

14 September 2010

RG 46 DISCLOSURE NOTICE

The Australian Securities & Investments Commission (ASIC) requires responsible entities of unlisted property funds in which retail investors invest to address eight disclosure principles which are set out in Regulatory Guide 46 *Unlisted property schemes—improving disclosure for retail investors* (RG 46). The disclosure principles are intended to assist retail investors to understand the risks associated with investing in unlisted property funds and to decide whether such investments are suitable for them.

Austock Property Management Ltd (APML), as responsible entity of the Austock Childcare Fund (ACF or the Fund), has issued this document addressing the disclosure principles for the Fund.

Information included in this statement will be updated as soon as APML becomes aware of a material change or otherwise at least every six months. Updates on the status of information relating to the disclosure principles will be available at www.acfund.com.au. Investors can request a hard copy of these updates to be sent to them by contacting APML on + 61 3 8601 2668.

This statement has been prepared as general information only and does not take into account the investment objectives, financial situation or needs of a particular person. ACF's financial statements to 30 June 2010 provide additional information on the Fund and are available on ACF's website at http://www.acfund.com.au/reports_publications/annual_reports.aspx

Disclosure Principle 1 - Gearing Ratio

The gearing ratio represents the extent to which the assets of a fund are financed by debt. The higher a fund's gearing ratio the greater its reliance on external liabilities (primarily borrowings) to finance the assets. A higher gearing ratio may also expose a fund to increased costs if interest rates rise or property values decrease. A highly geared fund generally has a lower asset buffer to rely upon in times of financial stress. Investors can use the gearing ratio to assess the potential risks associated with an investment in a fund in the event interest rates rise or property values decrease; and to compare the risk associated with a fund's return on investment to other similar products.

As at 30 June 2010, the gearing ratio of the Fund is 40.2%¹. As at 30 June 2010, the Fund did not have any off balance sheet financing.

Disclosure Principle 2 - Interest Cover

The Fund's interest cover is 1.98 times² for the year to 30 June 2010.

This figure indicates that the Fund currently has sufficient earnings to satisfy interest repayments. Specifically, based on current figures, the Fund could service its interest expense by 1.98 times. Having a high interest cover provides a buffer if interest rates or other expenses of the Fund increase. Based on the Fund's hedging arrangements, the Fund's interest rate is fully hedged and therefore not subject to fluctuations.

Investors can use an interest cover ratio to assess a fund's ability to meet ongoing interest payments and therefore service debt. The lower the interest cover, the higher the risk a fund will not be able to meet its interest payments. A fund with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.

¹ Calculated by dividing the Fund's total borrowings by the total value of the investment properties, based on the audited financial statements dated 30 June 2010.

² The interest cover for a fund is calculated by determining its earnings before interest, tax, depreciation and amortisation (EBITDA), subtracting realised/unrealised gains (if any) and adding realised/unrealised losses (if any). This figure is then divided by the current interest expense (also known as the finance cost) of the fund.

Disclosure Principle 3 - Fund Borrowing

Borrowing maturity profile

The Fund has an interest only Term Debt Facility of \$10.7 million with the Commonwealth Bank. The amount currently drawn is \$10.3³ million fully drawn as at 8 September 2010. Interest is paid on a quarterly basis throughout the term of the facility which expires on 31 July 2013.

APML is entering into new hedging arrangements shortly to protect the Fund against adverse interest rate movements. The Fund has no off-balance sheet financial instruments.

Loan covenants

The Fund is in compliance with its Loan Covenants.

Ranking of investors

Investors' interests in the Fund will rank behind lenders and other creditors of the Fund. This means, if the Fund was to be wound-up, then the Fund's lenders and other creditors would be repaid first, before any capital or outstanding distributions were paid to investors as is normal practice.

Disclosure Principle 4 - Portfolio Diversification

Generally, the more diversified a fund's portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio (and therefore, the Fund) at risk. The table below summarises the Fund's investments as at 30 June 2010.

	No. of Properties	Value as at 30 June 2010 \$000's	% of Gross Assets	Lease Expiry Years	Occupancy %
Investment Properties					
Total Childcare Centres	24	25,635	95%	8	100
Cash & Receivables		1,356	5%		
Total Gross Assets		26,991	100%		

All ACF's properties are located in Australia as detailed in the table below.

State	No. of Properties	Value as at 30 June 2010 \$000's	% of Property Value
Qld	22	23,135	90%
SA	2	2,500	10%
Total	24	25,635	100%

The Fund has returned to normal operations with resolution of its major tenant (ABC) in Receivership. The Fund's properties are tenanted as follows:

	No of Childcare Properties	Carrying Value \$000's	Current Rent (pa) \$000's
Operating Properties			
GoodStart	11	11,400	1,071
Other Tenants	13	14,235	1,342
Total Properties	24	25,635	2,413

GoodStart: Effective 31 May 2010, the not-for-profit group, GoodStart Childcare Limited ("GoodStart") is the new tenant of 11 of the Fund's properties as the purchaser of some of the former ABC Learning Centres Ltd business assets. GoodStart is supported and funded by the Federal Government and has sourced funding from NAB as well as from the social capital sector. In addition, the Company has been granted exemption from payroll tax, income tax, concessional FBT benefits and relief from one off stamp duties in some areas. GoodStart will operate approximately 670 properties under the ABC banner. The four principal not-for-profit members represented on the GoodStart Board of Directors are Mission Australia, The Brotherhood of St Laurence, The Benevolent Society and Social Ventures Australia.

The transition to GoodStart has been successful with no disruption or reduction to the Fund's rental income and with 11 of the Fund's leases now in favour of GoodStart.

The Fund achieved the following outcomes upon the assignment of leases to GoodStart:

- Provision of a pooled bank guarantee of ~\$670k;
- Payment of pre-receivership outgoings unpaid by the former tenant, ABC Learning Centres Ltd; and
- Recovery of the majority of the costs directly relating to the assignment to GoodStart.

³ Based on the audited financial statements dated 30 June 2010.

The Fund looks forward to a new relationship with GoodStart's management who are expected to provide significantly stronger executive and operational expertise together with enhanced corporate governance standards.

Other Properties: These comprise 13 properties, including 5 of which are leased to Leading Child Care Limited, 2 to Early Learning Centres Limited, 2 centres to Neighbourhood Early Learning Centres ("NELC") and 2 to Worthgold Pty Limited. Assignment of the 2 centres operated by NELC is being negotiated with an alternate operator and agreement on these properties is expected shortly.

At the date of this report, the Fund has nil non-income producing properties with all properties operational and paying rent.

The investment strategy

The Fund is a fixed term unlisted property trust that solely invests in childcare property. The Fund launched in 2003 and has a fixed term of 12 years term and is not open for new subscriptions. ACF's aim is to provide a secure distribution to its unitholders whilst maintaining real value and low volatility. The Fund is retail in style, and was established as an ASIC registered management investment scheme to enable unitholders to benefit from a tax advantaged component.

Following the successful transition of leases to GoodStart and the long-term extension to the debt facility, management is pleased to advise the re-commencement of distributions on a quarterly basis in September 2010.

Disclosure Principle 5 - Valuation policy

Investing in a property fund exposes investors to movements in the value of the fund's assets. Investors therefore need information to assess the reliability of valuations. The more reliable a valuation, the more likely the asset will return that amount when it is sold. However, any forced sale may still result in a shortfall compared to the valuation.

After initial recognition, investment properties of the Fund are measured at fair value and revalued with sufficient regularity to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date. Independent valuations are performed on each property at intervals of not more than three years by registered valuers who are appropriately qualified to undertake the valuation, based on the type and locality of the property being valued. All independent valuations comply with relevant industry standards and codes. These valuations are considered by the directors of APML when determining fair value. When assessing fair value, the directors may also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties and general market conditions. The Fund's 30 June 2010 accounts provide additional information regarding the current value of the Fund's investments.

Disclosure Principle 6 - Related Party Transactions

Current related party transactions

Information about the Fund's related party transactions are set out in the financial statements for the Fund, which are available on the Fund's website, www.acfund.com.au. APML, as responsible entity for the Fund, is entitled to receive fees in connection with the operation of the Fund. Directors of APML are entitled to receive remuneration in their capacity as Directors and senior management of APML and these amounts are paid from an entity related to APML. No Director is remunerated directly from the Fund.

Policy on related party transactions

As conflicts of interest may arise when the Fund invests in, makes loans to or provides guarantees in favour of related parties, APML has a policy about managing conflicts of interest (Conflicts Management Policy). APML's Conflicts Management Policy documents the company's approach to managing conflicts. That approach is adopted by the Board of APML and underpins the training of staff to identify and manage potential conflicts. All identified conflicts are recorded in a conflicts register. The register also identifies what measures APML has in place to manage the conflict. The principal mechanisms used to manage conflicts involve controlling conflicts, avoiding conflicts and disclosing conflicts. The register is regularly updated by compliance staff and reviewed by the Compliance Committee.

Disclosure Principle 7 - Distribution Practices

Following the successful transition of leases to GoodStart and the long-term extension to the debt facility, management has advised distributions will commencement on a quarterly basis in September 2010.

The annual distribution for ACF, based on existing and forecast conditions, is estimated to be six cents per unit.

Disclosure Principle 8 - Withdrawal Rights

The Fund is illiquid and investors have no redemption facility available to them.

Fund Updates

As previously advised, ACF Fund Updates will be uploaded on ACF's website and will also be sent to unitholders via email. We are committed to keeping ACF's investors well informed and update our website as often as possible. We strongly encourage unitholders and advisors who have not provided their email address details to do so by sending your details to llioffi@austock.com.