

24 August 2011

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 Limited (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 annual financial accounts to 30 June 2011 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 2011, the gearing ratio of the Fund was 39.0%¹. As at 30 June 2011, the Fund did not have any off balance sheet financing.

Disclosure Principle 2 - Interest Cover

The Fund's interest cover is 2.01 times² for the year to 30 June 2011.

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 2.01 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, 55% of the Fund's interest rate exposure 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.

Disclosure Principle 3 - Fund Borrowing

Borrowing maturity profile

The Fund has a 3 year Debt Facility of \$10.7 million with the Commonwealth Bank of Australia (CBA). The amount drawn as at 30 June 2011 is \$10.0 million. Interest is paid on a quarterly basis throughout the term of the facility which expires on 31 July 2013.

The Fund has entered into an interest rate swap with the CBA for \$5.5 million, effective until 31 July 2013 which will help protect the Fund against adverse interest rate movements. The Fund has no off-balance sheet financial instruments.

¹ Calculated by dividing the Fund's total borrowings by the total value of the investment properties, based on the annual financial accounts to 30 June 2011.

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.

Loan covenants

The Fund is in compliance with its Loan Covenants under its facility with the CBA.

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 2011.

	No. of Properties	Value as at 30 June 2011 \$000's	% of Gross Assets	Occupancy %
Investment Properties				
Total Childcare Properties	24	25,635	97%	100
Cash & Receivables		761	3%	
Total Gross Assets		26,396	100%	

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

State	No. of Properties	Value as at 30 June 2011 \$000's	% of Property Value
Qld	22	23,135	90%
SA	2	2,500	10%
Total	24	25,635	100%

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	1,103
Other Tenants	13	14,235	1,380
Total Properties	24	25,635	2,483

At the date of this report, the fund has no non-income producing properties with all properties being operational and paying rent.

The not-for-profit group GoodStart Childcare Limited ("GoodStart") is the tenant of 11 of the Fund's properties as the purchaser of the former ABC Learning Centres Limited (ABC) business assets. GoodStart is a consortium of the major not-for-profit groups Mission Australia, the Benevolent Society, Social Ventures Australia and the Brotherhood of St Laurence.

Unitholders should note that in assigning tenancies to GoodStart in 2010, GoodStart has the ability to terminate two leases from ACF within a two year period with compensation to be received by the Fund up to a maximum of two year's rental income. We are currently in negotiations with GoodStart regarding the best outcome for the Fund.

Other

These comprise five properties which are leased to Leading Child Care Pty Ltd, two properties to Early Learning Services Limited, two properties to G8 Education Limited, two properties to Bright Horizons Childcare Australia Pty Ltd and two other centres with single tenancies. These tenants continue to comply with their lease obligations.

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.

Distributions paid for the financial year to 30 June 2011 totalled 6.0 cents per unit. It is estimated the Fund will pay 6.4 cents per unit for the year ended 30 June 2012.

ACF will issue an announcement in September regarding the distribution for the quarter ending 30 September 2011 and also post information on its website at: www.acfund.com.au.

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 2011 annual financial 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, distributions recommenced on a quarterly basis in September 2010.

The estimated annual distribution for the year ending 30 June 2012, based on existing and forecast conditions, is estimated to be 6.4 cents per unit.

The Fund's distribution policy is to distribute all of the Fund's earnings.

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 llossi@austock.com.