

APRIL 2010

1H 2009/10 INVESTORS' REPORT

CHAIRMAN AND MANAGING DIRECTOR'S REPORT



Neil Summerson
Chairman



Geoff McMahon
Managing Director

1H09/10 KEY FEATURES

- ◆ Underlying profit after tax of \$6.7 million;
- ◆ Accounting net loss after tax of \$1.1 million (includes non-operating cash devaluations and impairments of \$7.8 million);
- ◆ Net asset value per stapled security of 68 cents;
- ◆ Net assets of \$155 million;
- ◆ Assets under management of approximately \$1.8 billion;
- ◆ Cash of \$20 million as at 31 December 2009;
- ◆ No major headstock investment property loan maturities until September 2011;
- ◆ Compliance with all headstock bank loan covenants;
- ◆ 81% of Stage 1 of Pavilions on 5th, Palm Beach apartments either settled or under unconditional sales contracts and 100% of Stage 1 retail leased;
- ◆ APGF has acquired the Property Funds Australia ("PFA") property funds management business;
- ◆ Other excellent acquisition opportunities are emerging.

OVERVIEW

2010 has the potential to provide greater certainty for the Australian economy, the commercial property market and investors generally, following the challenging period experienced over the past two years.

In response to the challenges presented by the Global Financial Crisis ("GFC"), APGF has had to make some tough decisions in the best interests of our investors. Throughout we have adopted a persistent approach of pushing through the cycle and focussing on long-term property fundamentals.

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

APGF's half year results, highlighting solid underlying profit growth, along with our committed endeavours over the past six months, have placed APGF in a strong position to take advantage of the emergent recovery.

The challenging period our industry has undergone has also yielded some attractive opportunities for APGF and the acquisition of the Domaine property funds management business provided one such opportunity.

Our management team has proven experience in acquiring and integrating new businesses as evidenced by the Domaine business purchase last year and the earlier acquisition of the former Elderslie property funds management business in June 2007. With these acquisitions APGF has developed a reputation as a consolidator within the property funds management sector.

We have started 2010 with further positive developments on several fronts, including the purchase of the PFA property funds management business from Mirvac.

We have also continued to achieve solid results at Pavilions on 5th at Palm Beach, on the Gold Coast, with 81% of Stage 1 of the project either settled or under unconditional sales contracts and 100% of Stage 1 retail now leased.

Despite the accounting net loss for the half year, the underlying profit of \$6.7 million highlights the resilience of APGF's business model and quality of APGF's investment portfolio. Property valuations appear to be stabilising with revaluation and non-cash losses accounting for \$7.8 million in the first half of 2009/10.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

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ECONOMIC ENVIRONMENT

The Australian economy has improved with the general view being the bottom of the downturn has been reached and the strong economies of our Asian trading partners will continue to drive domestic growth.

The strong Asian bounce back, particularly in China, has proved a real bonus for the Australian economy. There has also been an improvement in both Australia's consumer and business confidence over the past six months. Notwithstanding these positive indicators, there is still some way to go before conditions could be described as normal.

There are a few clouds on the horizon including sovereign debt risk, interest rate rises and no more financial stimulus packages to boost consumer spending.

PROPERTY MARKET

Commercial property continues to be one of the weakest sectors in the Australian economy.

The Reserve Bank of Australia, in its February monetary policy statement, has also confirmed that lending conditions for the commercial property sector remain very tight.

Recent pronouncements by the major banks regarding their dramatically reduced exposure to commercial property have heightened concerns regarding the prospect of continued credit rationing and/or high interest rates for the sector.

Because of these continuing credit constraints and despite the vastly improved economic outlook, APGF remains cautiously optimistic about the pace of recovery this year. We believe that continued credit rationing for commercial property and the resultant excess of sellers over buyers will be a dampener on the sector's recovery, with more hard times to navigate.

On a positive note, the high lending margins and low debt availability has triggered a major trend towards new

equity raisings in the listed real estate trust sector during the second half of 2009. A recent increase in commercial property transactions along with more than \$12 billion of equity raised by the sector has started to rekindle investor interest.

It now appears we are close to the trough in commercial property valuations and excellent acquisition opportunities continue to emerge. Acquisitions undertaken in the next 12 to 18 months will be the driver of profits to be made over the next five to seven years.

CAPITAL MANAGEMENT

APGF has maintained a sound capital position with approximately \$20 million in cash at 31 December 2009 and our cash flow forecasts show APGF as being cash flow positive from operations.

The Fund continues to comply with its headstock debt covenants and managing its bank loans, with no major headstock investment property loan maturities until September 2011.

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

The distribution rate remains unchanged at 3.5 cents per stapled security per annum.

PFA ACQUISITION

Attractive counter-cyclical acquisition opportunities are continuing to emerge in the current market.

Consistent with APGF's track record of taking advantage of these investment opportunities, the Fund has further expanded its property funds management

business, with the acquisition of the Property Funds Australia ("PFA") business.

The PFA property funds management business will increase APGF's assets under management to approximately \$1.8 billion.

The sale is expected to settle during April 2010 when final settlement conditions have been met.

APGF has acquired the responsible entity for the PFA Diversified Property Trust, which owns 17 properties currently valued at approximately \$547 million. Predominantly located in Sydney, Melbourne, Brisbane, Canberra and Perth, the group of properties encompass commercial office, retail, industrial and hotels.

The acquisition of the PFA property funds management business represents an excellent bolt-on acquisition to APGF's existing property funds management business.

CONCLUSION

With our experienced management team and a portfolio of quality assets, APGF is confident of driving through the current economic conditions and we will continue to seek acquisition opportunities at this current low point in the property cycle to deliver sustainable long-term returns to our investors.

APGF would like to take this opportunity to thank investors for their ongoing support, particularly during the past two years when the world experienced a most difficult time both financially and economically. APGF remains focussed on maximising investor returns and we look forward to a more positive year ahead.


Yours sincerely



Neil Summerson, Chairman



Geoff McMahon, Managing Director



APGF'S HALF
YEAR RESULTS,
HIGHLIGHTING
SOLID UNDERLYING
PROFIT GROWTH,
ALONG WITH
OUR COMMITTED
ENDEAVOURS
OVER THE PAST
SIX MONTHS, HAVE
PLACED APGF IN
A STRONG POSITION
TO TAKE ADVANTAGE
OF THE EMERGENT
RECOVERY.

12 CREEK STREET ("BLUE TOWER")

The \$8 million services upgrade of the Blue Tower is now well advanced. 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 Blue Tower's valuation was reduced by \$7 million to a carrying value of \$240 million as at 31 December 2009.

99 MELBOURNE STREET

Located in Brisbane's fast growing South Bank precinct, 99 Melbourne Street has been fully occupied since it opened in early 2005 and remains a quality commercial office building.

The building's valuation was reduced by \$2 million to \$26 million as at 31 December 2009.

UPDATE ON CURRENT TRUST ASSETS

WESTPAC CONCORD CAMPUS

Westpac Concord Campus, located in Concord West just 15 km from the Sydney CBD, was acquired by APGF in October 2007.

This is a commercial/business park development of 16,500 square metres of office accommodation, along with other facilities and is fully leased to Westpac Bank. The property has good long-term prospects for repositioning. As at 31 December 2009, the property was valued at \$49 million, which is a \$0.4 million increase in valuation.

ROYAL BANK CHAMBERS

APGF acquired the classic sandstone Royal Bank Chambers building in Melbourne's prestigious Collins Street in October 2007. The building's principal tenant is ANZ Bank. APGF has the opportunity to reposition the property in 2010, as the nine upper floors are available for refurbishing and re-leasing now that ANZ has relocated to its new Docklands building. Planning for the refurbishment and re-leasing process is well advanced. As at 31 December 2009, the building was revalued at \$30.2 million, representing an increase of \$5.2 million which reflects the relative strength of the Melbourne commercial leasing markets and the excellent location of the property.

UPDATE ON CURRENT DEVELOPMENT PROJECTS

PAVILIONS ON 5TH, PALM BEACH

APGF continues to make good progress on the \$125 million Pavilions on 5th mixed retail and residential project at Palm Beach. Construction of Stage 1 was completed in June 2009.

For Stage 1 of Pavilions on 5th, 81% of apartments have either settled or are under unconditional sales contracts and 100% of the Stage 1 retail precinct is now leased.

The completed apartment settlements and leasing of Stage 1 reflects the quality of the project and confirms that the area's demographics support the project's concept.

Pre-selling of Stage 2 of the project has commenced with approximately 38% of the Stage 2 apartments, subject to expressions of interest or sales contracts. Construction of this stage will commence once sufficient Stage 2 pre-sales are secured.

For more information please contact the project's sales office on 07 5534 3876 or visit www.pavilionson5th.com.au.

ULLUDULLA, 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 from the GFC and the resultant downturn in the property development sector. A non-cash impairment loss of \$2 million was recorded in the Fund's accounts in the first half of 2009/10.

APGF gained its interests in these two properties through the acquisition of a property funds management business in mid-2007. Title to the two properties was transferred into APGF's name in February 2010.

APGF REMAINS
FOCUSSED ON
MAXIMISING
INVESTOR RETURNS
AND WE LOOK
FORWARD TO A
MORE POSITIVE
YEAR AHEAD.

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