

17 March 2009

## Results for the Half Year Ended 31 December 2008

The Directors of the Responsible Entity, Austock Property Management Limited ("APML") present a summary of the results of the Austock Childcare Fund ("ACF" or "the Trust") for the half year ended 31 December 2008. ACF is a property trust investing in childcare centres.

### (a) Key Financial Summary

- Distributable Income for the period of \$0.5m
- Non-Cash reduction in Fair Value of Financial Instruments of \$1.1m
- Non-Cash Impairment of Investment Properties of \$2.9m
- Net Loss (inclusive of non-cash items) of \$3.5m

### (b) Financial Highlights

The result for the half year to 31 December 2008 was a net loss of \$3.5 million. Excluding the impact of the impairment of investment properties of \$2.9 million and the change in the fair value of derivative financial instruments of \$1.1 million and an impairment of receivables of \$0.1 million, the Fund produced distributable profit of \$0.5 million (3.32 cpu) compared to a net profit of \$0.8 million (6.04 cpu) in the 2007 corresponding period.

The table below provides a comparison of the results for the half year ended 31 December 2008 and the previous corresponding half year:

\$'000	Half Year to 31 Dec 2008	Half Year to 31 Dec 2007
<b>Revenue</b>		
Rental Revenue	1,416	1,402
Interest Income	12	17
Changes in the Fair Value of Derivative Financial Instruments	-	92
	1,428	1,511
<b>Expenses</b>		
Change in Fair Value of Derivative Financial Instruments	1,125	-
Finance Costs	490	438
Property Outgoings	41	62
Impairment of Receivables	115	-
Impairment of Investment Properties <sup>1</sup>	2,880	-
Responsible Entity's Fee	193	144
Other Expenses from Ordinary Activities	118	45
	4,962	689
Net Operating Profit/(Loss) Attributable to Unitholders	(3,534)	822
Distributions to Unitholders	(272)	(714)
<b>Total Changes in Net Assets Attributable to Unitholders</b>	<b>(3,806)</b>	<b>108</b>
Weighted Average Units on Issue	13,600	13,600
Units on Issue as at End of Period	13,600	13,600
Basic EPU on Weighted Units (cents)	(25.99)	6.04
Diluted Earnings Per Unit (cents)	(25.99)	6.04
Distributable Earnings per Unit (cents)	3.54	5.37
Number of Childcare Properties (end of period)	31	31

<sup>1</sup> Refer to Note 4 of the Half Year Financial Report.

## Balance Sheet

	31 Dec 2008 \$'000	30 Jun 2008 \$'000
<b>Current assets</b>		
Cash and cash equivalents	221	132
Trade and other receivables	156	166
Other current assets	5,180	-
<b>Total current assets</b>	<b>5,557</b>	<b>298</b>
<b>Non-current assets</b>		
Investment properties	25,179	33,250
Derivative financial instrument	-	829
<b>Total non-current assets</b>	<b>25,179</b>	<b>34,079</b>
<b>Total assets</b>	<b>30,736</b>	<b>34,377</b>
<b>Current liabilities</b>		
Trade and other payables	378	190
Other liabilities	4	352
<b>Total current liabilities</b>	<b>382</b>	<b>542</b>
<b>Non-current liabilities</b>		
Long term financial liabilities	13,659	13,631
Derivative financial instrument	297	-
<b>Total non-current liabilities</b>	<b>13,956</b>	<b>13,631</b>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>14,338</b>	<b>14,173</b>
Net assets attributable to unitholders	16,398	20,204
<b>Total liabilities</b>	<b>30,736</b>	<b>34,377</b>

### (c) Current Centre Summary

The childcare centre portfolio can be categorised as follows:

	No of Childcare Centres	Carrying Value \$000's	Current Rent (pa) \$000's
<b>Operating Properties</b>			
ABC 1 (under the control of McGrath Nicol)	11	12,290	1,014
ABC 2 (under the control of PPB)	7	7,690	658
Non ABC Centres	5	5,680	474
ABC/NELC Centres (under the control of McGrath Nicol)	2	2,360	192
Closed Centres	6	5,180	441
<b>Total Properties</b>	<b>31</b>	<b>33,200</b>	<b>2,779</b>

### (d) Matters Relating to ABC Learning Centres (Receivers & Managers Appointed) Ltd

**ABC 1:** ABC 1 centres remain under the control of McGrath Nicol (ABC Receiver). The 11 ABC 1 centres owned by the Fund form part of 720 centres that continue to be operated by ABC. At current time, we understand that McGrath Nicol will embark on a sales process for these centres around mid – 2009. The sales process will likely be for the business and require an assignment of existing leases. The Fund has



established a commercial business relationship with McGrath Nicol and rent and recoverable expenses continue to be paid on a monthly basis.

**ABC 2 Centres** are under control of PPB (the Court approved receiver). These centres are being funded by the Federal Government until 15 May 2009. PPB are conducting a formal sales process for the business and leasehold interests which is scheduled to be completed by 15 May 2009. This date has been extended from 31 March 2009 due to the complexities of the process. PPB will advise of an outcome for all ABC 2 centres by 15 April 2009 at the latest. PPB is currently assessing offers from more than 180 parties. We are working closely with PPB to ensure that the new tenants represent viable long term operators.

**Non-ABC Centres:** These comprise 5 centres which are leased to Early Learning Centre Limited (ELS) and Worthgold Pty Limited. There is one centre with significant rental arrears which we have fully provided for at 31 December 2008. The Fund is considering all of its alternatives with respect to this centre.

**ABC / Neighbourhood Early Learning Centres Pty Ltd ("NELC"):** ABC/NELC centres are leased to ABC and managed by NELC. On 19 February 2009, McGrath Nicol requested an assignment of these leases to Bright Horizons Australia Childcare Pty Ltd ("BHAC"), a related entity of NELC. We are currently liaising with BHAC to ensure they represent a viable long term operator. In the meantime, rent continues to be paid on a monthly basis.

**Closed Centres:** These centres have been closed as a result of ABC being placed into receivership on 6 November 2008. The Fund appointed Jones Lang LaSalle ("JLL") to manage an Expressions of Interest ("EOI") process to invite interest from prospective buyers or tenants. EOIs close on 25 March 2009. The book value of these properties is approximately \$5.2 million. Based on unsolicited interest received prior to the appointment of JLL from both prospective purchasers and tenants, the Fund is hopeful of achieving an acceptable result for the properties given their vacant possession status. No rent is being received on these centres. The annual rent on these centres was approximately \$0.4 million per annum. The proceeds from sales of these properties will be used to pay down debt.

**(e) Debt Funding**

The Fund operates an interest only Term Debt Facility with a limit of \$14.2 million which expires on 1 July 2010. This facility is secured by first ranking registered mortgages over the childcare properties held by ACF. At 31 December 2008, the current effective interest was 6.63% per annum on the interest-bearing liabilities.

At 31 December 2008 the total assets of the Fund stood at \$30.7 million, long term financial liabilities at \$13.7 million and net assets attributable to unitholders were \$16.4 million. The Net Tangible Asset value per ordinary unit was \$1.20.

**(f) Distribution**

The distribution for the half year ended 31 December 2008 was 2.00 cents per unit (cpu) (2007: 5.25 cpu). The distribution of 2.00 cpu was distributed on 31 October 2008. In line with the funds risk profile and the resulting market conditions, distributions are currently suspended until June 2009. An announcement regarding the June quarter distribution will be made in June. It is Management's position that a more conservative and precautionary approach is required during the second half of the year to recognise the current challenging economic times, which we believe is in the best interests of ACF and its unitholders. The purpose of the suspension is to retain and build where possible cash reserves to provide against further potential negative events should they occur whilst ABC remains in Receivership. These external events and any impact on ACF cannot be predicted however, prudent policy dictates that a defensive stance should be adopted.



**(g) Outlook**

The Trust is in a restructuring period to reflect the changes incurred as a direct result of the ABC's failure and subsequent receivership. The Trust expects a satisfactory result in realising the closed centres with the proceeds used to repay debt.

The Directors are focused on ensuring the best possible long term result can be achieved out of the externally managed ABC1 and ABC2 sale processes. These circumstances provide less certainty than is otherwise desirable, however Management has ensured that it has played as active a role as possible in protecting the interests of the Unitholders.

*(The information contained in this release should be read in conjunction with ACF's Half-Year Financial Report as at 31 December 2008.)*

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