

24 May 2010

## **Austock Childcare Fund Update – 11 ABC1 Leases to be Assigned**

The Austock Childcare Fund (ACF), provides the following update regarding the progress of the transition of ACF's 11 ABC1 leases to a new tenant and the status regarding its debt facility.

The Directors of Austock Property Management Limited (APML) have given approval to proceed with the assignment to GoodStart Childcare Limited (GoodStart) of its 11 childcare properties leased to ABC Learning Centres Limited (Receiver and Manager Appointed) (ABC). The assignments are expected to occur on or about 28 May 2010.

Given the nature and complexity of the ABC Receivership, Management has endeavoured to keep as many childcare properties operating as possible and negotiate with the ABC Receiver and GoodStart, the best possible terms in difficult circumstances. At the same time, Management's concern was to expedite the successful completion of all leases in its ABC1 portfolio to minimise disruption to parents, children and staff of the childcare properties who have been subject to uncertainty for a long period of time.

Pre-receivership outgoings in relation to ACF's 11 leases to be assigned to GoodStart, unpaid by ABC prior to its collapse, will be recovered in full. In addition, the majority of ACF's costs relating to the assignment will also be recovered from the Receiver.

### **1. GoodStart - New Tenant of 11 former ABC1 Childcare Properties**

ACF has undertaken an extensive assessment of GoodStart, given the operator would be ACF's largest tenant of approximately 44% of its portfolio to ensure the interests of Unitholders were adequately protected and to mitigate any future negative events, should they occur. The not-for-profit group GoodStart will, on completion, be leasing 11 of ACF's properties as the purchaser 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. These benefits are estimated to be ~\$20m per annum to the GoodStart business. 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.

GoodStart Management has provided a detailed business analysis and plan that has been considered as part of the assignment request. APML Management has considered GoodStart's financial forecasts and business model and based on that information, believes it to be a viable operator of ACF's 11 childcare properties.



## **2. Refinancing of Debt**

Management has been actively involved in discussions with CBA regarding its debt facility with expires on 28 June 2010. CBA has expressed its support and intention of continuing to be ACF's long-term banking partner. Management believes it is well placed to negotiate an extension of its debt facility prior to 28 June 2010, now that it has secured a new operator to all centres and has sold all non-income producing property.

## **3. Distributions**

Distributions have been suspended whilst the ABC Receiver completes the sale of the ABC1 business and ACF's 11 ABC1 properties are assigned to a new operator. With the assignment to GoodStart expected to complete at the end of May, Management will be seeking to resume distributions on a quarterly basis in the second half of 2010. In addition, ACF will be announcing a distribution to unitholders for the year ended 30 June 2010 in the next month.

## **4. Outlook**

Management's priority is to work towards the completion of the assignment of ACF's leases to GoodStart and the renegotiation of its debt facility. Management has strived to achieve the best possible outcome in difficult circumstances, whilst aiming to protect unitholder's interests.

Management is of the opinion that based on the information available to it; GoodStart appears to represent a viable tenant with acceptable financial, compliance and reporting regimes that should enable it to meet its tenancy obligations.

The Directors recognise the support and patience of Unitholders during this uncertain period which has extended well beyond expectations.

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