

Australian Property Growth Fund

Interim Consolidated Financial Report for the half year ended 31 December 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 financial report covers Australian Property Growth Fund ('APGF' or 'Fund'), which comprises the stapled entities of Australian Property Growth Trust ('APGT') and Australian Property Growth Limited ('APGL'). Under Australian Accounting Standards, APTG is the nominated parent entity of the stapled structure.

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

APGL has a 100% ownership interest in:

- APGL (Palm Beach) Pty Ltd ('APB')
- APGF Administration Pty Ltd ('APGA')
- APGF Property Limited ('APL')
- Austgrowth Property Syndicates Limited ('APS')
- Austgrowth Investment Management Pty Ltd ('AIM')
- APGF Management Limited ('APGM')
- Domaine Property Funds Limited ('DPF')
- Adviseq Pty Ltd ('ADPL')
- Adviseq Unit Trust ('ADUT')
- Property Funds Australia Limited ('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 Director's Report on pages 3 to 8.

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 half year ended 31 December 2010.

DIRECTORS

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

APGM as Trustee and Responsible Entity for APGT:

Neil Edwin Summerson	(Non-executive Chairman)
Geoffrey Michael McMahon	(Managing Director)
Adriano Julius Cragnolini	(Executive Director)

APGL:

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

COMPANY SECRETARY

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

FUND INFORMATION

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

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

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

Directors' Report (continued)

FUND INFORMATION (continued)

APGL was incorporated on 2 November 2004 and issued shares under Prospectus and Product Disclosure Statements dated 8 November 2004 and 9 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 equity investors to derive income from passive property ownership (Creek 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 (sold in September 2010);
- 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 being developed into an approximate 5,000m² retail and commercial complex and 194 residential apartments to be known as Pavilions on 5th. The project is planned to be developed in two stages over 2007 – 2012 with construction of stage one completed in June 2009;
- Springfield Meadows and Dolphin Point properties located at Ulladulla, New South Wales; and
- Future projects which satisfy the Fund Managers' project selection criteria.

Directors' Report (continued)

FUND INFORMATION (Continued)

OPERATING AND FINANCIAL REVIEW

Review of Operations

(a) Property Investment

APGT's investment strategy is to invest in a quality portfolio of properties that are supported by long term rental income. During the half year ended 31 December 2010, APGT owned the following properties:

- 12 Creek Street Brisbane – this 37 level 32,000m² commercial office building in Brisbane's CBD has recently completed an \$8 million services upgrade. New air-conditioning chillers and controls have been installed, the foyers refurbishment and the lift upgrade is complete. The Brisbane CBD office market remains sound, although the economic uncertainty has led to a short-term reduction in tenant demand. The recent increased occupancy of the building has increased the property's valuation by \$10 million during the period since 30 June 2010 to be \$250 million at 31 December 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 is being repositioned through refurbishment and re-leasing of the vacant floors (2 full floor leases executed as at December 2010). 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 \$31.275 million at 31 December 2010 (\$0.975 million higher than 30 June 2010). This property is currently held for sale;
- 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). This property was sold in September 2010 for \$28.5 million; 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's value is maintained at \$49 million at 31 December 2010 (consistent with 30 June 2010).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Review of Operations (continued)

(b) Property Development

During the half year ended 31 December 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 10 March 2011, of the 104 stage one residential units, 98 units have settled (94 settled by 31 December 2010) and one unit was subject to a conditional contract of sale. Pre-selling of stage two of the project has commenced with 29 of the total 90 stage two units subject to unconditional contracts of sale and one conditional sale contract exists. 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 residential land subdivisions substantially impacted by the fallout from the global financial crisis and the resultant downturn in the property development sector. The Board has resolved to commence a formal marketing campaign in order to sell these properties over the next 12 months.

(c) Property Funds Management

The property funds management business had approximately \$1.2 billion in funds under management as at 31 December 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, hotel and retail properties.

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 for APGT and BTT and the asset manager of APGF's development 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, at the time of acquisition, previously managed the PFA Diversified Property Trust, before management was transferred to APGF Management Limited.

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 half year ended 31 December 2010 was \$5,720,000 (2009: \$1,089,000 loss). A summary of results for the period by operating segment is set out below.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Results (continued)

(a) Property Investment

The net profit attributable to the security holders from the property investment operations for the half year ended 31 December 2010 was \$10,661,000 (2009: \$151,000 loss). Reflected in this result are net revaluation increments on investment properties of \$8,605,000 (2009: \$4,496,000 decrement).

(b) Property Development

Revenues and profits from property development are recognised on settlement. The net loss attributable to the security holders from the property development operations for the half year ended 31 December 2010 is \$4,358,000 (2009: \$1,261,000 loss). Revenues for the Palm Beach Project were lower for the half year to 31 December 2010 as 8 units in the Palm Beach Project settled at a value of \$3.3 million, while for the half year to 31 December 2009, 79 units settled at a value of \$31.7 million. 3 blocks of land at the Springfield Meadows project settled during the half year ended 31 December 2010, compared to nil for the half year to 31 December 2009.

(c) Property Funds Management

The net loss attributable to the security holders from the property funds management operations for the half year ended 31 December 2010 was \$583,000 (2009: \$323,000 profit). Reflected in this result is a provision for write-down of the Management Fee Asset of \$1,099,000 taken during the period.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The recent Brisbane flood had minimal impact on the operations of APGF. The lower 2 levels of the carpark/basement at 12 Creek Street, Brisbane CBD (Blue Tower) were flooded which caused some damage to the building's services and equipment. As a result of proactive action by APGF's Asset Managers, Blue Tower was only closed for one week, which was significantly less than most of the neighbouring CBD commercial office towers. Our insurance brokers have confirmed that APGF will be reimbursed for the reinstatement of any property damage and any consequential loss of income arising from the flood.

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

ROUNDING

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

Directors' Report (continued)

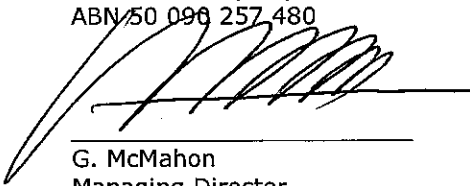
OPERATING AND FINANCIAL REVIEW (continued)

AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as attached at page 23.

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

On behalf of the Board
APGF Management Limited as
Trustee and Responsible Entity for
Australian Property Growth Trust
ABN 50 096 257 480



G. McMahon
Managing Director
Brisbane, 11 March 2011

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



N. Summerson
Chairman
Brisbane, 11 March 2011

Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

		Consolidated	
	Note	31 December 2010 (\$000)	31 December 2009 (\$000)
Revenue			
Sales income		3,708	32,612
Rental income		14,174	15,014
Property funds management fee income		5,151	3,628
Interest income		467	609
Other income		337	719
Total Revenue		23,837	52,582
Revaluation increment/(decrement) on investment properties		8,605	(4,496)
Fair value movement in management fee asset		(1,099)	(1,242)
Total Revenue and Revaluation Increment/(Decrement)		31,343	46,844
Less Expenses			
Air conditioning expenses		312	253
Audit fees		40	85
Borrowing expenses	4	10,463	7,769
Consultancy fees		510	453
Development costs expensed (incl cost of inventories sold)	4	6,852	30,915
Electricity		196	137
Impairment loss – loans receivable	4	-	2,031
Insurance		126	135
Land tax		548	500
Leasing expenses		130	146
Legal expenses		186	45
Lift expenses		160	166
Management fee expenses		631	452
Personnel expenses		2,181	1,864
Rates		607	553
Recoverable outgoings		676	696
Rent expenses		726	143
Repairs and maintenance		278	233
Other expenses		818	732
Total Expenses		25,440	47,308
Profit/(Loss) from operating activities before income tax		5,903	(464)
Income tax benefit/(expense)		(183)	(625)
Net Profit/(Loss) from operating activities after income tax		5,720	(1,089)
Total comprehensive income for the period		5,720	(1,089)

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

Statement of Comprehensive Income (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	31 December 2010 (\$000)	31 December 2009 (\$000)
Profit/(Loss) after income tax attributable to security holders represents:		
Earnings attributable to members of APGT	9,203	75
Loss attributable to members of APGL	(3,483)	(1,164)
Non-controlling interests	-	-
	5,720	(1,089)
Total comprehensive income for the period represents:		
Earnings attributable to members of APGT	9,203	75
Loss attributable to members of APGL	(3,483)	(1,164)
Non-controlling interests	-	-
	5,720	(1,089)
Earnings per stapled security (cents)		
- Basic earnings per stapled security	2.5	(0.5)
- Diluted earnings per stapled security	2.5	(0.5)
Distributions per stapled security (cents)	5 1.8	1.8

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

Balance Sheet

AS AT 31 DECEMBER 2010

		Consolidated	
	Note	31 December 2010 (\$'000)	30 June 2010 (\$'000)
ASSETS			
Current Assets			
Cash and cash equivalents		7,628	17,405
Trade and other receivables		10,746	6,683
Inventory	9	21,485	11,643
Investment properties held directly	7	31,275	28,200
Income tax receivable		-	1,730
Management fee assets		-	1,275
Other assets		467	290
Total Current Assets		71,601	67,226
Non-Current Assets			
Inventory	9	19,152	33,119
Investment properties held directly	7	299,000	319,300
Plant and equipment		674	662
Investments		268	268
Management fee assets		16,742	18,620
Goodwill		13,222	13,197
Deferred tax asset		5,086	5,268
Total Non-current Assets		354,144	390,434
TOTAL ASSETS		425,745	457,660
LIABILITIES			
Current Liabilities			
Trade and other payables		6,249	16,485
Borrowings and interest bearing loans	6	60,443	49,130
Provisions		546	246
Total Current Liabilities		67,238	65,861
Non- Current Liabilities			
Payables		1,996	1,119
Borrowings and interest bearing loans	6	198,872	234,484
Provisions		93	354
Other liabilities		3,000	3,000
Total Non-current Liabilities		203,961	238,957
TOTAL LIABILITIES		271,199	304,818
NET ASSETS ATTRIBUTABLE TO MEMBERS OF APGF		154,546	152,842
REPRESENTED BY:			
Attributable to members of APGL			
Contributed equity	8	23,473	23,473
Accumulated losses		(34,551)	(31,068)
Total attributable to members of APGL		(11,078)	(7,595)
Attributable to unitholders of APGT			
Units on issue	8	182,942	186,958
Undistributed earnings		(17,327)	(26,530)
Total attributable to unitholders of APGT		165,615	160,428
Non-controlling interests		9	9
TOTAL MEMBERS' INTERESTS		154,546	152,842

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

Statement of Changes in Security Holders' Interests

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Securities Issued	Undistributed Income	CONSOLIDATED Other Reserves	Non- controlling Interests	Total
	\$000	\$000	\$000	\$000	\$000
At 1 July 2009	218,396	(58,291)	-	9	160,114
Loss for period	-	(1,089)	-	-	(1,089)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(1,089)	-	-	(1,089)
Distributions to security holders	(4,016)	-	-	-	(4,016)
At 31 December 2009	214,380	(59,380)	-	9	155,009
At 1 July 2010	210,431	(57,598)	-	9	152,842
Profit for period	-	5,720	-	-	5,720
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	5,720	-	-	5,720
Distributions to security holders	(4,016)	-	-	-	(4,016)
At 31 December 2010	206,415	(51,878)	-	9	154,546

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

Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Note	Consolidated	
	31 December 2010 (\$000)	31 December 2009 (\$000)
Cash flows from operating activities		
Receipt of sales income	4,079	35,873
Receipt of rental income	12,227	16,125
Receipt of property funds management income	5,685	3,640
Payment of Palm Beach project development costs	(1,869)	(8,718)
Payments to other suppliers & employees	(14,476)	(8,206)
Borrowing costs paid	(8,878)	(8,168)
Dividends received	38	74
Interest received	467	624
Income tax received/(paid)	1,730	220
Net cash flows from/(used in) operating activities	(997)	31,464
Cash flows from investing activities		
Payments for plant and equipment	(58)	(44)
Payments for investment property additions	(2,214)	(1,359)
Net proceeds from sale of investment property	28,037	-
(Payment)/repayment of advances to syndicates	(165)	1
Payment of loans to other parties	-	(645)
Payment of deposit and final payment on business acquisition	(6,000)	(550)
Net cash flows used in investing activities	19,600	(2,597)
Cash flows from financing activities		
Proceeds from/(repayment of) Palm Beach project borrowings	6 (3,322)	(29,070)
Repayment of other borrowings	6 (21,064)	(300)
Payment of costs of new borrowings	-	(295)
Distributions paid to security holders	(3,994)	(4,845)
Net cash flows from/(used in) financing activities	(28,380)	(34,510)
Net decrease in cash held	(9,777)	(5,643)
Cash and cash equivalents at beginning of the period	17,405	25,358
Cash and cash equivalents at end of the period	7,628	19,715

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1. CORPORATE INFORMATION

Australian Property Growth Trust ('APGT' or 'the Trust') is a trust that has been registered as a managed investment scheme under Chapter 6 of the Corporations Act (2001). APGF Management Limited ('APGM'), the Trustee and Responsible Entity of the Trust, is an unlisted public company incorporated and domiciled in Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose consolidated financial report for the half year ended 31 December 2010 has been prepared in accordance with the Trust's constitution, the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half year consolidated financial report has also been prepared on the basis of historical costs, except for investment properties and management fee assets which have been measured at fair value. The half year consolidated financial report is presented in Australian dollars. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

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

It is recommended that the half year consolidated financial report be read in conjunction with the annual report of the Fund for the year ended 30 June 2010 and considered together with any public announcements made by the Fund during the half year ended 31 December 2010 in accordance with the continuous disclosure obligations of the BSX Listing Rules.

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

Since 1 July 2010 the Fund has adopted certain Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Fund. The Standards and Interpretations adopted are:

- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project.

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

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

3. OPERATING SEGMENTS

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

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

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

Operating Segments	Property Investment \$000	Property Funds Mgmt \$000	Property Development \$000	Total \$000
31 December 2010				
Revenue				
Sales income	-	-	3,708	3,708
Rental income	13,218	-	956	14,174
Property funds management fee income	-	5,151	-	5,151
Interest income	88	172	207	467
Revaluation increment on investment properties	8,605	-	-	8,605
Fair value movement in management fee asset	-	(1,099)	-	(1,099)
Other income	-	337	-	337
Total Revenue and Revaluation Increments/Decrements	21,911	4,561	4,871	31,343
Result				
Segment result before fair value movements, impairments and interest expense	10,597	2,170	(3,994)	8,773
Add: Revaluation increment on investment properties	8,605	-	-	8,605
Less: Management fee asset (decrement)	-	(1,099)	-	(1,099)
Less: Interest expense	(8,541)	(902)	(933)	(10,376)
Segment result before income tax expense	10,661	169	(4,927)	5,903
Income tax (expense)/benefit	-	(752)	569	(183)
Segment Net Profit/(Loss)	10,661	(583)	(4,358)	5,720
Loss attributable to non-controlling interest	-	-	-	-
Segment Net Profit/(Loss) attributable to security holders	10,661	(583)	(4,358)	5,720
Segment Assets at 31 December 2010	328,757	41,893	55,095	425,745
Segment Liabilities at 31 December 2010	211,499	34,142	25,558	271,199

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

3. OPERATING SEGMENTS (continued)

Operating Segments	Property Investment	Property Funds Mgmt	Property Development	Total
	\$000	\$000	\$000	\$000
31 December 2009				
Revenue				
Sales income	-	-	32,612	32,612
Rental income	14,560	-	454	15,014
Property funds management fee income	-	3,579	49	3,628
Interest income	145	223	241	609
Revaluation decrement on investment properties	(4,496)	-	-	(4,496)
Fair value movement in management fee asset	-	(1,242)	-	(1,242)
Other income	-	719	-	719
Total Revenue and Revaluation Decrements	10,209	3,279	33,356	46,844
Result				
Segment result before fair value movements, impairments and interest expense	11,026	2,942	950	14,918
Less: Revaluation decrement on investment properties	(4,496)	-	-	(4,496)
Less: Impairment loss – loans receivable	-	-	(2,031)	(2,031)
Less: Management fee asset decrements	-	(1,242)	-	(1,242)
Less: Interest expense	(6,681)	(722)	(210)	(7,613)
Segment result before income tax expense	(151)	978	(1,291)	(464)
Income tax benefit/(expense)	-	(655)	30	(625)
Segment Net Loss	(151)	323	(1,261)	(1,089)
Loss attributable to non-controlling interest	-	-	-	-
Segment Net Loss attributable to security holders	(151)	323	(1,261)	(1,089)
Segment Assets at 30 June 2010	354,380	46,121	57,159	457,660
Segment Liabilities at 30 June 2010	234,090	36,724	34,004	304,818

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	2010	2009
	\$000	\$000
4. EXPENSES		
Depreciation of plant and equipment	46	50
Borrowing expenses		
Interest and finance charges paid or payable to:		
Other parties	10,376	7,613
Amortisation of borrowing costs	87	156
Total borrowing expenses	10,463	7,769
Development costs expensed (incl cost of inventories sold)		
Palm Beach project		
Borrowing costs	626	747
Cost of inventories sold	3,202	26,889
Inventory write-down**	900	-
Selling and marketing costs	235	3,359
Other projects	1,889	(80)
Total development costs expensed (incl cost of inventories sold)	6,852	30,915
Impairment loss – loans receivable *	-	2,031

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

** At 31 December 2010, the Directors assessed the recoverability of the Palm Beach Inventory and determined a write-down of inventory was warranted due to the additional time period expected for realisation of the remaining units and associated holding costs of Stage 1 of the project.

	Consolidated	
	2010	2009
	\$000	\$000
5. DISTRIBUTION/DIVIDENDS PAID OR PROPOSED		
Distributions declared or paid during the half year by APGL totalling 1.76 cents (2009: 1.76 cents) per stapled security:		
(a) Distributions paid during the half year	2,008	2,008
(b) Distributions provided for during the half year	2,008	2,008
	4,016	4,016

No dividends were paid or proposed during the period by APGL (2009: Nil).

Notes to the Financial Statements (continued)

6. BORROWINGS AND INTEREST-BEARING LOANS

The following significant transactions involving borrowings and interest bearing loans occurred during the half year:

- Proceeds received from sales of residential units at the Palm Beach Project were primarily used to repay the facility provided by St George Bank Limited in respect of that project. Net repayments of \$3,322,000 during the period reduced the outstanding balance of the facility from \$16,638,000 at 30 June 2010 to \$13,316,000 at 31 December 2010.
- Proceeds received from the sales of blocks of land at Springfield Meadows were used to repay the facility provided by St George Bank Limited in respect of that project. Net repayments of \$395,000 during the period reduced the outstanding balance of the facility from \$11,223,000 at 30 June 2010 to \$10,828,000 at 31 December 2010.
- Repayments of \$600,000 were made during the period on a facility provided by Suncorp Metway Limited reducing the facility's outstanding balance from \$18,600,000 at 30 June 2010 to \$18,000,000 at 31 December 2010.
- Repayments of \$20,069,000 were made during the period on a facility provided by Suncorp Metway Limited, upon the sale of the Melbourne Street, Brisbane property. This facility was fully repaid (Balance at 30 June 2010: \$20,069,000).
- The expiry dates of the facilities provided by Suncorp Metway Limited for the Creek Street, Brisbane and King Street, Concord West properties were extended to 30 April 2012.

APGF has formulated plans to meet the repayments of borrowing facilities as they fall due, including the sale of the Collins Street, Melbourne property and Springfield Meadows and Dolphin Point projects within the next 12 months. Negotiations are currently occurring to review and refinance the facilities for the Creek Street property, Brisbane, Concord property, Sydney and the Palm Beach Project and they are expected to be finalised with the next 3-12 months.

7. INVESTMENT PROPERTIES HELD DIRECTLY

	Consolidated	
	31 December 2009 \$000	30 June 2010 \$000
Current	31,275	28,200
Non-current	299,000	319,300
Total	330,275	347,500

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.

Notes to the Financial Statements (continued)

7. INVESTMENT PROPERTIES HELD DIRECTLY (continued)

(a) Reconciliation of Carrying Amounts

Reconciliation of carrying amounts of property investments

Opening balance at start of period/year

Additions

Disposals *

Amortisation

Leasing fees expensed

Net gain/(loss) from fair value adjustments

Closing balance at end of period/year

Consolidated	
Six months to 31 December 2010 \$000	Twelve months to 30 June 2010 \$000
347,500	348,650
2,564	2,996
(28,097)	-
(152)	(445)
(145)	(267)
8,605	(3,434)
330,275	347,500

* The 99 Melbourne Street, Brisbane property was sold during the period.

(b) Details of Property Valuations at 31 December 2010

Property Description	Date Acquired	Cost and additions to 31 December 2010 (\$000)	Book value at 31 December 2010 (\$000)	Latest Independent Valuation**	
				Valuation (\$000)	Date of Valuation
12 Creek Street, Brisbane	19/09/2006	195,673	250,000**	250,000	21/02/2011
7 King Street, Concord, Sydney	02/10/2007	65,688	49,000*	55,000	18/08/2008
287-301 Collins Street, Melbourne	04/10/2007	35,339	31,275*	30,750	07/08/2008
Total		296,700	330,275	335,750	

* Fair value at 31 December 2010 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 Independent valuation (Creek Street, Brisbane) and Directors' valuations as at 31 December 2010 are based on initial yields of 7.15% (30 June 2010: 6.70%) for Creek Street, Brisbane, 7.9% (30 June 2010: 7.9%) for King Street, Concord West and 6.50% (30 June 2010: 6.50%) for Collins Street, Melbourne.

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.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

7. INVESTMENT PROPERTIES HELD DIRECTLY (continued)

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

8. ISSUED SECURITIES	Consolidated		Consolidated	
	31 December 2010 Number	31 December 2010 \$000	30 June 2010 Number	30 June 2010 \$000
Units issued in APGT (i)	227,580,022	182,942	227,580,022	186,958
Shares issued in APGL (ii)	227,580,022	23,473	227,580,022	23,473
		206,415		210,431

(i) Units carry one vote per unit and carry the right to receive distributions.

(ii) Fully paid ordinary shares carry one vote per share and carry the right to receive dividends.

Movements in securities on issue	Units in APGT		Shares in APGL	
	Number	\$000	Number	\$000
At 1 July 2009	227,580,022	194,923	227,580,022	23,473
Capital distributions during the period		(4,016)		-
At 31 December 2009	227,580,022	190,907	227,580,022	23,473
Capital distributions during the period		(3,949)		-
At 30 June 2010	227,580,022	186,958	227,580,022	23,473
Capital distributions during the period		(4,016)		-
At 31 December 2010	227,580,022	182,942	227,580,022	23,473

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

9. INVENTORY

Inventory consists of current and non-current holdings of property development inventory in the Palm Beach Project and Springfield Meadows and Dolphin Point projects.

At 31 December 2010, the Springfield Meadows and Dolphin Point projects are classified as current assets as the Board has resolved to commence a formal marketing campaign in order to sell these properties over the next 12 months. At 30 June 2010, these projects were primarily classified as non-current assets as the expectations were of a longer term project.

The Palm Beach Project continues to be allocated over current and non-current asset components in accordance with the expected remaining sales of the units in Stage 1 of the project, and the future development of Stage 2 of the Palm Beach project site over the longer term.

10. CAPITAL COMMITMENTS AND CONTINGENCIES

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

- bank guarantees at 31 December 2010 are \$37,455 (30 June 2010: \$400,000). These guarantees are secured by cash accounts held with the bank.
- capital commitments at 31 December 2010 are \$237,252 for 12 Creek Street, Brisbane (30 June 2010: \$670,000).

11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The recent Brisbane flood had minimal impact on the operations of APGF. The lower 2 levels of the carpark/basement at 12 Creek Street, Brisbane CBD (Blue Tower) were flooded which caused some damage to the building's services and equipment. As a result of proactive action by APGF's Asset Managers, Blue Tower was only closed for one week, which was significantly less than most of the neighbouring CBD commercial office towers. Our insurance brokers have confirmed that APGF will be reimbursed for the reinstatement of any property damage and any consequential loss of income arising from the flood.

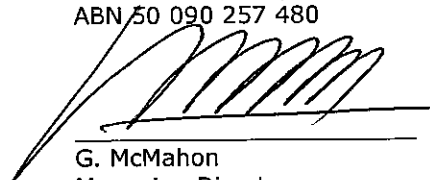
Except for the item disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the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

Directors' Declaration

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

- (a) the financial statements and notes of the consolidated entity set out on pages 9 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



G. McMahon
Managing Director
Brisbane, 11 March 2011

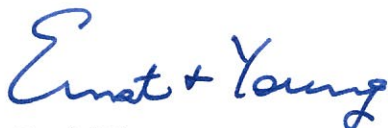
On behalf of the Board
Australian Property Growth Limited
ABN 56 111 628 589



N. Summerson
Chairman
Brisbane, 11 March 2011

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

In relation to our review of the financial report of Australian Property Growth Fund for the half-year ended 31 December 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 stylized, handwritten signature of 'Ernst + Young' in blue ink.

Ernst & Young

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

Mark Hayward
Partner
11 March 2011

To the security holders of Australian Property Growth Fund

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Australian Property Growth Fund (comprising the consolidated financial report of Australian Property Growth Trust (the "Trust") and the entities it controlled) (collectively referred to as the "Fund"), which comprises the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the half year end or from time to time during the period.

Directors Responsibility for the Half-Year Report Financial Report

The directors of APGF Management Limited, the Responsible Entity of the Fund ("the directors") are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and Trust Deed and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Property Growth Trust and the entities it controlled during the six months and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

Ernst & Young

A handwritten signature in blue ink that reads 'M J Hayward'.

Mark Hayward
Partner
Brisbane

11 March 2011