advance of \$2.3 million has interest charged at APGL's cost of borrowing plus a margin of 5% pa. All other advances are interest free.
- (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 facilities for Dolphin Point drawn to \$6.1 million at 30 June 2009 (2008: \$5.6 million) and for Springfield Meadows drawn to \$11.3 million at 30 June 2009 (2008: \$10.5 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. APGL has agreed that in the event of a default by EPI in respect of the facilities provided by St George, 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. The Directors do not expect the guarantees provided by APGL to result in any liability to APGL.
 - 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. On 30 June 2009 this option was exercised and a purchase contract is expected to settle by the end of the 2009 calendar year.

At 30 June 2009, 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 2009 of \$3,870,000 (2008: \$10,464,000). Movements in the provision for impairment loss were as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Opening balance	10,464	0	0	0
Impairment loss for the year	3,870	10,464	0	0
Closing balance	14,334	10,464	0	0
(vi) At 30 June 2009, the ageing analysis of trade receivables and other debtors is as follows:				
0 – 30 days	1,044	779	99	122
31 – 60 days	684	727	0	0
61 – 90 days	13	553	0	0
+ 91 days	1,796	3,458	69	3
Total	3,537	5,517	168	125

Receivables past due but not considered impaired are \$2,493,000 for the consolidated entity (2008: \$4,738,000) and \$69,000 for the parent (2008: \$3,000). The past due but not considered impaired receivables for the consolidated entity includes amounts totalling \$2,352,000 (2008: \$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		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current				
Work in progress at cost (Palm Beach) *	41,881	19,584	0	0
Non-Current				
Work in progress at cost (Palm Beach/Other) *	15,144	5,203	0	0

* inventories are stated at lower of cost and net realisable value.

Included in work in progress are capitalised borrowing costs of \$2,771,000 (2008: \$486,000) (refer Note 2(f)).

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2009 totalled \$987,000 (2008: \$13,101,000) for the Fund and \$Nil (2008: \$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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

11. OTHER ASSETS

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current				
Prepayments	186	177	48	32
Security deposits	30	1	0	0
	<u>216</u>	<u>178</u>	<u>48</u>	<u>32</u>

12. PLANT AND EQUIPMENT

Leasehold improvements at cost	466	439	9	9
Accumulated depreciation	(58)	(22)	(9)	(5)
	<u>408</u>	<u>417</u>	<u>0</u>	<u>4</u>
Office equipment at cost	309	229	0	0
Accumulated depreciation	(118)	(104)	0	0
	<u>191</u>	<u>125</u>	<u>0</u>	<u>0</u>
	<u>599</u>	<u>542</u>	<u>0</u>	<u>4</u>

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 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	<u>417</u>	<u>125</u>	<u>542</u>
Balance as at 1 July 2008	417	125	542
Additions	27	120	147
Disposals	0	(2)	(2)
Depreciation expense	(36)	(52)	(88)
Balance as at 30 June 2009	<u>408</u>	<u>191</u>	<u>599</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

13. INVESTMENTS

	Note	CONSOLIDATED		PARENT	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Non-Current					
Investments in controlled entities	(i)	0	0	140,695	179,838
Investments in unlisted entities		82	0	0	0
		82	0	140,695	179,838

(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		INVESTMENT	
		2009 %	2008 %	2009 \$000	2008 \$000
Blue Tower Trust [^]	Australia	99.99	99.99	140,695	179,838
Australian Property Growth Limited	Australia	100 *	100 *		
and its controlled entities:					
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 *	100 *		
APGF Property Limited	Australia	100 *	100 *		
Austgrowth Property Syndicates Limited	Australia	100 *	100 *		
Austgrowth Investment Management Pty Ltd	Australia	100 *	100 *		
Domaine Property Funds Limited	Australia	100 *	0 *		
Adviseq Pty Ltd	Australia	100 *	0 *		
Adviseq Unit Trust	Australia	100 *	0 *		

[^] Investment recorded at fair value (refer to Notes 2 (d) & (f)).

* 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)
- Domaine Property Funds Limited, Adviseq Pty Ltd and Adviseq Unit Trust – refer Note 29 (ii)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

14. INTEREST RATE SWAPS AND CAPS

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current Asset				
Interest rate swap	0	364	0	0
Non-Current Asset				
Interest rate swaps	0	458	0	458
Interest rate caps	0	226	0	90
	0	684	0	548
Current Liability				
Interest rate swap	163	0	163	0

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 2009, the Fund had an interest rate swap in place for a notional amount of \$16,068,520 whereby it pays a fixed rate of 5.56% and receives a variable rate equal to AUD Bank Bill rate on the notional amounts. This contract expires on 30 November 2009. The swap is being used to hedge the changes in interest cash flows on part of its borrowings. The borrowings and the interest rate swap have the same critical terms.

Interest Rate Caps

At 30 June 2009, 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		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Non-Current				
Management fee assets	(i) 10,238	15,090	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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

16. GOODWILL

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Non-Current				
Goodwill				
Opening balance	10,553	15,553	0	0
Acquisition of subsidiaries (Note 29)	2,500	1,320	0	0
Impairment	0	(6,320)	0	0
Closing balance	13,053	10,553	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 \$13,053,000 (2008: \$10,553,000).

The goodwill was acquired in the following transactions:

- SPFM acquisition (APL, APS and AIM) which occurred on 22 June 2007 resulting in goodwill of \$15,553,000. At 30 June 2008 the Directors considered that the markets applicable to the SPFM business had deteriorated and that key assumptions used to assess the value of the goodwill at acquisition were no longer current and applicable at that date. The Directors considered that this asset was impaired, and recognised an impairment loss of \$5,000,000 in the accounts in the year ended 30 June 2008;
- APMG acquisition which occurred on 31 December 2007 resulting in goodwill of \$1,320,000 (refer Note 29 (ii)). As APMG did not have any revenues or profits from parties other than APGF entities, the Directors elected to expense this goodwill in the accounts in the year ended 30 June 2008; and
- DPF acquisition which occurred on 13 March 2009 resulting in goodwill of \$2,500,000 (refer Note 29 (iii)).

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 using cash flow projections as at 30 June 2009 based on financial budgets approved by senior management covering a five year period. The after tax discount rate applied to cash flow projections is 12.76% (2008: 12.00%) and cash flows beyond the five-year period are included through a terminal value based on an EBITDA multiple. The growth rate of management fee income, which is normally based on the values of properties managed, is assumed to be 3% per annum (2008: 3% per annum) which Directors consider to be less than the long term average growth rate in the property industry. The inflation rate applicable to management fee income that is not based on the value of properties managed, and also for expenses paid, is assumed to be 3% per annum (2008: 3% per annum) which the Directors consider to be an appropriate long term estimate based on their assessment of economic forecaster's projections.

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 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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

17. INVESTMENT PROPERTIES HELD DIRECTLY

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Property investments held directly	348,650	408,150	101,575	117,150
<i>Included in the carrying amount of investment properties are the following components:</i>				
Property asset	340,978	400,286	98,971	114,656
Lease fitout incentives (at written down value)	1,739	2,180	1,045	1,341
Straight line rent receivable *	4,489	3,934	1,545	1,134
Rental incentives (at written down value)	687	796	0	0
Leasing fees (at written down value)	757	954	14	19
Investment property (at valuation)	348,650	408,150	101,575	117,150

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

(a) Reconciliation of Carrying Amounts

Reconciliation of carrying amounts of property investments

Opening balance at start of year	408,150	296,300	117,150	33,300
Acquisition (Concord)	0	65,343	0	65,343
Acquisition (Collins Street)	0	32,823	0	32,823
Additions	4,357	2,234	411	473
Amortisation	(441)	(441)	(296)	(296)
Leasing fees expensed	(309)	(261)	(5)	(7)
Net gain/(loss) from fair value adjustments	(63,107)	12,152	(15,685)	(14,486)
Closing balance at end of year	348,650	408,150	101,575	117,150

- (b) The assets of APGT and BTT are pledged as security to Suncorp-Metway Ltd under registered mortgage debentures granted by APGM 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		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Property investments held directly	348,650	408,150	101,575	117,150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

17. INVESTMENT PROPERTIES HELD DIRECTLY (CONTINUED)

(c) Details of Property Valuation as at 30 June 2009

Property Description	Date Acquired	Cost and additions to 30 June 2009	Book value at 30 June 2009 *	Latest Independent Valuation **	
		\$'000	\$'000	Valuation \$'000	Date of Valuation
12 Creek Street, Brisbane	19/09/2006	192,958	247,075	291,000	04/08/2008
99 Melbourne Street, Brisbane	21/12/2004	27,809	28,000	31,000	04/08/2008
7 King Street, Concord, Sydney	02/10/2007	65,655	48,600	55,400	18/08/2008
287-301 Collins Street, Melbourne	04/10/2007	33,233	24,975	30,750	07/08/2008
Total		319,655	348,650	408,150	

* Fair value at 30 June 2009 as assessed by the APGM Directors in accordance with AASB 140 *Investment Property*. The Directors' valuations have been prepared with consideration given to market sentiment, the passing income and initial yield and fully leased yield basis after taking into account current market conditions and comparable sales evidence if available. The Directors' valuations as at 30 June 2009 are based on initial yields of 6.55% (Creek Street), 7.75% (Melbourne Street), 7.74% (King Street) and 5.95% (Collins Street).

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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

18. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current				
Trade creditors (i)	568	5,525	68	581
Prepaid income (ii)	1,256	1,305	525	706
Other creditors and accruals (iii)	4,865	3,324	534	639
Accrued distribution (iv)	2,837	5,154	2,837	5,154
	<u>9,526</u>	<u>15,308</u>	<u>3,964</u>	<u>7,080</u>
Non – Current				
Accruals (iii)	861	0	0	0
Prepaid income (ii)	498	671	498	671
	<u>1,359</u>	<u>671</u>	<u>498</u>	<u>671</u>

(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 prepayment 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. The non current portion is contingent consideration payable on the acquisition of DPF that is not expected to be settled within 12 months of balance date.

(iv) Accrued distribution represents a distribution for the quarter ended 30 June.

Fair value and risk exposure

The carrying value of the trade and other payables approximate their fair value. The fair values of contingent consideration payable for the acquisition of DPF have been calculated by discounting the expected future cash flows at prevailing market interest rates. Details of interest rate and liquidity risk exposure is disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

19. BORROWINGS AND INTEREST BEARING LOANS

		CONSOLIDATED		PARENT	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current					
<i>Secured borrowings:</i>					
Secured bank loan	(i)	48,769	14,664	0	0
		48,769	14,664	0	0
Non Current					
<i>Secured borrowings:</i>					
Secured bank loans	(ii)	243,919	243,919	74,819	74,819
Less: Net borrowing costs		(487)	(567)	(165)	(248)
Unsecured loan from controlled entity	(iii)	0	0	6,000	0
		243,432	243,352	80,654	74,571

- (i) 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 \$48,769,000 at 30 June 2009 (2008: \$14,664,000), leaving \$1,359,000 (2008: \$35,464,000) undrawn.
- (ii) 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 (2008: \$20,069,000) expiring on 30 September 2010. Security provided to the lender is a guarantee and indemnity from APGM 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 (2008: \$149,600,000) expiring on 31 October 2011. Security provided to the lender is a guarantee and indemnity from APGM 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 (2008: \$19,500,000) expiring on 31 October 2011. 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, DPF, APL, APS and AIM.
 - A fully drawn facility for \$36,450,000 (2008: \$36,450,000) expiring on 30 September 2011. Security provided to the lender is a guarantee and indemnity from APGM 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 (2008: \$18,300,000) expiring on 31 October 2011. Security provided to the lender is a guarantee and indemnity from APGM as Custodian for APGT via first registered mortgage over the 287-301 Collins Street Melbourne Property. Refer to Note 17(b).
- (iii) This loan provided by BTT is unsecured and has no fixed repayment date. Interest is payable based on BTT's borrowing rate plus a margin of 0.25% pa.

Fair value and risk exposure

The carrying amount of the Fund's current and non-current borrowings approximates 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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Facilities unused	1,359	35,464	0	0
Facilities used	292,688	258,583	74,819	74,819
Total facilities	294,047	294,047	74,819	74,819

Assets pledged as security

Details of assets pledged as security are disclosed above and in Note 17(b).

Defaults and breaches

During the current and prior years, there were no defaults or breaches of any of the terms of the loan agreements.

20. PROVISIONS

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current				
Annual leave	263	267	0	0
Non – Current				
Long service leave	298	326	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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Non - Current				
Loan - Palm Beach Developments Pty Ltd (i)	3,000	3,000	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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

22. MEMBERS' INTERESTS

	CONSOLIDATED		PARENT	
	2009 Number	2009 \$000	2008 Number	2008 \$000
CONSOLIDATED				
Units issued in APGT (i)	227,580,022	194,923	215,930,022	203,929
Shares issued in APGL (ii)	227,580,022	23,473	215,930,022	22,659
		<u>218,396</u>		<u>226,588</u>
PARENT				
Units issued in APGT (i)	227,580,022	<u>194,923</u>	215,930,022	<u>203,929</u>

(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		Shares in APGL	
	Number	\$000	Number	\$000
At 1 July 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
Capital distributions during the year		(17,497)		0
Issued for cash by placement	11,650,000	8,505	11,650,000	815
Transaction costs on share issue		(14)		(1)
At 30 June 2009	227,580,022	194,923	227,580,022	23,473

The following issues of securities occurred during the years ended 30 June 2009 and 2008:

- 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.
- 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.

The following capital distributions were paid/payable during the year ended 30 June 2009:

	\$000
Distribution for the quarter ended 30 September 2008 paid on 31 October 2008	5,225
Distribution for the quarter ended 31 December 2008 paid on 30 January 2009	5,507
Distribution for the quarter ended 31 March 2009 paid on 30 April 2009	3,928
Distribution for the quarter ended 30 June 2009 paid on 31 July 2009	2,837
	<u>17,497</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

22. MEMBERS' INTERESTS (CONTINUED)

Capital Management

When managing the capital base, management's objective is to ensure the Fund continues as a going concern as well as to maintain optimal returns to security holders 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 security holders, return capital to security holders, issue new stapled securities or sell assets to reduce debt.

During 2009, the Fund paid distributions of \$17,497,000 (2008: \$19,044,000) at the rate of 7.82 cents (2008: 9.33 cents) per stapled security.

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 65%. The gearing ratios at 30 June 2009 and 2008 were as follows:

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Total interest bearing liabilities	292,688	258,583	80,819	74,819
Total equity	160,114	232,452	165,279	228,071
Total capital	452,802	491,035	246,098	302,890
Gearing ratio	64.6%	52.7%	32.8%	24.7%

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposure and Responses

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 that are not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Financial assets				
Cash and cash equivalents	25,358	38,514	1,072	2,546
Receivables	2,300	0	0	0
	<u>27,658</u>	<u>38,514</u>	<u>1,072</u>	<u>2,546</u>
Financial liabilities				
Secured bank loans	(276,619)	(151,014)	(58,750)	(58,750)
Secured loan from related party	0	0	(6,000)	0
	<u>(276,619)</u>	<u>(151,014)</u>	<u>(64,750)</u>	<u>(58,750)</u>
Net exposure	<u>(248,961)</u>	<u>(112,500)</u>	<u>(63,678)</u>	<u>(56,204)</u>

Interest rate swap contracts and interest rate cap contracts (refer Note 14 for contract information and fair values) are exposed to fair value movements if interest rates change.

Controlled entities of the Fund 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. From 1 July 2008 to 31 December 2008 (when the arrangement ceased) this was at 3.5% pa based on a principal amount of \$2,500,000.

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 costefficient 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposure and Responses (continued)

Interest rate risk (continued)

Based on average values of financial assets and financial liabilities for the year ended 30 June 2009, if interest rates had moved with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements in interest rates:			POST TAX PROFIT Higher/ (Lower)		EQUITY Higher/ (Lower)	
	2009 Basis Points	2008 Basis Points	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Consolidated						
Increase	225	50	(3,971)	17	0	221
Decrease	n/a	100	n/a	711	n/a	(443)
Parent						
Increase	225	50	(1,269)	(44)	0	108
Decrease	n/a	100	n/a	386	n/a	(215)

Reasonably possible movements in interest rates were determined based on the Fund's current credit profile and relationships and ongoing negotiations with financial institutions and management's assessment of economic forecaster's expectations of movements in interest rate markets. The sensitivity does not provide an analysis of interest rate decreases in 2009 as the Directors consider it is not reasonably probable that the interest rates paid by the Fund will decrease in the short term.

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 2009 than in 2008 because of an increase in outstanding borrowings and reduction in cash balances during the period. The sensitivity in equity is lower in 2009 than in 2008 because of expiry of swap contracts.

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 Fund'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.

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 various maturity dates. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposure and Responses (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Fund's financial liabilities at balance date 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:

Financial Liabilities	≤ 6 Months \$000	6-12 Months \$000	1-5 Years \$000	> 5 Years \$000	Total \$000
Year ended 30 June 2009					
Consolidated					
Trade and other payables	9,026	500	1,359	0	10,885
Interest bearing loans & borrowings	57,544	7,561	262,546	0	327,651
Interest rate swap	163	0	0	0	163
Other liabilities	0	0	3,000	0	3,000
	66,733	8,061	266,905	0	341,699
Parent					
Trade and other payables	3,877	87	498	0	4,462
Interest rate swap	163	0	0	0	163
Interest bearing loans & borrowings	2,319	2,319	85,467	0	90,105
	6,359	2,406	85,965	0	94,730
Year ended 30 June 2008					
Consolidated					
Trade and other payables	14,723	585	671	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	27,300	271,870	0	324,538
Parent					
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

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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

24. COMMITMENTS AND CONTINGENCIES

Capital Commitments

At 30 June 2009 there are no outstanding contracted capital commitments for expenditure except for the following:

- Palm Beach Project – \$Nil (2008: \$22,427,000).
- Creek Street - \$2,032,000 (2008: \$1,833,000).

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

Bank Guarantees

At 30 June 2009 bank guarantees provided by the Fund total \$625,000 (2008: \$197,000). These guarantees are secured by cash accounts held with the bank.

Provision of Ongoing Financial Support to APGL

At 30 June 2009 APGT has agreed to provide ongoing financial support to APGL to ensure APGL continues to be able to pay its debts as and when they become due and payable. This financial support is through the provision of ongoing funding as required up to a maximum amount of \$25 million and APGT not requiring repayment of existing and future advances to APGL before 31 December 2010. The Directors do not expect the provision of this financial support to result in any liability or loss to APGT.

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Future minimum rental revenues under non-cancellable operating leases are as follows:				
• not later than one year	27,533	25,121	7,717	7,720
• later than one year and not later than five years	61,028	69,548	20,472	25,744
• later than five years	11,484	10,490	4,357	6,288
Total	100,045	105,159	32,546	39,752

Operating lease commitments – Fund as lessee

The Fund has entered into operating leases over office premises.

	CONSOLIDATED		PARENT	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Future minimum rentals payable under non-cancellable operating leases are as follows:				
• not later than one year	84	44	0	0
• later than one year and not later than five years	128	211	0	0
• later than five years	0	0	0	0
Total	212	255	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

25. RELATED PARTY DISCLOSURES

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

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

Key Management Personnel

Details relating to directors and key management personnel of APTG and APGL are included in Note 28.

Scheme Management and Transaction Fees

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

APGT (i)	Merrylands Property Syndicate
BTT (i)	Rhodes Property Syndicate (v)
APGF Diversified Property Fund	Wetherill Park Property Syndicate (iv)
APGF Property Syndicate 4	Penrith Property Syndicate
APGF Property Syndicate 5	Austgrowth Property Syndicate 18
APGF Property Syndicate 7	Austgrowth Property Syndicate 19
APGF Property Syndicate 2000	Austgrowth Property Syndicate 20
Burwood Property Syndicate	Austgrowth Property Syndicate 21
Brisbane CBD Property Syndicate	Austgrowth Property Syndicate 22
Brisbane Property Syndicate	Austgrowth Property Syndicate 23
North Sydney Property Syndicate (iii)	Austgrowth Property Syndicate 24
Canberra Property Syndicate	Warnbro Fair Syndicate
Lane Cove Property Syndicate (iii)	Mernda Land Trust
Melbourne Property Syndicate	Harvey Street Property Syndicate (vi)
Domaine SEQ Growth Fund (ii)	Domaine Diversified Property Fund (ii)
Domaine SEQ Growth Trust (ii)	Belmont Trust (ii)
Domaine Hunter Fund (ii)	Domaine Land Fund (ii)

	2009 \$000	2008 \$000
Property funds management fee income	4,912	9,177
Fair value movement in management fee asset (refer Note 15)	(4,852)	2,922
Net property funds management fees paid/payable by these entities to the Fund	60	12,099

- (i) Comparatives are from 31 December 2007 (date APTG was acquired by the Fund) to 30 June 2008. These fees have been eliminated on consolidation.
- (ii) Includes fees from 13 March 2009 (date DPF was acquired by the Fund) to 30 June 2009.
- (iii) Property was sold in December 2007
- (iv) Property was sold in January 2008
- (v) Property was sold in December 2008
- (vi) Property was sold in April 2009

Other fees

During the year ended 30 June 2009 management (including transaction related) fees of \$367,000 (2008: \$3,681,000) were paid or payable by the Fund to APTG in its capacity as Responsible Entity, Asset Manager, Property Manager or Development Manager of APTG, BTT and APB. Any fees incurred subsequent to 31 December 2007 (the date APTG was acquired by the Fund) have been eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

25. RELATED PARTY DISCLOSURES (CONTINUED)

Other fees (continued)

Prior to 31 December 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. At 31 December 2007 this accrual had increased to \$46.5 million (from \$38.5 million at 30 June 2007), 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, AIM and DPF and the abovementioned entities result from normal dealings with those entities in accordance with the applicable Management Agreements.

Other transactions

Development Agreement

During the year APGL reimbursed London Woolstore Trust for costs of \$Nil (2008: \$871,000) incurred in the development of the London Woolstore project. During the year London Woolstore Trust paid APGL a management fee (Project Delivery Fee) of \$Nil (2008: \$7,514,000) in respect of settlements of the London Woolstore project.

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 Forgiven

During the year ended 30 June 2008 a loan from APGT to APGL was reduced in accordance with an agreement between APGT and APGL, whereby APGT forgave \$46.5 million of the loan balance payable by APGL.

Management services fees

During the year ended 30 June 2009 APGT paid APGFA \$829,000 (1 January 2008 to 30 June 2008: \$481,000) to reimburse APGFA for actual costs incurred for the provision of management and administrative services.

26. AUDITOR'S REMUNERATION

	CONSOLIDATED		PARENT	
	2009 \$	2008 \$	2009 \$	2008 \$
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	186,500	238,500	85,500	108,000
• other services in relation to the Fund and any other entity in the Fund				
- other audit services – compliance plan and AFSL audits	16,600	19,300	6,600	19,300
- taxation services	27,560	72,050	6,000	34,420
- corporate advice (takeover/capital raising)	0	38,140	0	5,800
- property/business acquisition taxation advice	2,850	13,800	0	13,800
	233,510	381,790	98,100	181,320

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

28. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key Management Personnel ("KMP")

The KMP of APGM, the Trustee and Responsible Entity of APGT, are:

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)

Executives

A. J. Cragnolini	Chief Financial Officer/Company Secretary
M. O'Reilly	Director, Asset Management
L. Garcia	General Manager – Funds Management
R. I. Cribb	General Manager – NSW Property (ceased employment on 5 September 2008)
M. S. Rundle	General 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.

(b) Compensation for KMP

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and 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.

For the Fund to attract, motivate and retain highly skilled KMP, it embodies the following in its remuneration framework:

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

Non-executive Director Remuneration

The Fund seeks 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 security holders.

At the Extraordinary General Meetings held on 20 December 2007 security holders approved an aggregate remuneration for non-executive Director remuneration of \$350,000 per year for the Fund. 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 derived during the period of their directorship.

The remuneration of non-executive Directors for the year ended 30 June 2009 and the period from 1 January 2008 to 30 June 2008 is detailed in Tables 1 and 2 below. 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

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 security holders; and
- ensure total remuneration is competitive by market standards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation for KMP (continued)

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 fixed and variable remuneration (potential short and long term incentives) for each executive is set out in Tables 1 and 2 below.

Fixed Remuneration

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.

Variable Remuneration – Short Term Incentive ('STI')

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 Fund and provide a framework for delivering long term value.

The Remuneration Committee has determined that due to the difficult financial conditions there will be no STI amounts payable to KMP for the year ended 30 June 2009. Of the \$162,500 of STI amounts (including superannuation) accrued in the 2008 financial year, \$150,000 was paid during the year ended 30 June 2009. The remaining \$12,500, which did not vest as the required KPI's were not met, has been reversed and adjusted against the 2009 financial year remuneration in Tables 1 and 2 below.

Variable Remuneration – Long Term Incentive ('LTI')

There is currently no LTI plan established. It is intended that a LTI plan for the senior executives of the Fund will be established and be put into effect by 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation for KMP (continued)

Table 1: Remuneration of Key Management Personnel for the year ended 30 June 2009

	Short-term			Post-employment			Long-term		Share-based Payments	Total	Performance Related %
	Salary & Fees \$	Cash Incentive \$	Non-monetary Benefits \$	Other \$	Super \$	Other \$	Incentive Plans \$	Long Service Leave ^ \$			
Non-executive Directors											
N. Summerson (Chairman)	100,917	0	0	0	9,083	0	0	0	0	110,000	
R. Bryan	55,000	0	0	0	0	0	0	0	0	55,000	
S. Bryan	50,000	0	0	0	5,000	0	0	0	0	55,000	
K. Pickard	50,459	0	0	0	4,541	0	0	0	0	55,000	
Subtotal – non-executive Directors	256,376	0	0	0	18,624	0	0	0	0	275,000	
Managing Director											
G. McMahon	639,119	0	10,881	0	50,000	0	0	11,986	0	711,986	0.00%
Other KMP											
M. O'Reilly (Director, Asset Management)	366,668	0	0	0	0	0	0	0	0	366,668	0.00%
L. Garcia (General Manager – Funds Management)	284,887	0	10,755	0	25,750	0	0	5,465	0	326,857	0.00%
R. Cribb (General Manager – NSW Property) *	49,464	0	8,042	0	4,166	0	0	0	210,954	272,626	0.00%
A. Craggolini (Chief Financial Officer)	224,054	0	5,777	0	20,169	0	0	0	0	250,000	0.00%
M. Rundle (General Manager – Property Development) #	206,217	(11,468)	25,091	0	17,660	0	0	3,901	0	241,401	0.00%
Subtotal – executive KMP	1,770,409	(11,468)	60,546	0	117,745	0	0	21,352	210,954	2,169,538	
Total	2,026,785	(11,468)	60,546	0	136,369	0	0	21,352	210,954	2,444,538	

* Ceased employment with the Fund on 5 September 2008. The Termination Benefit includes unpaid leave entitlements of \$55,629.

^ This is the movement in the KMP's long service leave entitlement during the year and these have not been paid at balance date. In addition the movement in R. Cribb's long service leave entitlement during the year (\$4,935) has been included in his Termination Benefit.

Includes an adjustment of \$12,500 (including superannuation) for a STI that was accrued in the 2008 financial year but did not vest. This was reversed in the 2009 financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation for KMP (continued)

Table 2: 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	Other	Incentive Plans	Long Service Leave ^			
Non-executive Directors *											
	50,459	0	0	0	4,541	0	0	0	0	55,000	
	27,500	0	0	0	0	0	0	0	0	27,500	
	25,000	0	0	0	2,500	0	0	0	0	27,500	
	25,229	0	0	0	2,271	0	0	0	0	27,500	
	128,188	0	0	0	9,312	0	0	0	0	137,500	
	345,235	0	4,765	0	0	0	0	33,869	0	383,869	0.00%
	0	0	0	0	0	0	0	0	0	0	0.00%
	0	0	0	0	0	0	0	0	0	0	0.00%
	150,000	0	0	0	0	0	0	0	0	150,000	0.00%
Managing Director and executive Directors	285,000	91,743	3,755	0	33,907	0	0	9,416	0	423,821	24.13%
	278,212	0	10,897	0	25,333	0	0	5,210	0	319,652	0.00%
	113,780	45,872	940	0	14,408	0	0	0	0	175,000	28.57%
	108,119	23,968	12,625	0	5,288	0	0	12,806	0	162,806	16.67%
	1,280,346	161,583	32,982	0	78,936	0	0	61,301	0	1,615,148	
	1,408,534	161,583	32,982	0	88,248	0	0	61,301	0	1,752,648	

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

** As these executives commenced employment with the Fund on 1 January 2008, remuneration for the year ended 30 June 2008 was for six months. Prior to 1 January 2008, the Fund was externally managed.

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

^ This is the movement in the KMP's long service leave entitlement during the year. These amounts have not been paid during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(b) Compensation for KMP (continued)

Employment Contracts

The Managing Director and senior executives are employed under Executive Employment Agreements except for Michael O'Reilly who is employed under a Consultancy Agreement. These agreements have no fixed period or termination date. The terms of the current agreements are summarised below:

	Position	Commencement Date	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
M. O'Reilly	Director, Asset Management	1 January 2008 **	\$500,000	6 months	6 months
L. Garcia	General Manager – Funds Management	21 June 2007	\$321,392	6 months	6 months
A. Cragolini	Chief Financial Officer/Company Secretary	1 January 2008 **	\$250,000	3 months	3 months
M. Rundle	General 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:
 - is guilty of misconduct;
 - 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;
 - neglects their duties or is incompetent;
 - becomes bankrupt or compound with, or assigns their estate for the benefit of, one or more of the executive's creditors;
 - engages in conduct of a sort which, in the employer's reasonable opinion, may injure its reputation; or
 - breaches his obligations in respect of confidential information or protection of the employer's goodwill.

** Previously employed by an entity related to the external manager of the Fund at the time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(c) Securityholdings of KMP (consolidated)

Securities held in the Fund* (number)

30 June 2009	Balance at 01-07-2008	Granted as Remuneration	On Exercise of Options	Other Net Change	Balance at 30-06-2009
Directors					
N. E. Summerson #	81,147,062	0	0	11,385,000	92,532,062
G. M. McMahon #	81,613,693	0	0	11,350,000	92,963,693
R. Bryan #	79,071,693	0	0	11,350,000	90,421,693
S. E. Bryan	77,666	0	0	0	77,666
K. R. Pickard	3,017,300	0	0	0	3,017,300
Executives					
A. J. Cagnolini	9,434	0	0	0	9,434
M. O'Reilly	490,305	0	0	0	490,305
L. Garcia	0	0	0	0	0
R. I. Cribb	0	0	0	0	0
M. S. Rundle	11,000	0	0	0	11,000
Total #	87,294,767	0	0	11,385,000	98,679,767

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
W. G. Collins ^	490,305	0	0	0	490,305
M. O'Reilly ^	490,305	0	0	0	490,305
Executives					
A. J. Cagnolini	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 #	54,405,073	0	0	33,379,999	87,785,072

* 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.

^ Resigned as executive Director effective 31 August 2007.

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 2009 this holding is 90,421,693 securities (2008: 79,071,693 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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

28. DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(d) Loans to KMP (Consolidated)

There were no loans between the Fund and the KMP during the period (2008: 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 is a Director 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 33,333,333 stapled securities with a fair value of \$1.20 each on 31 December 2007.

This value was based on Directors' assessment of the fair value of the net assets of APGF and 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 \$Nil from Leyshon to APGFA (2008: \$413,000).
- Provision of management services by Leyshon to APL of \$Nil (2008: \$105,000).
- Provision of accounting and support services and office accommodation by APGFA to Leyshon of \$188,000 (2008: \$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.

(iv) The Fund also entered into the following transactions with Collins O'Reilly ("COR") during the period:

- Transfer of property plant and equipment valued at \$45,000 from COR to APGFA (2008: \$Nil).
- Provision of executive assistant services from 1 March 2009 by COR to APGFA of \$27,000 (2008: \$Nil).

These transactions between the Fund and COR result from normal dealings with those companies in accordance with Agreements between those entities.

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 33,333,333 stapled securities with a fair value of \$1.20 each on 31 December 2007.

This value was based on Directors' assessment of the fair value of the net assets of APGF and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

29. BUSINESS COMBINATIONS (CONTINUED)

(i) ACQUISITION OF APMG (CONTINUED)

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

	Recognised on Acquisition \$000	Carrying Value \$000
Cash and cash equivalents	2,895	2,895
Trade and other receivables	98	98
Deposit on management rights acquisition	519	519
Plant and equipment	3	3
Deferred tax asset	9	9
Management fee asset	46,516	0
	<u>50,040</u>	<u>3,524</u>
Trade and other payables	80	80
Income tax payable	1,030	1,030
Employee entitlements	28	28
Deferred tax liability	25	25
	<u>1,163</u>	<u>1,163</u>
Fair value of identifiable net assets	48,877	2,361
Goodwill arising on acquisition (expensed at date of acquisition) *	1,320	
	<u>50,197</u>	
Cost of acquisition		
- Stapled securities issued at fair value	40,000	
- Cash consideration at fair value	10,000	
- Costs associated with the acquisition	197	
Total cost of acquisition	<u>50,197</u>	
The cash outflow on acquisition is as follows:		
- Net cash acquired with APMG	2,895	
- Cash paid during period	(10,197)	
Net cash outflow for period	<u>(7,302)</u>	

* As APMG did not have any revenues or profits from parties other than APGF entities, the Directors 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, APMG 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

FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

29. BUSINESS COMBINATIONS (CONTINUED)

(ii) ACQUISITION OF DOMAINE PROPERTY FUNDS MANAGEMENT BUSINESS

On 13 March 2009 APGL acquired a 100% interest in the Domaine property funds management business ('Domaine') from Domaine Holdings Pty Limited (a member of the Mirvac Group), comprising DPF, ADPL and ADUT. The total cost of the acquisition was \$5,830,000 and comprised a cash payment of \$4,330,000 plus contingent consideration and costs directly attributable to the acquisition.

At the date of acquisition Domaine managed several significant unlisted property funds with approximately \$625 million of property assets.

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

	Recognised on Acquisition \$000	Carrying Value \$000
Cash and cash equivalents	3,295	3,295
Deferred tax asset	70	70
	<u>3,365</u>	<u>3,365</u>
Trade and other payables	35	35
	<u>35</u>	<u>35</u>
Fair value of identifiable net assets	3,330	3,330
Goodwill arising on acquisition (Note 16)	2,500	
	<u>5,830</u>	
Cost of acquisition		
- Purchase price (settled by cash payment)	4,330	
- Costs associated with the acquisition	116	
- Fair value of contingent consideration and acquisition costs	1,384	
Total cost of acquisition	<u>5,830</u>	
The cash outflow on acquisition is as follows:		
- Net cash acquired with Domaine	3,295	
- Cash paid	(4,447)	
Net cash outflow	<u>(1,152)</u>	

The acquisition accounting is provisional at 30 June 2009 and will be finalised prior to 31 December 2009.

From the date of acquisition to 30 June 2009, Domaine contributed a profit of \$485,000 to the net result of the Fund. If the acquisition of Domaine had taken place at the beginning of the financial year (1 July 2008), the loss of the Fund for the year ended 30 June 2009 (excluding asset write-offs totalling \$16 million made in Domaine accounts prior to acquisition date) would have been \$62,917,000 and the revenue (before investment property revaluation decrements) would have been \$34,981,000.

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 2009 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 2009.

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, 10 September 2009

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



N. Summerson
Chairman
Brisbane, 10 September 2009

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 2009, 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 the 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.

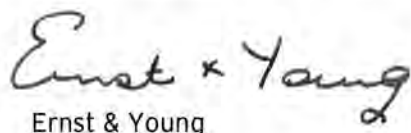
Independence

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. 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.

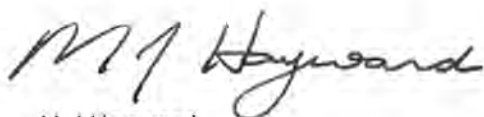
Auditor's Opinion

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 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 2009 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and the *Corporation Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature of 'M J Hayward' in black ink.

M J Hayward
Partner
Brisbane
10 September 2009

SECURITY HOLDER INFORMATION

Additional Security holder information not shown elsewhere in this report is as follows, and is current as at 2 October 2009.

A. DISTRIBUTION OF SECURITY HOLDERS

Analysis of numbers of security holders by size of holding:

Holdings Range	Number of Holders	Total Securities	% of Issued Capital
1 – 1,000	1	1,000	0.00
1,001 – 5,000	45	161,056	0.07
5,001 – 10,000	15	117,386	0.05
10,001 – 100,000	22	1,237,793	0.54
100,001 and over	115	226,062,787	99.34
Total	198	227,580,022	100.00

There were no holders of less than a marketable parcel of 714 securities.

B. LARGEST TEN SECURITY HOLDERS OF ORDINARY FULLY PAID SECURITIES

Name of Securityholder	Number of Securities Held	Percentage of Issued Fully Paid Securities
1. Leyshon Investments (Australia) Pty Ltd ATF Leyshon Operations Unit Trust	50,264,012	22.09
2. Stirling Investments Pty Ltd ATF The Stirling Investment Trust	42,220,298	18.55
3. Leyshon Pty Ltd	20,363,058	8.95
4. Leyshon Operations Pty Ltd	19,794,623	8.70
5. Dr Steve Mokrzeki	6,000,000	2.64
6. Ashbar Constructions Pty Ltd	5,369,200	2.36
7. Troxfield Pty Ltd ATF Rosebery Super Fund	4,882,713	2.14
8. Trust Company Limited <ASIF A/c>	3,886,792	1.71
9. Bond Street Custodians Limited ACF Officium Property Fund	2,886,792	1.27
10. G & M Rees Investments Pty Ltd ATF G & M Rees Investments Trust	2,542,000	1.12
Total securities held by largest ten security holders	158,209,488	69.53
Total ordinary fully paid securities	227,580,022	

C. SUBSTANTIAL SECURITYHOLDERS

Name of Securityholder	Number of Securities Held	Percentage of Issued Fully Paid Securities
Leyshon Group	94,939,062	41.72
Stirling Investments Pty Ltd ATF The Stirling Investment Trust	42,220,298	18.55
	137,159,360	60.27

D. VOTING RIGHTS

- (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

E. UNQUOTED EQUITY SECURITIES AND RESTRICTED EQUITY SECURITIES

The Fund has no unquoted equity securities or restricted equity securities on issue.

F. ANNEXURE 3A

There are no material differences between the information in the Fund's Annexure 3A lodged on 10 September 2009 and the information in the financial documents in the Fund's Annual Report.



CORPORATE DIRECTORY



RESPONSIBLE ENTITY OF AUSTRALIAN PROPERTY GROWTH TRUST

APGF Management Limited
ABN 50 090 257 480
AFSL No. 229287
Level 1, 295 Elizabeth Street, BRISBANE QLD 4000
T: 61 (7) 3004 1222 **W:** www.apgf.com.au

AUSTRALIAN PROPERTY GROWTH FUND DIRECTORS

Neil Summerson (Chairman)
Geoff McMahon (Managing Director)
Bob Bryan
Scott Bryan
Ken Pickard



COMPANY SECRETARY

Adriano Cragolini

STAPLED SECURITY HOLDER REGISTRY

APGF Management Limited
Level 1, 295 Elizabeth Street, BRISBANE QLD 4000



AUDITORS

Ernst & Young

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