



AUSTOCK CHILDCARE FUND

ARSN: 104 229 861
ABN: 46 186 578 434

**Half Year Financial Report
31 December 2010**

AUSTOCK CHILDCARE FUND

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The Directors of Austock Property Management Limited ("the Responsible Entity"), the Responsible Entity of the Austock Childcare Fund ("the Fund"), present their report on the Fund for the half year ended 31 December 2010.

Directors of the Responsible Entity

The Directors of the Responsible Entity during the period and to the date of this report comprise:

Victor David Cottren (Chairman)
Michael Francis Johnstone
Nicholas James Anagnostou

Principal Activities

The Fund invests in childcare property. The overall strategy of the Fund is to provide a secure distribution to its Unitholders whilst maintaining real value and low volatility. The Fund operates in one geographic area, Australia. There has been no change in the nature of the principal activities of the Fund for the half year ended 31 December 2010.

The Fund's properties as at 31 December 2010 are tenanted as follows:

	No of Childcare Properties	Carrying Value \$000's	Current Rent (pa) \$000's
Operating Properties			
Goodstart	11	11,400	1,076
Other	13	14,235	1,352
Total Properties	24	25,635	2,428

Review and Results of Operations

The key financial results of the Fund for the half year to 31 December 2010 are as follows:

Half year ending 31 December (\$m's)	2010	2009
Revenue		
Property Income	1.3	1.2
	1.3	1.2
Expenses		
Finance Costs	0.4	0.4
Responsible Entity's Remuneration	0.3	0.2
Direct Property Expenses	0.3	0.3
Other Expenses	0.0	0.1
	1.0	1.0
Operating profit	0.3	0.2
Change in fair value of interest rate swaps	0.0	0.2
Net property revaluation increment/(decrement)	0.1	0.2
Net profit	0.4	0.6



Distribution

Distributions paid for the half year to 31 December 2010 totalled 2.8 cents per unit (2009: nil cents per unit) as detailed below. Distributions commenced on a quarterly basis in September 2010.

	Quarter Ending	Paid/ Payable	\$'000	Cents Per Unit
First quarter	30 September 2010	29 October 2010	190	1.4
Second quarter	31 December 2010	21 January 2011	191	1.4
Total			381	2.8

Funding

As at 31 December 2010, the Fund had total assets of \$26.6 million, debt of \$10.3 million and net assets of \$15.8 million. During the half year bank debt remained at \$10.3 million. The Fund's previous debt facility with the Commonwealth Bank of Australia ("CBA") expired on 27 June 2010, with an extension granted to 5 August 2010. The Fund successfully negotiated a new debt facility with the CBA for a period of 3 years. The following terms apply to the Fund's debt funding arrangements effective from 5 August 2010:

- 3 year debt facility to 31 July 2013;
- Facility for \$10.7 million, currently drawn amount of \$10.3 million;
- Interest Cover Ratio > 1.7x (previously >2.0x);
- Loan Value Ratio <55% (previously <60%); and
- Interest margin of 3.0%pa (previously 1.55%pa).

On the 13 October 2010, the Fund entered into an interest rate swap with the CBA for \$5.5 million at an interest rate of 5.49% pa. The swap is effective as at 8 November 2010 until 31 July 2013 and will help protect the Fund against adverse interest rate movements.

As at the 31 December 2010, the Fund complied with all of its debt covenant ratios and obligations.

The Fund has 13,600,000 units on issue as at 31 December 2010.

Rounding of Amounts

The Fund is of a kind referred to in ASIC Class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.



Auditor's Independence Declaration

The Auditor's Independence Declaration under section 370C of the Corporations Act 2001 is set out on page 4 for the half year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors of the Responsibility Entity.

A handwritten signature in black ink, appearing to read 'V. Cottren', is positioned above the printed name of the Chairman.

Victor David Cottren
Chairman
Austock Property Management Limited
Melbourne, 24 February 2011

Auditor's Independence Declaration

As lead auditor for the review of the Austock Childcare Fund for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of the Austock Childcare Fund during the period.



Charles Christie
Partner
PricewaterhouseCoopers

24 Melbourne
February 2011

AUSTOCK CHILDCARE FUND
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE HALF YEAR ENDED 31 DECEMBER 2010



	Note	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Revenue			
Lease income		1,128	1,002
Property outgoing recoveries		212	212
Interest income		15	11
Change in fair value of derivative financial instruments		-	185
Other income		5	-
Revaluation increment of investment properties		82	193
Total revenue		1,442	1,603
Expenses			
Finance costs		409	393
Property outgoings		291	297
Other expenses		58	78
Responsible entity's fee		279	170
Change in fair value of derivative financial instruments		1	-
Loss on sale of investment properties		-	35
Total expenses		1,038	973
Net Profit		404	630
Other comprehensive income		-	-
Total comprehensive income/(loss)		404	630
Earnings per unit			
		Cents	Cents
Basic earnings per unit		2.97	4.63
Diluted earnings per unit		2.97	4.63

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes

AUSTOCK CHILDCARE FUND
BALANCE SHEET
AS AT 31 DECEMBER 2010



	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Current assets			
Cash and cash equivalents		819	1,329
Trade and other receivables		117	27
Investment properties – straight line rental account	2	201	164
Total current assets		1,137	1,520
Non-current assets			
Investment properties	2	24,964	24,882
Investment properties – straight line rental account	2	470	589
Total non-current assets		25,434	25,471
Total assets		26,571	26,991
Current liabilities			
Trade and other payables		276	342
Distributions payable		234	544
Borrowings	3	-	10,300
Total current liabilities		510	11,186
Non-Current liabilities			
Borrowings	3	10,233	-
Total non-current liabilities		10,233	-
Total liabilities		10,743	11,186
Net assets		15,828	15,805
Equity			
Contributed equity	4	12,270	12,270
Undistributed profit		3,558	3,535
Total equity		15,828	15,805

The Balance Sheet is to be read in conjunction with the accompanying notes

AUSTOCK CHILDCARE FUND
 CASH FLOW STATEMENT
 FOR THE HALF YEAR ENDED 31 DECEMBER 2010



	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations (inclusive of GST)	1,395	1,637
Cash payments in the course of operations (inclusive of GST)	(846)	(982)
Interest received	15	11
Net cash inflow/(outflow) from operating activities	564	666
Cash flows from investing activities		
Proceeds from sale of investment properties	-	819
Net cash inflow/(outflow) from investing activities	-	819
Cash flows from financing activities		
Finance costs paid	(383)	(393)
Repayment of borrowings	-	(769)
Distributions paid	(691)	(503)
Net cash inflow/(outflow) from financing activities	(1,074)	(1,665)
Net (decrease)/increase in cash held	(510)	(180)
Cash at beginning of the half-year	1,329	940
Cash at the end of the half-year	819	760

The Cashflow Statement is to be read in conjunction with the accompanying notes

AUSTOCK CHILDCARE FUND
 STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF YEAR ENDED 31 DECEMBER 2010



	Units on issue	Undistributed Profit	Total
	\$ '000	\$'000	\$'000
Balance at 1 July 2009	12,270	2,411	14,681
Net profit/(loss)	-	630	630
Distribution paid or provided for	-	(503)	(503)
Balance at 31 December 2009	12,270	2,538	14,808
Balance at 1 July 2010	12,270	3,535	15,805
Net profit/(loss)	-	404	404
Distribution paid or provided for	-	(381)	(381)
Balance at 31 December 2010	12,270	3,558	15,828

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes

1. Statement of significant accounting policies

This general purpose interim financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with the Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Impact of standards issued but not yet applied by the Trust

In December 2009, the AASB issued AASB9 *Financial Instruments* which addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

2. Investment Properties	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Movement in investment properties:		
Opening balance	25,635	25,856
Disposal of investment properties	-	(1,020)
Movement in straight line rental account	(82)	(238)
Net revaluation increment /(decrement)	82	1,037
Carrying amount at the end of the period	25,635	25,635
Comprising:		
Investment properties	24,964	24,882
Investment properties – straight line rental account (Current)	201	164
Investment properties – straight line rental account (Non-Current)	470	589
Total investment properties	25,635	25,635

- (a) Investment properties are carried at fair value. The determination of fair value is based on independent valuations where appropriate. This includes the original acquisition costs together with capital expenditure since acquisition and either the latest full independent valuation or latest independent update. Total acquisition costs include incidental costs of acquisition such as stamp duty and legal fees.
- (b) A full independent valuation of a property is carried out at least once every three years. Independent valuations are prepared using both the capitalisation of net income method and the discounting of future net cash flows to their present value. Capital expenditure since valuation includes purchases of sundry properties (and associated expenses such as stamp duty, legal fees etc) and capital expenditure in respect of completed projects which has taken place since or was not included in the latest valuation of the properties.
- (c) Independent valuations are prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards.

As at 30 June 2010, all 24 properties were valued. As there has been no significant change in market conditions, the Directors have made the decision to keep the value of the operating investment property portfolio consistent with the value as at 30 June 2010.

3. Borrowings

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Cash Advance facility at face value - secured	10,300	10,300
Less: unamortised transaction costs	(67)	-
	10,233	10,300

The Fund operates an interest only Cash Advance Facility issued from the Commonwealth Bank of Australia ("CBA"), which the Fund has renewed for a period of 3 years to 31 July 2013.

The following terms apply to the Fund's debt funding arrangements effective from 5 August 2010:

- 3 year debt facility to 31 July 2013;
- Facility for \$10.7 million, currently drawn amount of \$10.3 million;
- Interest Cover Ratio > 1.7x (previously >2.0x);
- Loan Value Ratio <55% (previously <60%); and
- Interest margin of 3.0%pa (previously 1.55%pa).

As at the 31 December 2010, the Fund complied with all of its debt covenant ratios and obligations.

The Fund uses a derivative financial instrument (interest rate swap) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

On the 13 October 2010, the Fund entered into an interest rate swap with the CBA for \$5.5 million at an interest rate of 5.49% pa. The swap is effective as at 8 November 2010 until 31 July 2013 and will help protect the Fund against adverse interest rate movements. The fair value adjustments on the interest rate swap are recorded in the Statement of Comprehensive Income.

4. Contributed equity

	Units on Issue No '000	Units on Issue \$'000
Balance at 1 July 2009	13,600	13,600
Issue of units	-	-
Balance at 31 December 2009	13,600	13,600
Balance at 1 July 2010	13,600	13,600
Issue of units	-	-
Balance at 31 December 2010	13,600	13,600

5. Segment information

The Fund operates wholly in Australia and operates in one business segment of being the ownership of childcare properties. The Fund's segment is based on reports used by both management and directors in making key decisions.

6. Capital and lease commitments

(a) Capital commitments

The Fund had no capital commitments at reporting date (Nil at 30 June 2010).

(b) Lease revenue commitments

Investment properties are leased to tenants under long-term operating leases with rentals generally payable monthly. Future minimum lease payments receivable on leases of investment properties are as follows:

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Receivable:		
not later than 1 year	2,458	2,343
later than 1 year but no later than 5 years	9,793	10,260
later than 5 years	7,365	10,265
	19,616	22,868

7. Contingent liabilities

No contingent liabilities to the Fund exist of which the Responsible Entity is aware (Nil at 30 June 2010).

8. Subsequent events

No matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

- (a) the Trust's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Trust's state of affairs in future years.

**AUSTOCK CHILDCARE FUND
DIRECTORS DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**



In the opinion of the Directors of Austock Property Management Limited, the Responsible Entity of Austock Childcare Fund (“the Fund”):

- (a) the financial statements and notes, set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) 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.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) the Fund has operated during the half year ended 31 December 2010 in accordance with the provisions of the Fund Constitution.

This declaration is made in accordance with a resolution of the directors.

Dated at Melbourne this 24th day of February 2011.

A handwritten signature in black ink, appearing to read 'V. Cottren', is written over a horizontal line.

Victor David Cottren
Chairman
Austock Property Management Limited

Independent auditor's review report to the unitholders of Austock Childcare Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of the Austock Childcare Fund (the Fund), which comprise the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Austock Property Management Limited (the Responsible Entity of the Fund) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

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 an Interim Financial Report 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 Fund'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 the Fund, 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's review report to the unitholders of
Austock Childcare Fund (continued)**

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Fund for the half-year ended 31 December 2010 included on the Funds web site. The Fund's directors are responsible for the integrity of the Funds web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

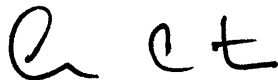
Conclusion

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 Austock Childcare Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund'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 *Corporations Regulations 2001*.



PricewaterhouseCoopers



Charles Christie
Partner

24 Melbourne
February 2011

AUSTOCK CHILDCARE FUND

DIRECTORY



Responsible Entity and principal place of business of ACF	Austock Property Management Limited Level 12 15 William Street Melbourne VIC 3000
Directors of the Responsible Entity	Victor David Cottren (Chairman) Michael Francis Johnstone Nicholas James Anagnostou
Solicitors	Macrossans Level 23, AMP Place 10 Eagle Street Brisbane QLD 4000
Auditor/Tax Advisors	PricewaterhouseCoopers Freshwater Place 2 Southbank Boulevard Southbank Vic 3006
Bank	Commonwealth Bank of Australia 52 Martin Place Sydney NSW 2000
Custodian	The Trust Company Limited 35 Clarence Street Sydney NSW 2000
Secretary of the Responsible Entity	Amanda Gawne/Adrian Seamus Hill Level 12 15 William Street Melbourne VIC 3000
Share Registry	Registries Limited Level 7 207 Kent Street Sydney NSW 2000
Investor Relations	Lula Liossi Austock Property Management Limited Level 12 15 William Street Melbourne VIC 3000 Ph: (03) 8601 2000