

15 December 2008

Austock Childcare Fund Update

The Austock Childcare Fund (ACF) provides the following update to its announcement of 4 December 2008, in relation to its exposure to ABC Learning Centres Limited (Administrators Appointed) (Receivers and Managers Appointed) ("ABC") and a number of its subsidiaries.

The receivers of ABC, McGrathNicol, have made an announcement regarding the on going review of the ABC business which has been followed by an announcement by the Deputy Prime Minister, Julia Gillard, on behalf of the Federal Government.

These outcomes, as they relate to ABC's operations and their effect on ACF's portfolio, are as follows:

- Of the 656 centres previously identified as continuing in 2009, a further 64 centres will continue to trade into 2009 as part of ABC Learning, bringing the total to 720 centres. 10 centres in this category form part of ACF's portfolio;
- A further 241 centres will continue in 2009 with the financial support of the Federal Government, of which 7 form part of ACF's portfolio;
- 55 centres will close from 1 January 2009. None of these centres form part of ACF's portfolio;
- 21 centres will be transitioned to the Defence Force of Australia (No effect on ACF);
- 7 ACF centres remain unaccounted for on the lists provided by the Receiver;
- The Receiver has separately provided a letter to ACF stating that they will not be using 2 non-operating centres in ACF's portfolio and therefore will not make further rental payments.

In addition, the fund has 5 further centres that are not leased to ABC.

A summary of ACF's portfolio post the respective announcements, is as follows:

- 71% of ACF's portfolio should continue to produce existing income levels into 2009. This may increase to a maximum of approximately 94% of the portfolio, dependant upon the success of the transitional arrangements for centres that will benefit from Government support together with further enquiries to the Receiver in relation to the 'unaccounted for' centres and the re-leasing of closed centres.
- Only 6.5% of ACF's centres are faced with immediate closure and we are endeavouring to source new tenants for those properties.

These outcomes are positive for the Fund as they maintain the majority of the Fund's income in the immediate short term.

There are good prospects that, subject to the transitional arrangements, the discussions with the Federal Government and the success of a short term leasing program, the Fund could return to a position where, depending upon the status of the unaccounted for centres, in excess of 94% of its assets could be producing income at either existing or market determined levels, in the short term.



This is represented in the table below:

	No. Centre Properties	% of ACF Portfolio
Operating Property		
ABC Centres Continuing	10	32.26%
Non-ABC Centres Continuing	<u>5</u>	<u>16.13%</u>
	15	48.39%
Operating Property with Government Support		
Australian ABC Centres with Gov't'n Support	7	22.58%
Non-Operational Property		
Non-Operating Centres to close 31 December 08	2	6.45%
Properties that Remain Unaccounted for		
ABC Centres Not Accounted For in Receivers Statements	<u>7</u>	<u>22.58%</u>
Total	31	100%

There are a number of positive outcomes for the Fund with respect to these announcements. The involvement by the Federal Government is welcomed and will provide support to what is an important social service currently under pressure. The funding arrangements provide greater certainty than have existed to date and allow the centres to continue operating post 31 December 2008. The government's funding arrangements provide an opportunity for a transitional period in which ACF's 7 centres may be transitioned to other suitable operators.

Management is already in discussions with a series of alternate operators with respect to its centres.

Support for Government Intervention

The 241 centres that will receive Government support represent approximately 17,000 childcare places and will have a direct effect on the employment prospects for both ABC staff and parents. With respect to these centres, ACF looks forward to working with the Federal Government in assessing appropriate solutions for the centres in what are complex circumstances.

Operator Interest in ACF's Centres

The Fund will continue to assess appropriate childcare centre operators in order to maintain childcare places, where possible. The Fund is actively fielding enquiries with respect to its centres and is now in a position to further those enquiries given the clarity provided by the announcements.

Management will provide further updates as appropriate with particular reference to the 'unaccounted for' centres as previously noted.

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ACF Fund Updates will be uploaded on ACF's website and will also be sent via email to those unitholders who have provided their email addresses. We are committed to keeping ACF's investors well informed and update our website as often as possible. I strongly encourage unitholders and advisors who have not provided their email address details to do so by sending your details to lliossi@austock.com
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ACF is a fixed term unlisted property fund with an end date of June 2015. The Fund's portfolio consists of the freehold interests in 31 childcare centres located in Queensland and South Australia, of which 26 are leased to ABC on long term lease agreements.

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