

Australian Property Growth Fund

ARSN 109 093 816

Consolidated Annual Financial Report for the year ended 30 June 2010

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

Fund Information

This Consolidated Annual Financial Report covers Australian Property Growth Fund ('APGF' or 'Fund'), which comprises the stapled entities of Australian Property Growth Trust ('APGT') and Australian Property Growth Limited ('APGL'). Under 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')
- Property Funds Australia Limited (acquired on 12 April 2010) ('PFA')

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 3 to 12. 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 15
12 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 2010.

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 and subsidiaries (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 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.

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

Geoffrey ('Geoff') McMahon is Managing Director of the company. He has worked in the property sector for more than 22 years and is responsible for the Fund's corporate strategy, property funds management, investments and developments. Geoff has been involved in over \$1 billion worth of property investments and developments and has been a driving force within the Fund 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.

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

Adriano Cragolini joined the Board of APGM as an executive Director on 22 March 2010. Adriano has 17 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 responsible for the Fund's corporate finance, risk management, regulatory compliance and property funds management.

Robert Bryan BSc (Hons, Geology), FAusIMM

Robert ('Bob') Bryan is a founding Director of the Fund. He resigned from the Board of APGM as a non-executive Director on 22 March 2010 but remains a Director of APGL. Bob 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. 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. Leyshon Group is APGF's major security holder.

Scott Edward Bryan BSc (Hons, Geology), PhD

Scott Bryan is a founding Director of the Fund. He resigned from the Board of APGM as a non-executive Director on 22 March 2010 but remains a Director of APGL. 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, Senior Lecturer at Kingston University in the United Kingdom and a Principal Research Fellow with the Sustainable Minerals Institute at the University of Queensland. Since April 2010 Scott has been a Vice Chancellor's Research Fellow at the Queensland University of Technology. 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' Report (continued)

APGM as Trustee and Responsible Entity for APGT (continued):

Kenneth Ross Pickard BCom, FCA

Kenneth ('Ken') Pickard is a founding Director of the Fund. He resigned from the Board of APGM as a non-executive Director on 22 March 2010 but remains a Director of APGL. Ken is the Managing Director of Moore Stephens (Queensland) Limited Chartered Accountants, a Queensland based firm of approximately 150 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 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.

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

COMPANY SECRETARY

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

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

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
A Cragnolini	9,434	9,434
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 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 unit holders 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 has a 100% ownership interest in:

Entity	Date of Incorporation/Acquisition
APGL (Palm Beach) Pty Ltd ('APB')	21 March 2005
APGF Administration Pty Ltd ('APGA')	14 June 2007
APGF Property Limited ('APL')	22 June 2007
Austgrowth Property Syndicates Limited ('APS')	22 June 2007
Austgrowth Investment Management Pty Ltd ('AIM')	22 June 2007
APGF Management Limited ('APGM')	31 December 2007
Domaine Property Funds Limited ('DPF')	13 March 2009
Property Funds Australia Limited ('PFA')	12 April 2010

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 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 being developed in two stages over 2007 - 2012, with construction of stage one completed in June 2009;
- Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales. The title of the two quality residential land subdivisions was transferred into APGF's name on 22 February 2010; and
- Future projects which satisfy the Fund Managers' project selection criteria.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Review of Operations for the year

(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 year ended 30 June 2010, APGT owned the following properties:

- 12 Creek Street, Brisbane – this 37 level 32,000m² commercial office building in Brisbane's CBD has almost completed an \$8 million services upgrade. New air-conditioning chillers and controls have been installed, the foyer refurbished and the lift upgrade will be completed in late 2010. The Brisbane CBD office market remains sound, although the economic uncertainty has led to a short-term reduction in tenant demand. The tentative market demand coupled with expansion in sales capitalisation rates has reduced the property's valuation by \$7.1 million during the period since 30 June 2009 to be \$240 million at 30 June 2010;
- 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 \$30.3 million at 30 June 2010 (\$5.3 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 \$28.2 million at 30 June 2010 (\$0.2 million higher 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 30 June 2010 (\$0.4 million higher than 30 June 2009).

(b) Property Development

During the year ended 30 June 2010, 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 24 August 2010, of the 104 stage one residential units, 89 units had settled (86 settled by 30 June 2010), 1 unit was subject to an unconditional contract of sale and 3 units were subject to a conditional contract of sale. Pre-selling of stage two of the project has commenced with 33 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 loss of \$4.0 million was recorded in APGF's accounts in respect of these projects for the year ended 30 June 2010. 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)

Review of Operations for the year (continued)

(c) Property Funds Management

APGF's property funds management business had approximately \$1.8 billion in funds under management as at 30 June 2010. 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;
- 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; and
- Property Funds Australia Limited ('PFA') from Mirvac Holdings Limited (a member of the Mirvac Group) on 12 April 2010. PFA manages the PFA Diversified Property Trust with approximately \$547 million of property assets at acquisition date.

Employees

At 30 June 2010 APGL had 20 employees (2009: 18) and APGM had no employees (2009: nil).

Results

The net operating result of the Fund is presented in the Statement of Comprehensive Income. The net profit attributable to the security holders for the year ended 30 June 2010 was \$693,000 (2009:\$63,996,000 loss). A summary of results for the year by significant industry segments is set out below.

(a) Property Investment

The net profit attributable to the security holders from the property investment operations for the year ended 30 June 2010 was \$3,064,000 (2009: \$55,195,000 loss). Reflected in this result are net revaluation decrements on investment properties of \$3,434,000 (2009: \$63,107,000).

(b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders from these operations for the year ended 30 June 2010 is \$5,175,000 (2009:\$5,072,000). This loss included non-cash losses on the Springfield Meadows and Dolphin Point properties of \$3,996,000 (2009: \$3,870,000).

(c) Property Funds Management

The net profit attributable to the security holders from the property funds management operations for the year ended 30 June 2010 is \$2,804,000 (2009:\$3,729,000 loss). This result included management fee asset decrements of \$1,107,000 (2009: \$4,852,000).

Distributions/Dividends

A final capital 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.

Distributions to security holders during the year were paid quarterly including a capital distribution of 0.875 cents per stapled security paid on 30 October 2009 in respect of the quarter ended 30 September 2009, a capital distribution of 0.875 cents per stapled security paid on 29 January 2010 in respect of the quarter ended 31 December 2009 and a capital distribution of 0.875 cents per stapled security paid on 23 April 2010 in respect of the quarter ended 31 March 2010.

A final distribution was declared for the year ended 30 June 2010 of 0.875 cents per stapled security in respect of the quarter ended 30 June 2010 and was paid on 30 July 2010.

All distributions declared for the year ended 30 June 2010 were paid from APGT.

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

Directors' Report (continued)

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:

	2010	2009	2008	2007	2006
Basic earnings per stapled security (cents)	0.3	(28.8)	(3.2)	31.7	6.0
Net asset value per stapled security (cents)	67.2	70.4	107.7	119.5	97.8
Assets under management (\$ million) #	1,828	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 2010 (2009: 227,580,022). There were no stapled securities issued during the year (2009: 11,650,000). For further details refer Note 22.

FUND ASSETS

At 30 June 2010, the Fund owned assets to the value of \$457,660,000 (2009: \$466,924,000). 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 PFA for \$14.0 million; and
- title to Springfield Meadows and Dolphin Point development properties were transferred to APGL for purchase consideration of \$18.3 million.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 September 2010 a purchaser exercised its option to proceed with an unconditional contract to purchase the 99 Melbourne Street property for \$28.5 million. Settlement is expected to occur in late September 2010.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

Directors' Report (continued)

OPTIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

CORPORATE GOVERNANCE

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

Scope of responsibility of the Boards

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

Compliance Committee

Compliance matters 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 APGM and whose role is to supervise APGM's compliance with the compliance plan, AFSL and the *Corporations Act 2001*.

The Compliance Committee reports to APGM's Board and, if necessary, ASIC, in relation to compliance issues. During the year ended 30 June 2010 four compliance committee meetings were held. The members of the Compliance Committee during the period, and a summary of their attendance at meetings, is provided below:

	Number of meetings eligible to attend	Number of meetings attended
Karen Prentis	4	4
Adriano Cragnolini (appointed 31 December 2009)	2	2
Kathleen Armstrong (appointed 30 April 2010)	1	1
Stuart Russell (resigned 30 April 2010)	3	3
Luis Garcia (resigned 31 December 2009)	2	2

The functions of the Compliance Committee are essentially 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 13 April 2010.

Audit and Risk Committee

APGL has established an Audit and Risk Committee to advise on the establishment of a framework to monitor internal controls, business risks and appropriate ethical standards for the management of the Fund.

The committee performs a variety of functions relevant to risk management and internal and external reporting and report to the Boards following each meeting. The members of the Audit and Risk Committee during the period, and a summary of their attendance at meetings, is provided below:

	Number of meetings eligible to attend	Number of meetings attended
Ken Pickard (Chairman - appointed 25 February 2010)	1	1
Neil Summerson	3	3
Geoff McMahon (resigned 25 February 2010)	2	2

Directors' Report (continued)

CORPORATE GOVERNANCE (continued)

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 2010 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 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 2010 the Board of APGM had three Directors (including the Chairman) one of whom was a non-executive Director 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.

Directors' Report (continued)

CORPORATE GOVERNANCE (continued)

Code of corporate governance (continued)

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.

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 the 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).

Directors' Report (continued)

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	4	4	4
G McMahon	4	4	4	4
R Bryan	2	2	4	4
S Bryan	2	2	4	4
K Pickard	2	2	4	4
A. Cragnolini	2	2	N/a	N/a
S Smith *	N/a	N/a	N/a	N/a

* S Smith is the Alternate Director of APGL 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.

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 13.

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:

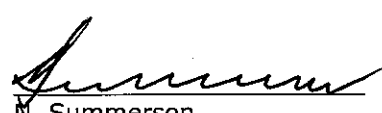
Tax compliance and advisory services	\$47,970
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This statement is made in accordance with a resolution of the Directors of APGM as Trustee and Responsible Entity for APGT and the Directors of APGL.

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 2010

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


N. Summerson
Chairman
Brisbane, 10 September 2010

**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 2010, 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 blue ink signature of the Ernst & Young firm, written in a cursive style.

Ernst & Young

A blue ink signature of Mark Hayward, written in a cursive style.

Mark Hayward
Partner
10 September 2010

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2010 \$000	2009 \$000
Revenue			
Sales income		35,846	0
Rental income		30,008	29,279
Property funds management fee income	4 (a)	7,678	5,100
Interest income		1,033	2,067
Other income		854	96
Total Revenue	4 (a)	75,419	36,542
Revaluation increment/(decrement) on investment properties	17 (a)	(3,434)	(63,107)
Fair value movement in management fee asset	15	(1,107)	(4,852)
Fair value movement in investments		(11)	0
Total Revenue and Revaluation Increments/(Decrements)		70,867	(31,417)
Less Expenses			
Air conditioning expenses		504	461
Audit fees		248	202
Borrowing expenses	4 (b)	17,519	17,081
Consultancy fees		1,040	518
Development costs expensed (incl cost of inventories sold)	4 (b)	38,586	987
Electricity		329	206
Impairment loss – loans receivable	9 (iii)	2,031	3,870
Insurance		287	238
Land tax		1,027	532
Leasing expenses		264	306
Legal expenses		115	214
Lift expenses		344	342
Loss on disposal of plant and equipment		315	0
Management fee expenses	4 (b)	978	479
Personnel expenses		3,792	3,712
Rates		1,193	980
Recoverable outgoings		1,341	1,237
Rent expense		560	140
Repairs and maintenance		393	358
Other expenses		1,649	1,526
Total Expenses		72,515	33,389
Loss from operating activities before income tax		(1,648)	(64,806)
Income tax benefit	5	2,341	807
Net profit/(loss) from operating activities after income tax		693	(63,999)
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		693	(64,146)

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

Statement of Comprehensive Income (continued)

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
		2010	2009
	Note	\$000	\$000
Profit/(loss) after income tax attributable to security holders represents:			
Earnings attributable to members of APGT		3,142	(54,013)
Loss attributable to members of APGL		(2,449)	(9,983)
Non-controlling interests		0	(3)
		<u>693</u>	<u>(63,999)</u>
Total comprehensive income for the period represents:			
Earnings attributable to members of APGT		3,142	(54,160)
Loss attributable to members of APGL		(2,449)	(9,983)
Non-controlling interests		0	(3)
		<u>693</u>	<u>(64,146)</u>
Earnings per stapled security (cents)			
- Basic earnings per stapled security	6	0.3	(28.8)
- Diluted earnings per stapled security	6	0.3	(28.8)
Distributions per stapled security (cents)	7	3.5	7.8

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

Balance Sheet

AS AT 30 JUNE 2010

	Note	Consolidated 2010 \$000	2009 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	8	17,405	25,358
Trade and other receivables	9	6,683	3,617
Inventory	10	11,643	41,881
Investment properties held directly	17	28,200	0
Income tax receivable		1,730	713
Management fee assets	15	1,275	0
Other assets	11	290	216
Total Current Assets		67,226	71,785
Non-Current Assets			
Trade and other receivables	9	0	2,703
Inventory	10	33,119	15,144
Investment properties held directly	17	319,300	348,650
Plant and equipment	12	662	599
Investments	13	268	82
Management fee assets	15	18,620	10,238
Goodwill	16	13,197	13,053
Deferred tax asset	5	5,268	4,670
Total Non-current Assets		390,434	395,139
TOTAL ASSETS		457,660	466,924
LIABILITIES			
Current Liabilities			
Trade and other payables	18	16,485	9,526
Borrowings and interest bearing loans	19	49,130	48,769
Interest rate swap	14	0	163
Provisions	20	246	263
Total Current Liabilities		65,861	58,721
Non-Current Liabilities			
Payables	18	1,119	1,359
Borrowings and interest bearing loans	19	234,484	243,432
Provisions	20	354	298
Other liabilities	21	3,000	3,000
Total Non-current Liabilities		238,957	248,089
TOTAL LIABILITIES		304,818	306,810
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		152,842	160,114
REPRESENTED BY:			
Attributable to members of APGL			
Contributed equity	22	23,473	23,473
Accumulated losses		(31,068)	(28,619)
Total attributable to members of APGL		(7,595)	(5,146)
Attributable to unit holders of APGT			
Units on issue	22	186,958	194,923
Undistributed earnings		(26,530)	(29,672)
Total attributable to unit holders of APGT		160,428	165,251
Non-controlling interests		9	9
TOTAL MEMBERS' INTERESTS		152,842	160,114

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 2010

	Note	CONSOLIDATED				Total \$000
		Securities Issued \$000	Undistributed Income \$000	Other Reserves \$000	Non- controlling Interests \$000	
At 1 July 2008		226,588	5,705	147	12	232,452
Loss for period		0	(63,996)	0	(3)	(63,999)
Other comprehensive income		0	0	(147)	0	(147)
Total comprehensive income for the period		0	(63,996)	(147)	(3)	(64,146)
Distributions to security holders	7	(17,497)	0	0	0	(17,497)
Securities issued	22	9,320	0	0	0	9,320
Transaction costs	22	(15)	0	0	0	(15)
At 30 June 2009		218,396	(58,291)	0	9	160,114
At 1 July 2009		218,396	(58,291)	0	9	160,114
Profit for period		0	693	0	0	693
Other comprehensive income		0	0	0	0	0
Total comprehensive income for the period		0	693	0	0	693
Distributions to security holders	7	(7,965)	0	0	0	(7,965)
At 30 June 2010		210,431	(57,598)	0	9	152,842

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 2010

		Consolidated	
		2010	2009
	Note	\$000	\$000
Cash flows from operating activities			
Receipt of sales income		39,431	0
Receipt of rental income		31,655	30,703
Receipt of property funds management income		8,645	7,726
Other receipts from customers		474	288
Payment of Palm Beach Project development costs		(11,092)	(34,288)
Payments to other suppliers & employees		(17,663)	(13,908)
Borrowing costs paid		(15,555)	(18,746)
Dividends and distributions received		172	0
Interest received		1,068	2,032
Income tax received/(paid)		713	(2,631)
Net cash flows from/(used in) operating activities	8	37,848	(28,824)
Cash flows from investing activities			
Payments to acquire development properties		(18,115)	0
Payments for plant and equipment		(58)	(147)
Payments for investment property additions		(2,537)	(3,745)
Payments for investments		0	(8)
(Payment)/repayment of advances to syndicates		80	(2,131)
Payment of loans to other parties		(1,980)	(736)
Acquisition of DPF, net of cash acquired	29	(445)	(1,152)
Acquisition of PFA, net of cash acquired	29	(4,826)	0
Net cash flows /(used in) investing activities		(27,881)	(7,919)
Cash flows from financing activities			
Proceeds from/(repayment of) Palm Beach Project borrowings		(32,131)	34,104
Proceeds from borrowings (development properties acquired)		11,223	0
Repayment of other borrowings		(900)	0
Payment of costs of new borrowings		(295)	(8)
Proceeds from borrowings – related parties		13,000	0
Distributions paid to security holders		(8,817)	(19,814)
Proceeds from the issue of securities		0	9,320
Payment of security issue costs		0	(15)
Net cash flows from/(used in) financing activities		(17,920)	23,587
Net decrease in cash held		(7,953)	(13,156)
Cash and cash equivalents at beginning of the year		25,358	38,514
Cash and cash equivalents at end of the year	8	17,405	25,358

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 2010

1. CORPORATE INFORMATION

The Consolidated Annual Financial Report of Australian Property Growth Fund ('APGF' or 'the Fund') for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of Directors on 10 September 2010.

Australian Property Growth Trust ('APGT' or 'the Trust') is an Australian registered 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.

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.

New Accounting Standards, Interpretations and Other Regulatory Changes

Changes in regulatory requirements

The revised *Corporations Act 2001*, as amended by the Corporations Amendment Regulations 2010 (No. 6) no longer requires an entity to prepare parent entity financial statements, provided the entity prepares consolidated financial statements, however, key parent entity disclosures are required by way of a separate note. As a result of this change, the consolidated entity has not prepared separate parent entity financial statements and the required parent entity disclosure is included in Note 30.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows for new and amended Australian Accounting Standards and AASB Interpretations adopted by the fund as of 1 July 2009. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Fund, its impact is described below:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Changes in accounting policy and disclosures (continued)

AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. The fair value measurement disclosures and liquidity risk disclosures are not significantly impacted by the amendments.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. The Fund concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in Note 3, including the related revised comparative information.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present one statement.

AASB 123 Borrowing Costs

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. As the Fund's previous policy was to capitalise these costs as they were incurred there has been no material impact by the amendments.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary. The receipt of dividends by the parent during the year did not impact the recoverability of the investment in the subsidiary.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the Fund. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Fund.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Changes in accounting policy and disclosures (continued)

Annual Improvements Project

In May 2008 and April 2009 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Fund.

- AASB 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Fund's chief operating decision maker does review segment assets and liabilities, the Fund has continued to disclose this information in Note 3.
- AASB 123 *Borrowing Costs*: the definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one - the interest expense calculated using the effective interest rate method calculated in accordance with AASB 139. The Fund has amended its accounting policy accordingly which did not result in any change in its statement of financial position.
- AASB 136 *Impairment of Assets*: the amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Fund as the annual impairment test is performed before aggregation.
- AASB 140 *Investment Property*: requires investment property under construction for future use as investment property to be measured at fair value with changes in fair value being recognised in the statement of comprehensive income when fair value can be determined reliably. However, where fair value cannot be determined reliably, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable. There is no impact on the amounts recognised or disclosures made by the Fund on adoption of the revised standard.
- Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the Fund:
 - AASB 2 *Share-based Payment*
 - AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
 - AASB 101 *Presentation of Financial Statements*
 - AASB 108 *Accounting Policies, Change in Accounting Estimates and Error*
 - AASB 110 *Events after the Reporting Period*
 - AASB 116 *Property, Plant and Equipment*
 - AASB 117 *Leases*
 - AASB 118 *Revenue*
 - AASB 119 *Employee Benefits*
 - AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*
 - AASB 128 *Investment in Associates*
 - AASB 131 *Interests in Joint Ventures*
 - AASB 138 *Intangible Assets*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Accounting Standards Issued But Not Yet Effective

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 2010. The impact of these new or amended standards and interpretations (to the extent relevant to the Fund) are set out in the table below.

Summary	Applic'n Date of Standard	Applic'n Date for entity*
<p><u>AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139)</u></p> <p>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 except for the following:</p> <ul style="list-style-type: none"> (a) The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as cash flow from investing activities. (b) The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in AASB 8 before aggregation for reporting purposes. <p><u>Impact on entity Financial Report</u></p> <p>The amendments are not expected to have a material impact on the amounts included in the Fund's financial statements.</p>	1 January 2010	1 July 2010
<p><u>AASB 9 Financial Instruments</u></p> <p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <ul style="list-style-type: none"> (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2013	1 July 2013

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Accounting Standards Issued But Not Yet Effective (continued)

Summary	Applic'n Date of Standard	Applic'n Date for entity*
<p><u>AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]</u></p> <p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> ▶ two categories for financial assets being amortised cost or fair value ▶ removal of the requirement to separate embedded derivatives in financial assets ▶ strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ▶ an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ▶ reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ▶ changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2013	1 July 2013
<p><u>AASB 124 (Revised) Related Party Disclosures (December 2009)</u></p> <p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. <p><u>Impact on entity Financial Report</u></p> <p>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.</p>	1 January 2011	1 July 2011
<p><u>AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]</u></p> <p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 January 2011	1 July 2011

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Accounting Standards Issued But Not Yet Effective (continued)

Summary	Applic'n Date of Standard	Applic'n Date for entity*
<p><u>AASB 1053 Application of Tiers of Australian Accounting Standards</u></p> <p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards; and</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and</p> <p>(b) the Australian Government and State, Territory and Local Governments.</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit private sector entities that do not have public accountability;</p> <p>(b) all not-for-profit private sector entities; and</p> <p>(c) public sector entities other than the Australian Government and State, Territory and Local Governments.</p> <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 July 2013	1 July 2013
<p><u>AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure requirements</u></p> <p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.</p> <p><u>Impact on entity Financial Report</u></p> <p>The Fund has not yet determined the extent of the impact of the amendments, if any.</p>	1 July 2013	1 July 2013
<p><u>AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]</u></p> <p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions</p> <p><u>Impact on entity Financial Report</u></p> <p>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.</p>	1 January 2011	1 July 2011

* designates the beginning of the applicable annual reporting period.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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), measurement of net realisable value of inventories (Note 10), measurement of fair value of other liabilities (Note 21) 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, 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 acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and the fair value of the consideration (including the fair value of any pre-existing investments in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests not held by the Fund are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent security holders' equity. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

The consolidated financial statements include the results of the following entities for the period from the acquisition date:

- 100% interest in Domaine Property Funds Limited ('DPF'), Adviseq Pty Ltd ('ADPL') and Adviseq Unit Trust ('ADUT') acquired on 13 March 2009; and
- 100% interest in Property Funds Australia Limited ('PFA') acquired on 12 April 2010.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. 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.

(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, Asset Management Agreement or Constitution for each entity.

Where the fee is not yet due for settlement, but is reliably 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 appropriate fee percentage as prescribed by the relevant Property Management Agreement, Asset Management Agreement or Constitution for each entity. If more than one fee may apply 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Borrowing costs

Borrowing costs such as interest are recognised as an expense when incurred. Borrowing costs relating specifically to the acquisition, construction or production of 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.

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 statement of comprehensive income.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Other taxes

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

- 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.

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 statement of comprehensive income 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 statement of comprehensive income in the year of derecognition.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments and other financial assets

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

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

Loans and Receivables

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

Available for Sale Investments

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

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

Impairment

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

Financial assets carried at amortised cost

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

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

(n) Trade and other payables

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at 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 Properties)

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.

(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 statement of comprehensive income 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 not recognised as a liability unless the distributions are declared, determined or publicly recommended prior to balance date.

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contributed equity and unit holders' funds

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

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

(s) Earnings per security (EPS)

Basic EPS is calculated as net profit attributable to security holders of the parent 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Business Combinations

For business combinations completed after 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's net assets. Acquisition related costs are expensed as incurred.

When the Fund acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Fund's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity it shall not be remeasured.

For business combinations completed before 1 July 2009

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

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- nature of the production processes
- type or class of customer for the products and services
- methods used to distribute the products or provide the services, and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial statements.

Information about other business activities and operating segments, if any, that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(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 the cost of the business combination, being the excess of the consideration transferred over the fair value of the Fund's interest in net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired the difference is recognised in profit and loss.

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 an operating segment determined in accordance with AASB 8.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 operating segments identified are:

- (i) Property investment – this business invests in commercial office buildings that are supported by long term rental income.
- (ii) Property funds management – this business receives management fees for the provision of asset management and related services to property syndicates/trusts.
- (iii) Property development – this business acquires and develops appropriate sites into residential land subdivisions, residential apartments or retail centres. Once the developments are completed revenue is derived from the sale of the land subdivisions, apartments or retail centres produced.

All identified operating segments are also reporting segments.

Overhead costs incurred are allocated to each business segment on a proportional basis based on resources required to manage each segment so as to determine the segment result.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

3. OPERATING SEGMENTS (continued)

30 June 2010	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
Revenue				
Sales income	0	0	35,846	35,846
Rental income	28,800	0	1,208	30,008
Property funds management fee income	0	7,678	0	7,678
Interest income	190	411	432	1,033
Other income	0	854	0	854
Fair value movement in management fee asset	0	(1,107)	0	(1,107)
Fair value movement in investments	0	(11)	0	(11)
Revaluation decrement on investment properties	(3,434)	0	0	(3,434)
Total Revenue and revaluation decrements	25,556	7,825	37,486	70,867
Result				
Segment result before fair value movements, impairment and interest expense	21,311	5,686	(2,867)	24,130
Add/(less):				
Revaluation decrement on investment properties	(3,434)	0	0	(3,434)
Management fee asset decrements	0	(1,107)	0	(1,107)
Impairment loss – loans receivable	0	0	(2,031)	(2,031)
Net realisable value adjustment - inventories	0	0	(1,965)	(1,965)
Interest expense	(14,813)	(2,002)	(426)	(17,241)
Segment result before income tax	3,064	2,577	(7,289)	(1,648)
Income tax (expense)/benefit	0	227	2,114	2,341
Segment Net Profit/(Loss)	3,064	2,804	(5,175)	693
Loss attributable to non-controlling interest	0	0	0	0
Segment Net Profit/(Loss) attributable to security holders	3,064	2,804	(5,175)	693
Assets				
Segment assets	354,380	46,121	57,159	457,660
Liabilities				
Segment liabilities	234,090	36,724	34,004	304,818
Cash flow information				
Net cash flows from/(used in) operating activities	9,273	2,646	25,929	37,848
Net cash flows from/(used in) investing activities	(2,537)	(4,784)	(20,560)	(27,881)
Net cash flows from/(used in) financing activities	(6,083)	0	(11,837)	(17,920)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

3. OPERATING SEGMENTS (Continued)

30 June 2009	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
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	(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)
Loss 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 (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$000	\$000
4. REVENUE AND EXPENSES		
(a) Revenue from operating activities		
Sales income	35,846	0
Rental income	30,008	29,279
Property funds management fee income	7,678	5,100
Interest income	1,033	2,067
Other income	854	96
	<hr/>	<hr/>
Total Revenue from operating activities	75,419	36,542
Property funds management fee income includes:		
Transaction fee income	386	244
Asset management fee income	6,379	4,170
Property management fee income	241	239
Leasing fee income	242	259
Management services fee income	430	188
	<hr/>	<hr/>
	7,678	5,100
(b) Expenses		
Depreciation of plant and equipment	103	88
	<hr/>	<hr/>
Defined contribution superannuation expense	256	255
	<hr/>	<hr/>
Operating lease payments included in statement of comprehensive income	95	56
	<hr/>	<hr/>
Borrowing expenses		
Interest and finance charges paid or payable to:		
Related parties	274	0
Other parties	18,535	16,754
	<hr/>	<hr/>
	18,809	16,754
Amortisation of borrowing costs	278	327
	<hr/>	<hr/>
Total borrowing expenses	19,087	17,081
Less: interest expense for the current period included in development costs expensed	(1,568)	0
	<hr/>	<hr/>
Total borrowing expenses per statement of comprehensive income	17,519	17,081
	<hr/>	<hr/>
Management fee expenses		
Management services fee expense	788	365
Property management fee expense	190	114
	<hr/>	<hr/>
Total management fee expenses	978	479
	<hr/>	<hr/>
Development costs expensed (incl cost of inventories sold)		
Palm Beach project		
Borrowing costs	1,230	0
Cost of inventories sold	29,903	0
Other costs (incl selling and marketing costs)	4,883	987
Other projects (Springfield Meadows & Dolphin Point)		
Borrowing costs	338	0
Net realisable value adjustment to inventories	1,965	0
Other costs	267	0
	<hr/>	<hr/>
Total development costs expensed (incl cost of inventories sold)	38,586	987

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$000	\$000
5. INCOME TAX		
The major components of income tax benefit are:		
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	(5,153)	(1,297)
Recognition of losses as deferred tax asset	3,498	1,284
Adjustments in respect of current income tax of previous years	0	(66)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	2,884	861
Adjustments in respect of prior year tax returns	0	(305)
Franking credits received	(72)	0
Movement in losses recognised	(3,498)	(1,284)
Income tax benefit reported in the statement of comprehensive income	<u>(2,341)</u>	<u>(807)</u>
A reconciliation between income tax benefit and the product of accounting loss before income tax multiplied by the Fund's applicable income tax rate is as follows:		
Accounting loss before income tax	(1,648)	(64,806)
Less: Earnings relating to APGT (refer (i))	<u>(3,142)</u>	<u>54,013</u>
Adjusted accounting profit/(loss)	<u>(4,790)</u>	<u>(10,793)</u>
At the Fund's statutory income tax rate of 30% (2009: 30%)	(1,437)	(3,238)
Adjustments in respect of current income tax of previous years	0	(66)
Impairment losses not allowed for tax purposes	609	1,161
Adjustments relating to prior years resulting from changes to legislation in the current year	(1,395)	0
Fair value movement in management fee asset	403	1,455
Other income not assessable for income tax purposes	(542)	(109)
Other items (net)	<u>21</u>	<u>(10)</u>
Income tax benefit reported in the statement of comprehensive income	<u>(2,341)</u>	<u>(807)</u>

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

5. INCOME TAX (CONTINUED)

Deferred income tax

Deferred income tax at 30 June relates to the following:

Deferred tax liabilities

	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Investments	13	0	(13)	0
Income receivable	15	9	(6)	(9)
Management fee asset	2,423	0	(2,423)	0
	<u>2,451</u>	<u>9</u>		

Deferred tax assets

Formation costs and share issue costs	69	106	(37)	31
Borrowing costs	15	24	(9)	13
Accrued expenses	493	136	357	(44)
Leave liabilities	180	168	12	(10)
Plant and equipment	95	0	95	0
Work in progress expensed	2,085	2,961	(876)	(772)
Net (deferred tax asset)/deferred tax liability acquired - (refer Note 29 (i) & (iii))			16	(70)
	<u>2,937</u>	<u>3,395</u>	<u>(2,884)</u>	<u>(861)</u>

Losses available for offset against future taxable income

	<u>4,782</u>	<u>1,284</u>	<u>3,498</u>	<u>1,284</u>
--	--------------	--------------	--------------	--------------

Gross deferred income tax assets

	<u>7,719</u>	<u>4,679</u>		
--	--------------	--------------	--	--

Net deferred income tax assets

	<u>5,268</u>	<u>4,670</u>		
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Deferred tax income/(expense)

	<u>614</u>	<u>423</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 \$4,782,000 (2009: \$1,284,000) and these are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The Fund has recognised tax losses to the extent that forecasts indicate it is probable that sufficient taxable income will be earned to recoup the recognised losses.

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, DPF, ADPL and ADUT joined the tax consolidated group on 13 March 2009 and PFA joined the tax consolidated group on 12 April 2010. 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

5. INCOME TAX (continued)

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.

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	
	2010	2009
	\$000	\$000
Net profit/(loss) attributable to security holders of the Fund *	693	(63,996)
	Number	Number
	000	000
Weighted average number of securities for basic earnings per security *	227,580	222,186

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

Distributions on stapled securities declared or paid during the year totalling 3.50 cents (2009: 7.82 cents) per annum per stapled security:

	Consolidated	
	2010	2009
	\$000	\$000
Capital distributions paid during the year	5,979	14,660
Capital distributions provided for during the year (Note 18)	1,986	2,837
Total distributions	7,965	17,497

No dividends were paid or proposed by APGL during the year (2009: Nil). APGL had franking credits of \$1,076,000 at 30 June 2010 (2009: \$3,448,000).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2010	2009
	\$000	\$000
Cash at bank and on hand	12,809	13,872
Short term deposits	3,293	6,536
Term deposits	1,303	4,950
	<u>17,405</u>	<u>25,358</u>

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 2010 the Fund had available \$Nil (30 June 2009: \$Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:

	Consolidated	
	2010	2009
	\$000	\$000
Cash at bank and on hand	12,809	13,872
Short term deposits	3,293	6,536
Term deposits	1,303	4,950
	<u>17,405</u>	<u>25,358</u>

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

Net profit/(loss) after income tax	693	(63,999)
Adjustment for:		
Amortisation of borrowing costs	278	327
Amortisation of lease fitout incentives	445	441
Amortisation of prepaid leasing fees	264	306
Straight line rent adjustments	42	(450)
Depreciation expense	103	88
Loss on disposal of plant and equipment	315	0
Impairment loss - loans receivable	2,031	3,870
Dividends received	168	0
Fair value movement in investments	11	0
Revaluation of property investment	3,434	63,107
Share of associate's net profits	(132)	0
Changes in assets and liabilities		
(Increase)/decrease in receivables	(3,567)	3,456
(Increase)/decrease in inventories	30,729	(32,238)
(Increase)/decrease in management fee asset	1,107	4,852
(Increase)/decrease in deferred tax asset	462	(433)
(Increase)/decrease in interest rate cap/swap	(163)	1,063
(Increase)/decrease in other assets	(74)	(112)
Increase/(decrease) in payables	3,752	(6,064)
Increase/(decrease) in current tax liability	(4,515)	(3,015)
Increase/(decrease) in provisions	39	(32)
Increase/(decrease) in deferred tax liability	2,426	9
Net cash from/(used in) operating activities	<u>37,848</u>	<u>(28,824)</u>

Disclosure of financing facilities

Refer to Note 19.

Non-cash financing and investing activities

There were no non-cash financing and investing activities during the period (2009: Nil).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

9. TRADE AND OTHER RECEIVABLES	Consolidated	
	2010 \$000	2009 \$000
Current		
Trade and other debtors (i)	809	377
Trade and other debtors - related parties (i)	3,574	3,160
Advances to syndicates (ii)	2,300	80
	<u>6,683</u>	<u>3,617</u>
Non-Current		
Advance to syndicate (ii)	0	2,300
Loans receivable (iii)	0	14,737
Impairment - loans receivable (iii)	0	(14,334)
	<u>0</u>	<u>2,703</u>

(i) Trade and other debtors and amounts receivable from related parties (syndicates/trusts under management) are non-interest bearing and are generally settled 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 2010 (2009: Nil).

(ii) 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.

(iii) On 22 February 2010 these loans were settled as part of the consideration paid to transfer the titles to the Springfield Meadows and Dolphin Point development properties into the name of APGL. As a result of this transfer the loan relationship (described below) with Elderslie Property Investments Pty Ltd ('EPI') ceased.

The loans had originated on 22 June 2007 when APGL advanced two loans to EPI. These loans were interest free with no fixed repayment dates. The loans were part of an arrangement whereby APGL could benefit from the development of two of EPI's residential land subdivisions - Dolphin Point and Springfield Meadows. The loans were secured by registered second mortgages over the respective development properties. In addition to the loans described above, APGL:

- 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 had provided EPI with facilities for Dolphin Point drawn to \$6.1 million at 30 June 2009 and for Springfield Meadows drawn to \$11.3 million at 30 June 2009. These loans were 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 had agreed that in the event of a default by EPI in respect of the facilities provided by St George, St George would have no right of recourse against EPI other than the registered first mortgage and first registered fixed charge over the developments described above.
- entered into put and call arrangements with EPI in respect of the Dolphin Point development property giving EPI the right to require APGL to purchase the property and APGL the right to require EPI to sell the property for total consideration of \$12 million. On 30 June 2009 this option was exercised and title to the property transferred on 22 February 2010.

During the period the Directors assessed that the future net cash flows from the development projects would be insufficient to fully repay the St George loans and the loans provided by APGL to EPI. As a consequence impairment losses were recognised in the year ended 30 June 2010 of \$2,031,000 (2009: \$3,870,000).

Movements in the provision for impairment loss were as follows:	2010 \$000	2009 \$000
Opening balance	14,334	10,464
Impairment loss for the year	2,031	3,870
Settlement of loan	(16,365)	0
Closing balance	<u>0</u>	<u>14,334</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

9. TRADE AND OTHER RECEIVABLES (continued)	Consolidated	
	2010 \$000	2009 \$000
(iv) At 30 June 2010, the ageing analysis of trade and other debtors is as follows:		
0 - 30 days	1,083	1,044
31 - 60 days	438	684
61 - 90 days	146	13
+ 91 days	2,716	1,796
Total	4,383	3,537

Receivables past due but not considered impaired are \$3,300,000 for the consolidated entity (2009: \$2,493,000). The past due but not considered impaired receivables for the consolidated entity includes amounts totalling \$2,963,000 (2009: \$2,352,000) 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 had been provided in respect of the Loans to EPI (refer note (iii) 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	
	2010 \$000	2009 \$000
Current		
Development properties (Palm Beach) *	9,084	41,881
Development properties (Springfield Meadows) *	2,559	0
	11,643	41,881
Non-Current		
Development properties (Palm Beach) *	19,176	15,144
Development properties (Springfield Meadows/Dolphin Point) *	13,943	0
	33,119	15,144

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

Included in work in progress are capitalised borrowing costs of \$1,152,000 (2009: \$2,771,000) (refer Note 2(f)).

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2010 totalled \$38,586,000 (2009: \$987,000). This expense has been included in the development costs expensed line item in the statement of comprehensive income.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000	2009 \$000
11. OTHER ASSETS		
Current		
Prepayments	260	186
Security deposits	30	30
	<u>290</u>	<u>216</u>
12. PLANT AND EQUIPMENT		
Leasehold improvements at cost	136	466
Accumulated depreciation	(23)	(58)
	<u>113</u>	<u>408</u>
Office equipment at cost	262	309
Accumulated depreciation	(136)	(118)
	<u>126</u>	<u>191</u>
Assets held not ready for use	423	0
	<u>662</u>	<u>599</u>

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

	Leasehold Improvements \$000	Office Equipment \$000	Assets Held Not Ready For Use \$000	Total \$000
Balance as at 1 July 2008	417	125	0	542
Additions	27	120	0	147
Disposals	0	(2)	0	(2)
Depreciation expense	(36)	(52)	0	(88)
Balance as at 30 June 2009	<u>408</u>	<u>191</u>	<u>0</u>	<u>599</u>
Balance as at 1 July 2009	408	191	0	599
Additions	4	54	423	481
Disposals	(264)	(51)	0	(315)
Depreciation expense	(35)	(68)	0	(103)
Balance as at 30 June 2010	<u>113</u>	<u>126</u>	<u>423</u>	<u>662</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

13. INVESTMENTS

		Consolidated	
		2010	2009
		\$000	\$000
Non-Current			
Investments in controlled entities	(i)	0	0
Investment in unlisted company		39	74
Investments in unlisted unit trusts	(ii)	229	8
		<hr/>	<hr/>
		268	82

(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	
		2010	2009
		%	%
Blue Tower Trust	Australia	99.99	99.99
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 *	100 *
Adviseq Pty Ltd	Australia	100 *	100 *
Adviseq Unit Trust	Australia	100 *	100 *
Property Funds Australia Limited	Australia	100 *	0 *

* 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:

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

(ii) Fair value of investments in unlisted unit trusts

Investments in unlisted unit trusts are categorised as Level 3 financial instruments as defined by AASB 7. Accordingly fair value is estimated using inputs for the asset that are not based on observable market data and specifically is based on the net asset values of the respective entities at balance date.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

14. INTEREST RATE SWAPS AND CAPS	Consolidated	
	2010 \$000	2009 \$000
Current Liability		
Interest rate swap	0	163

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 paid a fixed rate of 5.56% and received a variable rate equal to AUD Bank Bill rate on the notional amounts. This contract expired on 30 November 2009. The swap was used to hedge the changes in interest cash flows on part of its borrowings. The borrowings and the interest rate swap had the same critical terms.

Interest Rate Caps

At 30 June 2009, the Fund had interest rate caps under which it would receive the amount (if any) by which the AUD Bank Bill rate exceeded the cap rate of 8.00%. This amount was calculated based on the total notional borrowing amount of \$50,000,000. These contracts expired on 26 February 2010. The caps were 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	
	2010 \$000	2009 \$000
Current	(i) 1,275	0
Non-Current	(i) 18,620	10,238
	19,895	10,238
Opening balance	10,238	15,090
Acquisition of subsidiaries (Note 29)	10,764	0
Fair value movement	(1,107)	(4,852)
	19,895	10,238

(i) Management Fee Assets

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

16. GOODWILL	Consolidated	
	2010	2009
Non-Current	\$000	\$000
Goodwill		
Opening balance	13,053	10,553
Acquisition of subsidiaries (Note 29)	0	2,500
Other additions *	144	0
Impairment	0	0
	<hr/>	<hr/>
Closing balance	13,197	13,053

* This amount is a result of the change in the fair value of the contingent consideration in respect of the acquisition of DPF.

(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 \$13,197,000 (2009: \$13,053,000).

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 this asset was impaired, and recognised an impairment loss of \$5,000,000 in the accounts in that period; and
- DPF acquisition which occurred on 13 March 2009 resulting in goodwill of \$2,500,000 (refer Note 29 (i)). This amount has increased by \$144,000 in the year ended 30 June 2010 as a result of changes to the fair value of contingent consideration relating to the acquisition of DPF.

The recoverable amount of the PFM unit is based on fair value and takes into account multiples of earnings and also discounted cash flow techniques using five-year cash flow projections as at 30 June 2010 that have been approved by senior management. The after tax discount rate applied to cash flow projections is 12.32% (2009: 12.76%) 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 (2009: 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 (2009: 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 PFM unit.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

17. INVESTMENT PROPERTIES HELD DIRECTLY	Consolidated	
	2010 \$000	2009 \$000
Current	28,200	0
Non-current	319,300	348,650
Total	347,500	348,650

Included in the carrying amount of investment properties are the following components:

Property asset	340,486	340,978
Lease fitout incentives (at written down value)	1,310	1,739
Straight line rent receivable *	4,549	4,489
Rental incentives (at written down value)	581	687
Leasing fees (at written down value)	574	757
Investment property (at valuation)	347,500	348,650

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

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.

(a) Reconciliation of Carrying Amounts	Consolidated	
	2010 \$000	2010 \$000
<i>Reconciliation of carrying amounts of property investments</i>		
Opening balance at start of year	348,650	408,150
Additions	2,996	4,357
Amortisation	(445)	(441)
Leasing fees expensed	(267)	(309)
Net gain/(loss) from fair value adjustments	(3,434)	(63,107)
Closing balance at end of year	347,500	348,650

- (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	
	2010 \$000	2009 \$000
Property investments held directly	347,500	348,650

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

17. INVESTMENT PROPERTIES HELD DIRECTLY (continued)

(c) Details of Property Valuations

Property Description	Date Acquired	Cost and additions to 30 June 2010 \$'000	Book value at 30 June 2010 * \$'000	Book value at 30 June 2009 * \$'000	Latest Independent Valuation ** \$'000
12 Creek Street, Brisbane	19/09/2006	195,303	240,000	247,075	291,000
99 Melbourne Street, Brisbane	21/12/2004	27,453	28,200	28,000	31,000
7 King Street, Concord, Sydney	02/10/2007	65,688	49,000	48,600	55,400
287-301 Collins Street, Melbourne	04/10/2007	33,495	30,300	24,975	30,750
Total		321,939	347,500	348,650	408,150

* Fair value 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 2010 are based on initial yields of 6.70% (2009: 6.55%) for Creek Street, 7.9% (2009: 7.74%) for King Street and 6.50% (2009: 5.95%) for Collins Street. The property at 99 Melbourne Street Brisbane is in the process of being sold and the book value at 30 June 2010 is based on the sale price under a conditional contract of sale less estimated selling costs (2009: based on initial yield of 7.75%).

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 dated 4 August 2008.
- 7 King Street - DTZ Australia (NSW) Pty Ltd dated 18 August 2008.
- 287-301 Collins Street - Charter Keck Cramer dated 7 August 2008.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000	2009 \$000
18. TRADE AND OTHER PAYABLES		
Current		
Trade creditors (i)	272	568
Prepaid income (ii)	2,066	1,256
Other creditors and accruals (iii)	6,161	4,865
Deferred consideration on PFA acquisition (iv)	6,000	0
Accrued distribution (v)	1,986	2,837
	<u>16,485</u>	<u>9,526</u>
Non – Current		
Accruals (iii)	1,119	861
Prepaid income (ii)	0	498
	<u>1,119</u>	<u>1,359</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 represents amounts that are not expected to be settled within 12 months of balance date for contingent consideration payable on the acquisition of DPF and for a rent guarantee provided in respect of Palm Beach project sales.
- (iv) Deferred consideration payable on or before 30 September 2010 to Mirvac Limited for the acquisition of PFA by APGL (refer Note 29(ii)). Interest is payable on the deferred consideration at the rate of 7.75% pa.
- (v) Accrued distribution represents a distribution for the June quarter.

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 and the rent guarantee provided in respect of Palm Beach project sales 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 (continued)

FOR THE YEAR ENDED 30 JUNE 2010

19. BORROWINGS AND INTEREST BEARING LOANS		Consolidated	
		2010 \$000	2009 \$000
Current			
Secured bank loans – St George Bank Limited	(i)	27,861	48,769
Secured bank loans – Suncorp-Metway Limited	(ii)	21,269	0
		<hr/> 49,130	<hr/> 48,769
Non Current			
Secured bank loans – Suncorp-Metway Limited	(ii)	221,750	243,919
Less: Net borrowing costs		(266)	(487)
Unsecured loans from related entities (refer Note 28 (d))		<hr/> 13,000	<hr/> 0
		234,484	243,432

(i) These loan facilities are provided by St George Bank Limited. Details of the loans and security provided to the lender is:

- A fully drawn facility, expiring on 30 September 2010, with an outstanding balance at 30 June 2010 of \$16,638,000 (2009: \$48,769,000). 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. Refer to Note 10.
- A fully drawn facility, first drawn on 22 February 2010 and due to expire on 1 October 2010, with an outstanding balance at 30 June 2010 of \$11,223,000 (2009: \$Nil). Security provided to the lender is a first registered real property mortgage over the Springfield Meadows and Dolphin Point properties, a charge over the assets and undertakings of APGL in respect of the Springfield Meadows and Dolphin Point properties and a charge over all current and future council and other authorities approvals, plans and specifications in relation to proposed developments on the Springfield Meadows and Dolphin Point properties. Refer to Note 10.

(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 (2009: \$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 (2009: \$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 \$18,600,000 (2009: \$19,500,000) expiring on 31 October 2011. Principal repayments are \$100,000 per month with the outstanding balance due on expiry of the facility. 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 (2009: \$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 (2009: \$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).

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 (continued)

FOR THE YEAR ENDED 30 JUNE 2010

19. BORROWINGS AND INTEREST BEARING LOANS (Continued)

Financing facilities available

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

	Consolidated	
	2010	2009
	\$000	\$000
Facilities unused	0	1,359
Facilities used	270,880	292,688
Total facilities	270,880	294,047

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

Current

Annual leave

	Consolidated	
	2010	2009
	\$000	\$000
Annual leave	246	263

Non – Current

Long service leave

Long service leave	354	298
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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

Non – Current

Loan – Palm Beach Developments Pty Ltd (i)

	Consolidated	
	2010	2009
	\$000	\$000
Loan – Palm Beach Developments Pty Ltd (i)	3,000	3,000

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

22. MEMBERS' INTERESTS

	2010 Number	2010 \$000	2009 Number	2009 \$000
CONSOLIDATED				
Units issued in APGT (i)	227,580,022	186,958	227,580,022	194,923
Shares issued in APGL (ii)	227,580,022	23,473	227,580,022	23,473
		<u>210,431</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.

<i>Movements in securities on issue</i>	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 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
Capital distributions during the year		(7,965)		0
At 30 June 2010	<u>227,580,022</u>	<u>186,958</u>	<u>227,580,022</u>	<u>23,473</u>

There were no issues of securities during the year ended 30 June 2010. The following issue of securities occurred during the year ended 30 June 2009:

- 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.

The following capital distributions were paid/payable during the year ended 30 June 2010:

	\$000
Distribution for the quarter ended 30 September 2009 paid on 30 October 2009	2,008
Distribution for the quarter ended 31 December 2009 paid on 29 January 2010	2,008
Distribution for the quarter ended 31 March 2010 paid on 23 April 2010	1,963
Distribution for the quarter ended 30 June 2010 paid on 30 July 2010	<u>1,986</u>
	<u>7,965</u>

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

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	<u>2,837</u>
	<u>17,497</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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 2010, the Fund paid distributions of \$7,965,000 (2009: \$17,497,000) at the rate of 3.50 cents (2009: 7.82 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% for investment properties and up to 80% (depending on level of pre-sales) for development projects. The gearing ratios at 30 June 2010 and 2009 were as follows:

	Consolidated	
	2010	2009
	\$000	\$000
Total interest bearing liabilities	289,880	292,688
Total equity	152,842	160,114
Total capital	442,722	452,802
Gearing ratio	65.48%	64.6%

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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.

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	
	2010	2009
	\$000	\$000
Financial assets		
Cash and cash equivalents	17,405	25,358
Receivables	2,300	2,300
	<hr/>	<hr/>
	19,705	27,658
Financial liabilities		
Secured bank loans	270,880	276,619
Unsecured loan from related party	0	0
	<hr/>	<hr/>
	270,880	276,619
	<hr/>	<hr/>
Net exposure	(251,175)	(248,961)

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Interest rate risk (continued)

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

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

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. Based on average values of financial assets and financial liabilities for the year ended 30 June 2010, 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		Equity	
	Higher/ (Lower)	Higher/ (Lower)	Higher/ (Lower)	Higher/ (Lower)
	2010	2009	2010	2009
	Basis	Basis		
	Points	Points	\$000	\$000
Consolidated				
Increase	50	225	(1,128)	(3,971)
Decrease	25	n/a	564	n/a

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 considered it was not reasonably probable that the interest rates paid by the Fund would decrease in the short term.

The movements in profit are due to higher interest rates on variable rate debt and cash balances. The sensitivity in profits is higher in 2010 than in 2009 because of an increase in outstanding borrowings and reduction in cash balances during the period. The movement in equity excludes the post tax profit impact above.

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 (iii), 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk

Liquidity risk is the risk the Fund will not have sufficient funds to settle a transaction on the due date. The Fund's main liquidity risk is its ability to refinance its existing borrowings when they expire. To limit this risk, management has arranged a number of separate fully drawn bank facilities with 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.

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 contractual maturities of the Fund'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 2010					
Consolidated					
Trade and other payables	15,884	493	1,227	0	17,604
Interest bearing loans & borrowings	58,887	10,252	241,608	0	310,747
Other liabilities	0	0	3,000	0	3,000
	<u>74,771</u>	<u>10,745</u>	<u>245,835</u>	<u>0</u>	<u>331,351</u>
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
	<u>66,733</u>	<u>8,061</u>	<u>266,905</u>	<u>0</u>	<u>341,699</u>

Fair value

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

24. COMMITMENTS AND CONTINGENCIES

Capital Commitments

At 30 June 2010 outstanding contracted capital commitments for expenditure were \$670,000 (2009: \$2,032,000). These capital commitments are all due for settlement within 12 months of the balance sheet date.

Bank Guarantees

At 30 June 2010 bank guarantees provided by the Fund total \$400,000 (2009: \$625,000). These guarantees are secured by cash accounts held with the bank.

Contingencies

APGL has agreed to provide Interest Servicing Guarantees to the Commonwealth Bank of Australia ("CBA") in respect of loans provided by CBA to some of the trusts/syndicates for which subsidiaries of APGL act as Responsible Entity and Trustee. Under the terms of these guarantees APGL will be liable to pay CBA any interest not paid to CBA by the relevant trusts/syndicates for the period to 30 June 2011. As at 30 June 2010 APGL had not been required to pay any amounts under these guarantees as all interest due and payable had been paid by the relevant trusts/syndicates. For the year ended 30 June 2011, based on interest rates current at 30 June 2010, the maximum amount APGL would be expected to pay under these guarantees would be \$5,689,000 (2009: \$Nil), comprising \$4,732,000 for which agreements had been signed prior to 30 June 2010, and \$957,000 for which agreements had been signed on 5 August 2010. The Directors do not expect any amount to be paid by APGL in respect of these guarantees however should any amount be required to be paid, APGL would be entitled to be reimbursed in full by the relevant syndicate/trust.

The Directors are of the opinion that there are no other 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 (iii).

Operating lease commitments – Fund as lessor

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

Future minimum rental revenues under non-cancellable operating leases are as follows:

- not later than one year
- later than one year and not later than five years
- later than five years

Total

Consolidated	
2010	2009
\$000	\$000
27,708	27,533
50,849	61,028
9,429	11,484
87,986	100,045

Operating lease commitments – Fund as lessee

The Fund has entered into operating leases over office premises and office equipment.

Future minimum rentals payable under non-cancellable operating leases are as follows:

- not later than one year
- later than one year and not later than five years
- later than five years

Total

Consolidated	
2010	2009
\$000	\$000
158	84
180	128
0	0
338	212

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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 APGM 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, DPF and PFA) and property management services (APGM and AIM) to the following trusts and syndicates:

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

	2010 \$000	2009 \$000
Property funds management fee income	7,248	4,912
Fair value movement in management fee asset (refer Note 15)	(1,107)	(4,852)
Net property funds management fees paid/payable by these entities to the Fund	6,141	60

- (i) These fees have been eliminated on consolidation.
- (ii) Includes fees from 13 March 2009 (date DPF was acquired by the Fund)
- (iii) Property was sold in December 2008
- (iv) Property was sold in April 2009
- (v) Property was sold in September 2009
- (vi) Includes fees from 12 April 2010 (date PFA was acquired by the Fund)
- (vii) Ceased operations in March 2010

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

Other transactions

Provision of Interest Servicing Guarantee

APGL has agreed to provide Interest Servicing Guarantees to the Commonwealth Bank of Australia ("CBA") in respect of loans provided by CBA to some of the trusts/syndicates for which subsidiaries of APGL act as Responsible Entity and Trustee. Refer Contingencies in Note 24.

Investment in PFA Diversified Unit Trust

APGF holds 224,244 units (2009: Nil) in the PFA Diversified Property Trust, an entity for which PFA acts as responsible entity and trustee. During the year ended 30 June 2010 APGF received distributions in respect of this investment totalling \$4,000 (2009: \$Nil).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

26. AUDITOR'S REMUNERATION

	Consolidated	
	2010	2009
	\$	\$
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	196,000	186,500
• other services in relation to the Fund and any other entity in the Fund		
- other audit services –AFSL audits	38,900	16,600
- taxation services	47,970	27,560
- property/business acquisition taxation advice	0	2,850
	<u>282,870</u>	<u>233,510</u>
Amounts received or due and receivable by other auditors for other services in relation to the Fund and any other entity in the Fund		
- other audit services – compliance plan audit	7,350	0
- other audit services – audit of outgoings	5,900	0
	<u>13,250</u>	<u>0</u>

27. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 September 2010 a purchaser exercised its option to proceed with an unconditional contract to purchase the 99 Melbourne Street property for \$28.5 million. Settlement is expected to occur in late September 2010

The Directors are not aware of any other 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 (continued)

FOR THE YEAR ENDED 30 JUNE 2010

28. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key Management Personnel ("KMP")

The KMP of APGM, the Trustee and Responsible Entity of APGT during the year and up to the date the financial report was authorised for issue, are:

Directors

N. E. Summerson	Chairman (non-executive)
G. M. McMahon	Managing Director
A. J. Cragnolini	Director (executive - appointed 22 March 2010) *
R. Bryan	Director (non-executive - resigned 22 March 2010) #
S. E. Bryan	Director (non-executive - resigned 22 March 2010) #
K. R. Pickard	Director (non-executive - resigned 22 March 2010) #

Executives

M. O'Reilly	Director, Asset Management
L. Garcia	Senior Funds Manager
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.

* Has served as Company Secretary and Chief Financial Officer for all of the year ending 30 June 2010.

Resigned as Director of APGM on 22 March 2010 but remained a KMP for full year through his role as Director of APGM's immediate parent entity, APGL.

(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 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 years ended 30 June 2010 and 30 June 2009 is detailed in Tables 1 and 2 below.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

28. DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Compensation for KMP (Continued)

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.

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 years ended 30 June 2010 and 30 June 2009. An amount of \$12,500 of STI amounts (including superannuation) accrued in the 2008 financial year has been reversed and adjusted against the 2009 financial year remuneration in Tables 1 and 2 below. This amount did not vest as the required KPI's were not met.

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 in the future.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

28. DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Compensation for KMP (Continued)

Table 1: Remuneration of Key Management Personnel for the year ended 30 June 2010

	Short-term					Post-employment			Long-term		Termination Benefits	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	0	0	0	110,000	
R. Bryan	55,000	0	0	0	0	0	0	0	0	0	0	0	55,000	
S. Bryan	50,000	0	0	0	5,000	0	0	0	0	0	0	0	55,000	
K. Pickard	50,459	0	0	0	4,541	0	0	0	0	0	0	0	55,000	
Subtotal - non-executive Directors	256,376	0	0	0	18,624	0	0	0	0	0	0	0	275,000	
Executive Directors														
G. McMahon (Managing Director)	674,657	0	10,882	0	14,461	0	0	19,605	0	0	0	0	719,605	0.00%
A. Cragolini (Chief Financial Officer)	218,405	0	11,938	0	19,657	0	0	0	0	0	0	0	250,000	0.00%
Other KMP														
M. O'Reilly (Director of Property)	500,004	0	0	0	0	0	0	0	0	0	0	0	500,004	0.00%
L. Garcia (Senior Funds Manager)	266,960	0	10,786	0	43,646	0	0	8,130	0	0	0	0	329,522	0.00%
M. Rundle (General Manager - Property Development)	206,525	0	24,508	0	18,967	0	0	12,030	0	0	0	0	262,030	0.00%
Subtotal - executive KMP	1,866,551	0	58,114	0	96,731	0	0	39,765	0	0	0	0	2,061,161	
Total	2,122,927	0	58,114	0	115,355	0	0	39,765	0	0	0	0	2,336,161	

^ This is the movement in the KMP's long service leave entitlement during the year and these have not been paid at balance date.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

28. DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Compensation for KMP (Continued)

Table 2: Remuneration of Key Management Personnel for the year ended 30 June 2009

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

FOR THE YEAR ENDED 30 JUNE 2010

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
A. Cragolini	Executive Director	1 January 2008 **	\$275,000	3 months	3 months
M. O'Reilly	Director of Property	1 January 2008 **	\$500,000	6 months	6 months
L. Garcia	Senior Funds Manager	21 June 2007	\$321,392	6 months	6 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:
 - o is guilty of misconduct;
 - o is charged with any offence that involves fraud or dishonesty or any other offence that is punishable by imprisonment, or any offence that in the employer's reasonable opinion, affects the executive's suitability for their position;
 - o neglects their duties or is incompetent;
 - o becomes bankrupt or compound with, or assigns their estate for the benefit of, one or more of the executive's creditors;
 - o engages in conduct of a sort which, in the employer's reasonable opinion, may injure its reputation; or
 - o breaches his obligations in respect of confidential information or protection of the employer's goodwill.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

28. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(c) Securityholdings of KMP

Securities held in the Fund* (number)

30 June 2010	Balance at 01-07-2009	Granted as Remuneration	On Exercise of Options	Other Net Change	Balance at 30-06-2010
Directors					
N. E. Summerson #	92,532,062	0	0	0	92,532,062
G. M. McMahon #	92,963,693	0	0	0	92,963,693
R. Bryan #	90,421,693	0	0	0	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
A. J. Cragolini	9,434	0	0	0	9,434
Executives					
M. O'Reilly	490,305	0	0	0	490,305
L. Garcia	0	0	0	0	0
M. S. Rundle	11,000	0	0	0	11,000
Total #	98,679,767	0	0	0	98,679,767
<hr/>					
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. Cragolini	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

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

The holdings of N. E. Summerson, G. M. McMahon and R. Bryan each include the same securities held by the Leyshon Group of Companies. At 30 June 2010 this holding is 90,421,693 securities (2009: 90,421,693 securities). To avoid duplication, these have only been included once in the total number of securities held by KMP.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

28. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(d) Loans to or from KMP and their related parties

The Fund entered into the following loan facilities with KMP or their related entities during the period:

- On 9 April 2010 the Fund borrowed \$10,000,000 from Bryan Family Foundation Limited atf The Bryan Foundation, an entity for which R. Bryan acts as Director. This loan expires on 31 December 2011. Interest is payable at the rate of 12% pa.
- On 30 June 2010 the Fund borrowed \$3,000,000 from Glendower Investments Pty Ltd atf Glendower Investments Superannuation Fund, an entity for which N.E. Summerson is a Director and beneficiary. This loan expires on 31 December 2011. Interest is payable at the rate of 12% pa.

There were no other loans between the Fund and the KMP during the period (2009: Nil).

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

- (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) The Fund entered into the following transactions with Leyshon Pty Ltd ('Leyshon') during the period:
 - a. Provision of accounting and support services and office accommodation by APGFA to Leyshon of \$260,000 (2009: \$188,000).

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.

- (iii) The Fund also entered into the following transactions with Michael O'Reilly (Aus) Pty Ltd (formerly Collins O'Reilly) ('MOR') during the period:
 - a. Transfer of property plant and equipment valued at \$Nil from MOR to APGFA (2009: \$45,000).
 - b. Provision of executive assistant services by MOR to APGFA for the year ended 30 June 2010 of \$80,000 (1 March 2009 to 30 June 2009: \$27,000).

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

29. BUSINESS COMBINATIONS

(i) ACQUISITION OF DOMAINE PROPERTY FUNDS LIMITED

On 13 March 2009 APGL acquired a 100% interest in Domaine Property Funds Limited ('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 was provisional at 30 June 2009 and was 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

29. BUSINESS COMBINATIONS

(ii) ACQUISITION OF PROPERTY FUNDS AUSTRALIA LIMITED

On 12 April 2010 APGL acquired a 100% interest in Property Funds Australia Limited ('PFA') from Mirvac Holdings Limited (a member of the Mirvac Group). The total cost of the acquisition was \$14,043,000 and comprised a cash payment of \$8,043,000 with the remaining \$6,000,000 being due for payment on 30 September 2010.

PFA manages the PFA Diversified Property Trust with approximately \$547 million of property assets at acquisition date.

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

	Recognised on Acquisition \$000	Carrying Value \$000
Cash and cash equivalents	3,217	3,217
Receivables	3	3
Investments	233	233
Management fee assets (Note 15)	10,764	10,764
	<u>14,217</u>	<u>14,217</u>
Trade and other payables	158	158
Deferred tax liability	16	16
	<u>174</u>	<u>174</u>
Fair value of identifiable net assets	<u>14,043</u>	<u>14,043</u>
Cost of acquisition		
- Purchase price (settled by cash payment)	8,043	
- Purchase price (due for settlement by 30 September 2010)	6,000	
Total cost of acquisition	<u>14,043</u>	
The cash outflow on acquisition is as follows:		
- Net cash acquired with PFA	3,217	
- Cash paid	(8,043)	
Net cash outflow	<u>(4,826)</u>	

From the date of acquisition to 30 June 2010, PFA contributed a profit of \$468,000 to the net result of the Fund. If the acquisition of PFA had taken place at the beginning of the financial year (1 July 2009), the profit of the Fund for the year ended 30 June 2010 (excluding asset write-offs totalling \$8.9 million made in PFA accounts prior to acquisition date) would have been \$2,672,000 and the revenue (before investment property revaluation decrements) would have been \$78,494,000.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

30. PARENT ENTITY INFORMATION

The following information relates to APGT as an individual entity	Consolidated	
	2010 \$000	2009 \$000
Current assets	32,850	1,288
Total assets	269,129	250,558
Current liabilities	24,752	4,127
Total liabilities	106,867	85,279
Issued capital	186,957	194,923
Undistributed earnings	(24,695)	(29,644)
Total members' interests	162,262	165,279
Net profit/(loss) from operating activities after income tax	4,949	(53,614)
Total comprehensive income for the period	4,949	(53,614)

Provision of Ongoing Financial Support to APGL

At 30 June 2010 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 \$15 million and APGT not requiring repayment of existing and future advances to APGL before 31 December 2011. The Directors do not expect the provision of this financial support to result in any liability or loss to APGT.

At 30 June 2010 APGT has not entered into any other guarantees in relation to debts of subsidiaries (2009: Nil).

Contingent Liabilities of APGT

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.

Capital Commitments of APGT

At 30 June 2010 outstanding contracted capital commitments for expenditure were \$71,000 (2009: \$Nil). These capital commitments are all due for settlement within 12 months of the balance sheet date.

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 consolidated entity are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

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

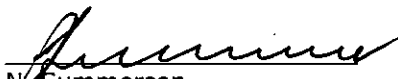
(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2010.

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 2010

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



N. Summerson
Chairman
Brisbane, 10 September 2010

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

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 2010, and the statement of comprehensive income, 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 the Trust and the entities it controlled at the year-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) and 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 Fund's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations 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 blue ink.

Ernst & Young

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

Mark Hayward
Partner

Brisbane

10 September 2010