

Australian Property Growth Fund

**Interim Consolidated Financial Report
for the half year ended 31 December 2009**

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

Fund Information

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

APGT has a 99.99% ownership interest in Blue Tower Trust ("BTT").

APGL has a 100% ownership interest in:

- APGL (Palm Beach) Pty Ltd ('APB')
- APGF Administration Pty Ltd ('APGA')
- APGF Property Limited ('APL')
- Austgrowth Property Syndicates Limited ('APS')
- Austgrowth Investment Management Pty Ltd ('AIM')
- APGF Management Limited ('APGM')
- Domaine Property Funds Limited ('DPF')
- Adviseq Pty Ltd ('ADPL')
- Adviseq Unit Trust ('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.

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

Registered office and principal place of business is located at:

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

Auditors

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

Directors' Report

The Board of Directors of APGF Management Limited ('APGM') the Trustee and Responsible Entity of Australian Property Growth Trust ('APGT') and the Board of Directors of Australian Property Growth Limited ('APGL') present their financial report on the Fund consisting of APGT and APGL and their controlled entities for the half year ended 31 December 2009.

DIRECTORS

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

APGM as Trustee and Responsible Entity for APGT:

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

APGL:

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

COMPANY SECRETARY

Adriano Julius Cragolini is the company secretary for both APGM and APGL.

FUND INFORMATION

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

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

APGT was created by a Trust Deed dated 14 May 2004 as amended from time to time. Units were issued under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by unitholders at General Meetings held on 20 December 2007 and 28 November 2008. On 19 September 2006 APGT acquired a 99.99% ownership interest in Blue Tower Trust ('BTT').

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 19 July 2006 and through placements approved by shareholders at 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').

Directors' Report (continued)

FUND INFORMATION (continued)

Structure of Australian Property Growth Fund (continued)

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

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

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

Nature of Operations and Principal Activities

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

- 12 Creek Street, Brisbane (formerly known as Comalco Place), a 37 level commercial office building located in the heart of Brisbane CBD's "golden triangle";
- 99 Melbourne Street, South Brisbane, a five level commercial office building located next to Brisbane's Exhibition and Convention Centre;
- 7 King Street, Concord West Sydney, a commercial/business park development fully occupied by Westpac Bank, that includes approximately 16,500 m² of office accommodation and parking for 485 cars;
- 287-301 Collins Street, Melbourne, a 13 level Art-Deco style office building situated in one of the most traditional Collins Street locations in Melbourne's CBD;
- 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;
- 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 planned to be developed in two stages over 2007 – 2012 with construction of stage one completed in June 2009; and
- Future projects which satisfy the Fund Managers' project selection criteria.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Review of Operations

(a) Property Investment

APGT's investment strategy is to invest in a quality portfolio of properties that are supported by long term rental income. During the half year ended 31 December 2009, APGT owned the following properties:

- 12 Creek Street Brisbane – this 37 level 32,000m² commercial office building in Brisbane's CBD is undergoing an \$8 million services upgrade. New air-conditioning chillers and controls have already been installed and the lift upgrade will be completed over the coming 12 months. The Brisbane CBD office market remains sound, although the economic uncertainty has led to a short-term reduction in tenant demand. Reflecting this and as a result of movement in sales capitalisation rates, the property's valuation was reduced by \$7.1 million during the period to \$240 million at 31 December 2009;
- 287-301 Collins Street, Melbourne (Royal Bank Chambers building) – built around 1940 this 13 level Art-Deco style sandstone building is situated in one of the most traditional Collins Street locations in Melbourne's CBD. The building was fully occupied by ANZ Bank until 31 December 2009 when ANZ vacated the nine upper floors. The property will be repositioned through refurbishment and re-leasing during 2010. Planning for the refurbishment and re-leasing process is well advanced. The relative strength of the Melbourne commercial leasing markets and the excellent location of the property are reflected in the property's valuation increasing to \$30.2 million at 31 December 2009 (\$5.2 million higher than 30 June 2009);
- 99 Melbourne Street, South Brisbane – this five level 6,200m² commercial office building has been fully occupied during the period and was valued at \$26 million at 31 December 2009 (\$2 million lower than 30 June 2009); and
- 7 King Street, Concord West Sydney (Westpac Campus) – located just 15 kilometres from the Sydney CBD, this 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 property was valued at \$49 million at 31 December 2009 (\$0.4 million higher than 30 June 2009).

(b) Property Development

During the half year ended 31 December 2009, APGF has been involved in the following property development projects:

- The Palm Beach Project is situated on the corner of the Gold Coast Highway, Fourth Avenue and Fifth Avenue, Palm Beach, Gold Coast. The Palm Beach site, comprising two lots totalling 9,819m², 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 one completed in June 2009. As at 16 February 2010, of the 104 stage one residential units, 82 units had settled (79 settled by 31 December 2009), two units were subject to an unconditional contract of sale and one unit was subject to a conditional contract of sale. Pre-selling of stage two of the project has commenced with 34 of the total 90 stage two units subject to expressions of interest or contracts of sale. Construction of this stage will commence once sufficient stage two pre-sales are achieved; and
- The Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales are quality residential land subdivisions but they have been substantially impacted by the fallout from the global financial crisis and the resultant downturn in the property development sector. A non-cash impairment loss of \$2 million was recorded in APGF's accounts in respect of these projects for the half year ended 31 December 2009. APGF gained its interests in these two properties through the acquisition of a property funds management business in June 2007. Title to the two properties was transferred into APGF's name on 22 February 2010.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Review of Operations (continued)

(c) Property Funds Management

APGF's property funds management business had approximately \$1.3 billion in funds under management as at 31 December 2009. The properties under management are located across Australia (including Brisbane, Sydney, Melbourne, Perth, Gold Coast, Cairns and the Hunter Region of New South Wales) and encompass investments in commercial office, industrial and retail properties and development of residential, retail and industrial sites.

After originally acquiring a property funds management business from Elderslie Finance Corporation Limited on 22 June 2007, APGF has continued to expand its property funds management business through acquisitions of:

- APGF Management Limited, the Responsible Entity and Trustee of APGT and BTT and the asset manager of APGF's projects, on 31 December 2007; and
- Domaine Property Funds Limited ('DPF') and controlled entities from Domaine Holdings Pty Ltd (a member of the Mirvac Group) on 13 March 2009. DPF manages several significant unlisted property funds with approximately \$625 million of property assets at acquisition date.

Consistent with APGF's track record of taking advantage of counter-cyclical investment opportunities, the Fund is in negotiations with parties in respect of future acquisitions of property funds management businesses. At the date of this report these negotiations have not resulted in an unconditional purchase contract.

Results

The net operating result of the Fund is presented in the Condensed Statement of Comprehensive Income. The net loss attributable to the security holders for the half year ended 31 December 2009 was \$1,089,000 (2008: \$23,209,000). A summary of results for the period by operating segment is set out below.

(a) Property Investment

The net loss attributable to the security holders from the property investment operations for the half year ended 31 December 2009 was \$151,000 (2008: \$18,869,000). Reflected in this result are revaluation decrements on investment properties of \$4,496,000 (2008: \$21,875,000).

(b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders from the property development operations for the half year ended 31 December 2009 is \$1,261,000 (2008: \$3,421,000).

(c) Property Funds Management

The net profit attributable to the security holders from the property funds management operations for the half year ended 31 December 2009 was \$323,000 (2008: \$919,000 loss).

Directors' Report (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 22 February 2010, title to two residential land subdivision development projects located in New South Wales was transferred to APGF from Elderslie Property Investments Pty Ltd (Receivers and Managers appointed) ("EPI"). Total purchase consideration was \$18.3 million which was funded from cash (\$6.9 million), borrowings (\$11.2 million through a new fully drawn facility with St George Bank Limited drawn down on 22 February 2010) and the net value of the loan advanced by APGL to EPI (\$0.2 million). APGF initially invested in these two projects in June 2007 as part of the acquisition of the former Elderslie Property Funds Management business.

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

ROUNDING

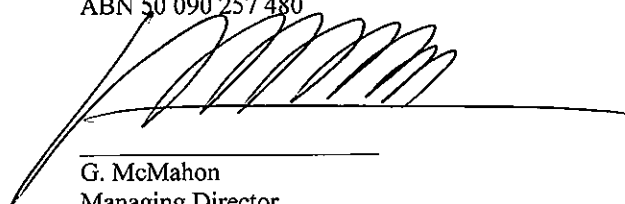
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 21.

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

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



G. McMahon
Managing Director
Brisbane, 12 March 2010

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



N. Summerson
Chairman
Brisbane, 12 March 2010

Condensed Statement of Comprehensive Income FOR THE HALF YEAR ENDED 31 DECEMBER 2009

		Consolidated	
	Note	31 December 2009 (\$000)	31 December 2008 (\$000)
Revenue			
Sales income		32,612	0
Rental income		15,014	15,095
Property funds management fee income		3,628	1,636
Interest income		609	1,395
Other income		719	17
Total Revenue		52,582	18,143
Revaluation decrement on investment properties		(4,496)	(21,875)
Fair value movement in management fee asset		(1,242)	(743)
Total Revenue and Revaluation Decrements		46,844	(4,475)
Less Expenses			
Air conditioning expenses		253	238
Audit fees		85	97
Borrowing expenses	4	7,769	11,157
Consultancy fees		453	236
Development costs expensed (incl cost of inventories sold)	4	30,915	510
Electricity		137	102
Impairment loss – loans receivable	4	2,031	2,081
Insurance		135	117
Land tax		500	266
Leasing expenses		146	146
Legal expenses		45	137
Lift expenses		166	170
Management fee expenses		452	57
Personnel expenses		1,864	1,891
Rates		553	486
Recoverable outgoings		696	647
Rent expenses		143	130
Repairs and maintenance		233	184
Other expenses		732	737
Total Expenses		47,308	19,389
Loss from operating activities before income tax		(464)	(23,864)
Income tax benefit/(expense)		(625)	654
Net Loss from operating activities after income tax		(1,089)	(23,210)
Other comprehensive income			
Net loss from cash flow hedges		0	(147)
Other comprehensive income for the period net of tax		0	(147)
Total comprehensive income for the period		(1,089)	(23,357)

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

Condensed Statement of Comprehensive Income (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Consolidated 31 December 2009 (\$000)	31 December 2008 (\$000)
Loss after income tax attributable to security holders represents:		
Earnings attributable to members of APGT	75	(19,088)
Loss attributable to members of APGL	(1,164)	(4,121)
Non-controlling interests	0	(1)
	<u>(1,089)</u>	<u>(23,210)</u>
Total comprehensive income for the period represents:		
Earnings attributable to members of APGT	75	(19,235)
Loss attributable to members of APGL	(1,164)	(4,121)
Non-controlling interests	0	(1)
	<u>(1,089)</u>	<u>(23,357)</u>
Earnings per stapled security (cents)		
- Basic earnings per stapled security	(0.5)	(10.7)
- Diluted earnings per stapled security	(0.5)	(10.7)
Distributions per stapled security (cents)	5 1.8	4.8

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

Condensed Balance Sheet

AS AT 31 DECEMBER 2009

		Consolidated	
	Note	31 December 2009 (\$000)	30 June 2009 (\$000)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		19,715	25,358
Trade and other receivables		5,286	3,617
Inventory		12,669	41,881
Investment properties held directly	7	26,000	0
Income tax receivable		493	713
Other assets		924	216
Total Current Assets		65,087	71,785
NON-CURRENT ASSETS			
Trade and other receivables		2,500	2,703
Inventory		18,647	15,144
Investment properties held directly	7	319,200	348,650
Plant and equipment		593	599
Investments		65	82
Management fee assets		8,996	10,238
Deferred tax asset		4,045	4,670
Goodwill		13,080	13,053
Other assets		550	0
Total Non-current Assets		367,676	395,139
TOTAL ASSETS		432,763	466,924
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		9,430	9,526
Borrowings and interest bearing loans	6	40,967	48,769
Interest rate swap		0	163
Provisions		548	263
Total Current Liabilities		50,945	58,721
NON-CURRENT LIABILITIES			
Payables		1,793	1,359
Borrowings and interest bearing loans	6	221,963	243,432
Provisions		53	298
Other liabilities		3,000	3,000
Total Non-current Liabilities		226,809	248,089
TOTAL LIABILITIES		277,754	306,810
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		155,009	160,114
REPRESENTED BY:			
Attributable to members of APGL			
Contributed equity	8	23,473	23,473
Accumulated losses		(29,783)	(28,619)
Total attributable to members of APGL		(6,310)	(5,146)
Attributable to unitholders of APGT			
Units on issue	8	190,907	194,923
Undistributed earnings		(29,597)	(29,672)
Total attributable to unitholders of APGT		161,310	165,251
Non-controlling interests		9	9
TOTAL MEMBERS' INTERESTS		155,009	160,114

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

Condensed Statement of Changes in Security Holders' Interests

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED				
	Securities Issued	Undistributed Income	Other Reserves	Non- controlling Interests	Total
	\$000	\$000	\$000	\$000	\$000
At 1 July 2008	226,588	5,705	147	12	232,452
Loss for period	0	(23,209)	0	(1)	(23,210)
Other comprehensive income	0	0	(147)	0	(147)
Total comprehensive income for the period	0	(23,209)	(147)	(1)	(23,357)
Distributions to security holders	(10,732)	0	0	0	(10,732)
Securities issued	9,320	0	0	0	9,320
Transaction costs	(6)	0	0	0	(6)
At 31 December 2008	225,170	(17,504)	0	11	207,677
At 1 July 2009	218,396	(58,291)	0	9	160,114
Loss for period	0	(1,089)	0	0	(1,089)
Other comprehensive income	0	0	0	0	0
Total comprehensive income for the period	0	(1,089)	0	0	(1,089)
Distributions to security holders	(4,016)	0	0	0	(4,016)
At 31 December 2009	214,380	(59,380)	0	9	155,009

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

Condensed Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

		Consolidated	
	Note	31 December 2009 (\$000)	31 December 2008 (\$000)
Cash flows from operating activities			
Receipt of sales income		35,873	0
Receipt of rental income		16,125	16,260
Receipt of property funds management income		3,640	3,047
Payment of Palm Beach project development costs		(8,718)	(24,964)
Payments to other suppliers & employees		(8,206)	(6,668)
Borrowing costs paid		(8,168)	(11,380)
Dividends received		74	0
Interest received		624	1,371
Income tax received/(paid)		220	(2,464)
Net cash flows from/(used in) operating activities		31,464	(24,798)
Cash flows from investing activities			
Payments for plant and equipment		(44)	(26)
Payments for investment property additions		(1,359)	(2,364)
Payments for investments		0	(8)
(Payment)/repayment of advances to syndicates		1	(2,210)
Payment of loans to other parties		(645)	(505)
Payment of deposit on business acquisition		(550)	(263)
Net cash flows used in investing activities		(2,597)	(5,376)
Cash flows from financing activities			
Proceeds from/(repayment of) Palm Beach project borrowings	6	(29,070)	22,967
Repayment of other borrowings	6	(300)	0
Payment of costs of new borrowings		(295)	(8)
Distributions paid to security holders		(4,845)	(10,379)
Proceeds from the issue of securities		0	9,320
Payment of security issue costs		0	(6)
Net cash flows from/(used in) financing activities		(34,510)	21,894
Net decrease in cash held		(5,643)	(8,280)
Cash and cash equivalents at beginning of the period		25,358	38,514
Cash and cash equivalents at end of the period		19,715	30,234

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. CORPORATE INFORMATION

Australian Property Growth Trust ('APGT' or 'the Trust') is a trust that has been registered as a managed investment scheme. APGF Management Limited ('APGM'), the Trustee and Responsible Entity of the Trust, is incorporated and domiciled in Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed consolidated financial report for the half year ended 31 December 2009 has been prepared in accordance with the Trust's constitution, the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half year consolidated financial report has also been prepared on the basis of historical costs, except for investment properties, management fee assets and derivative financial instruments which have been measured at fair value. The half year consolidated financial report is presented in Australian dollars. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

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

It is recommended that the half year consolidated financial report be read in conjunction with the annual report of the Fund for the year ended 30 June 2009 and considered together with any public announcements made by the Fund during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations of the BSX Listing Rules.

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

Since 1 July 2009 the Fund has adopted certain Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Fund. The Standards and Interpretations adopted are:

- AASB 3 Business Combinations (revised 2008) effective 1 July 2009;
- AASB 8 Operating Segments effective 1 July 2009;
- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 July 2009;
- AASB 123 Borrowing Costs (revised 2007) effective 1 July 2009; and
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009.

The Fund has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

3. OPERATING SEGMENTS

The Fund has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The primary reporting format for the group is business segments.

The operating segments are determined by management so as to aggregate operations with similar characteristics including nature of products produced or services provided, assets used in conducting that activity and relative risks of those activities.

The accounting policies adopted by the Fund in reporting on segments internally are the same as those adopted in Note 2 and also those adopted in the prior period.

Operating Segments	Property Investment	Property Funds Mgmt	Property Development	Total
	\$000	\$000	\$000	\$000
31 December 2009				
Revenue				
Sales income	0	0	32,612	32,612
Rental income	14,560	0	454	15,014
Property funds management fee income	0	3,579	49	3,628
Interest income	145	223	241	609
Revaluation decrement on investment properties	(4,496)	0	0	(4,496)
Fair value movement in management fee asset	0	(1,242)	0	(1,242)
Other income	0	719	0	719
Total Revenue and Revaluation Decrements	10,209	3,279	33,356	46,844
Result				
Segment result before fair value movements, impairments and interest expense	11,026	2,942	950	14,918
Less: Revaluation decrement on investment properties	4,496	0	0	4,496
Less: Impairment loss – loans receivable	0	0	2,031	2,031
Less: Management fee asset decrements	0	1,242	0	1,242
Less: Interest expense	6,681	722	210	7,613
Segment result before income tax expense	(151)	978	(1,291)	(464)
Income tax expense	0	(655)	30	(625)
Segment Net Profit/(Loss)	(151)	323	(1,261)	(1,089)
Loss attributable to non-controlling interest	0	0	0	0
Segment Net Profit/(Loss) attributable to security holders	(151)	323	(1,261)	(1,089)
Segment Assets	349,894	36,054	46,815	432,763

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

3. OPERATING SEGMENTS (continued)

Operating Segments (continued)	Property Investment	Property Funds Mgmt	Property Development	Total
	\$000	\$000	\$000	\$000
31 December 2008				
Revenue				
Rental income	14,898	0	197	15,095
Property funds management fee income	0	1,636	0	1,636
Interest income	1,080	250	65	1,395
Revaluation decrement on investment properties	(21,875)	0	0	(21,875)
Fair value movement in management fee asset	0	(743)	0	(743)
Other income	0	17	0	17
Total Revenue and Revaluation Decrements	(5,897)	1,160	262	(4,475)
Result				
Segment result before fair value movements, impairments and interest expense	13,069	717	(2,025)	11,761
Less: Revaluation decrement on investment properties	21,875	0	0	21,875
Less: Impairment loss – loans receivable	0	0	2,081	2,081
Less: Management fee asset decrements	0	743	0	743
Less: Interest expense	10,064	862	0	10,926
Segment result before income tax expense	(18,870)	(888)	(4,106)	(23,864)
Income tax benefit/(expense)	0	(31)	685	654
Segment Net Loss	(18,870)	(919)	(3,421)	(23,210)
Loss attributable to non-controlling interest	(1)	0	0	(1)
Segment Net Loss attributable to security holders	(18,869)	(919)	(3,421)	(23,209)
Segment Assets	412,379	36,382	55,995	504,756

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	2009	2008
	\$000	\$000
4. EXPENSES		
Depreciation of plant and equipment	50	40
Borrowing expenses		
Interest and finance charges paid or payable to:		
Other parties	7,613	10,926
Amortisation of borrowing costs	156	231
Total borrowing expenses	7,769	11,157
Development costs expensed (incl cost of inventories sold)		
Palm Beach project		
Borrowing costs	747	0
Cost of inventories sold	26,889	0
Selling and marketing costs	3,359	461
Other projects	(80)	49
Total development costs expensed (incl cost of inventories sold)	30,915	510
Impairment loss -- loans receivable *	2,031	2,081

* At 31 December 2009, the Directors have assessed the recoverability of the loans receivable from Elderslie Property Investments Pty Ltd ("EPI"), which is dependent on the development of two of EPI's residential land subdivisions -- Dolphin Point and Springfield Meadows. Based on their assessment of the valuations of the properties, and after considering current market conditions, the Directors have concluded that the future net cash flows from the development projects will be insufficient to fully repay both the project debt and the book value of the loans provided by APGL to EPI. As a consequence the Directors consider that the loans provided by APGL to EPI are impaired at balance date and have recognised impairment losses in the half year ended 31 December 2009 of \$2,031,000 (half year ended 31 December 2008: \$2,081,000).

	Consolidated	
	2009	2008
	\$000	\$000
5. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED		
Distributions on stapled securities declared or paid during the half year totalling 1.76 cents (2008: 4.84 cents) per stapled security:		
(a) Distributions paid during the half year	2,008	5,225
(b) Distributions provided for during the half year	2,008	5,507
	4,016	10,732

No dividends were paid or proposed during the period (2008: Nil).

6. BORROWINGS AND INTEREST-BEARING LOANS

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

- Proceeds received from sales of residential units at the Palm Beach Project were used to partially repay the facility provided by St George Bank Limited in respect of that project. Net repayments of \$29,070,000 during the period reduced the outstanding balance of the facility from \$48,769,000 at 30 June 2009 to \$19,699,000 at 31 December 2009. The expiry date of the facility was extended from 31 December 2009 to 29 March 2010.
- Repayments of \$300,000 were made during the period on a facility provided by Suncorp Metway Limited reducing the facility's outstanding balance from \$19,500,000 to \$19,200,000.

APGF has formulated plans to meet the repayments of borrowing facilities as they fall due.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

7. INVESTMENT PROPERTIES HELD DIRECTLY

	Consolidated	
	31 December 2009 \$000	30 June 2009 \$000
Current	26,000	0
Non-current	319,200	348,650
Total	345,200	348,650

As part of the management of the investment property portfolio, certain investment properties may be sold. Investment properties which meet this criteria in the next 12 months are classified as current assets.

Details of Property Valuations at 31 December 2009

Property Description	Date Acquired	Cost and additions to 31 December 2009 (\$000)	Book value at 31 December 2009* (\$000)	Latest Independent Valuation**	
				Valuation (\$000)	Date of Valuation
12 Creek Street, Brisbane	19/09/2006	194,038	240,000	291,000	04/08/2008
99 Melbourne Street, Brisbane	21/12/2004	27,657	26,000	31,000	04/08/2008
7 King Street, Concord, Sydney	02/10/2007	65,686	49,000	55,400	18/08/2008
287-301 Collins Street, Melbourne	04/10/2007	33,319	30,200	30,750	07/08/2008
Total		320,700	345,200	408,150	

* Fair value at 31 December 2009 as assessed by the APGM Directors in accordance with AASB 140 *Investment Property*.

The global market for all types of property has been severely affected in recent years by 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 report.

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

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

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

8. ISSUED SECURITIES	Consolidated		Consolidated	
	31 December 2009	31 December 2009	30 June 2009	30 June 2009
	Number	\$000	Number	\$000
Units issued in APGT (i)	227,580,022	190,907	227,580,022	194,923
Shares issued in APGL (ii)	227,580,022	23,473	227,580,022	23,473
		<u>214,380</u>		<u>218,396</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 2008	215,930,022	203,929	215,930,022	22,659
Capital distributions during the period		(10,732)		0
Issued for cash by placement	11,650,000	8,505	11,650,000	815
Transaction costs on security issue		(6)		0
At 31 December 2008	227,580,022	201,696	227,580,022	23,474
Capital distributions during the period		(6,765)		0
Transaction costs on security issue		(8)		(1)
At 30 June 2009	227,580,022	194,923	227,580,022	23,473
Capital distributions during the period		(4,016)		0
At 31 December 2009	227,580,022	190,907	227,580,022	23,473

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

9. CAPITAL COMMITMENTS AND CONTINGENCIES

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

- bank guarantees at 31 December 2009 are \$410,000 (30 June 2009: \$625,000). These guarantees are secured by cash accounts held with the bank.
- capital commitments at 31 December 2009 are \$1,102,000 for 12 Creek Street (30 June 2009: \$2,032,000).

Notes to the Financial Statements (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

10. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 22 February 2010, title to two residential land subdivision development projects located in New South Wales was transferred to APGF from Elderslie Property Investments Pty Ltd (Receivers and Managers appointed) ("EPI"). Total purchase consideration was \$18.3 million which was funded from cash (\$6.9 million), borrowings (\$11.2 million through a new fully drawn facility with St George Bank Limited drawn down on 22 February 2010) and the net value of the loan advanced by APGL to EPI (\$0.2 million). APGF initially invested in these two projects in June 2007 as part of the acquisition of the former Elderslie Property Funds Management business.

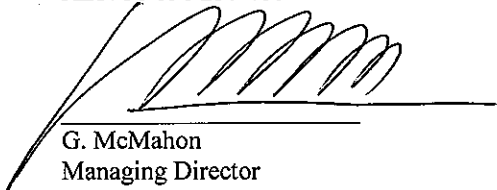
Except for the item disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the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

Directors' Declaration

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


- (a) the financial statements and notes of the consolidated entity set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



G. McMahon
Managing Director
Brisbane, 12 March 2010

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



N. Summerson
Chairman
Brisbane, 12 March 2010

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

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

Ernst & Young

A handwritten signature of 'Mark Hayward' in blue ink.

Mark Hayward
Partner
12 March 2010

To the security holders of Australian Property Growth Fund

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

Report on Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund") during the half-year, which comprises the condensed balance sheet as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in security holders' interests and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration. The fund, as the consolidated entity, comprises both the trust and the entities it controlled at the half-year end or from time to time during the period.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Australian Property Growth Trust and the entities it controlled during the six months, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

A handwritten signature of 'Mark Hayward' in blue ink.

Mark Hayward
Partner
Brisbane

12 March 2010