

31 March 2009

RG 46 DISCLOSURE NOTICE

The Australian Securities & Investments Commission (ASIC) now 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 Ltd (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.

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 31 December 2008, the gearing ratio of the Fund is 44.4%¹.

As at 31 December 2008, the Fund did not have any off balance sheet financing.

Disclosure Principle 2 - Interest Cover

As at 31 December 2008, the Fund's interest cover is 2.08 times² for the half year ending 31 December 2008.

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 2.08 times. Having a high interest cover provides a buffer if interest rates or other expenses of the Fund increase. The Fund's interest expense is currently static.

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.

¹ Calculated by dividing the Fund's total interest bearing liabilities by the total value of the assets, based on the audited financial statements dated 31 December 2008.

² The interest cover for a fund is calculated by determining its earnings before interest, tax, depreciation and amortisation (EBITDA), subtracting unrealised gains (if any) and adding unrealised losses (if any). This figure is then divided by the current interest expense (also known as the finance cost) of the fund. 1

Disclosure Principle 3 - Fund Borrowing

Borrowing maturity profile

The Fund has an interest only Term Debt Facility of \$14.2 million with the Commonwealth Bank. The amount currently drawn down is \$13.7 million³ and the undrawn amount is \$0.5 million. Interest is paid on a quarterly basis throughout the term of the facility which expires on 30 June 2010.

There are risks associated with the borrowing maturity profile of the Fund. As the Fund's borrowings mature on 30 June 2010, there is a risk refinancing will be on less favourable terms or not available at all. If the Fund cannot refinance, then it may need to sell assets on a forced sale basis with the risk that it may realise a capital loss on those assets sold. APLM uses interest rate swaps to fully hedge the Fund's exposure to interest rates. The Fund has no off-balance sheet financial instruments.

Loan covenants

The Fund is not in breach of any covenants under its Term Debt Facility with the Commonwealth Bank ("Bank"). However, as investors are aware, the key tenant of the Fund's properties, ABC Learning Centres Limited (ABC) has been placed in receivership. The Fund is in ongoing dialogue with the Bank regarding ABC being in receivership and the impact this may have on the Fund's debt facility in the future.

A breach of a Loan Covenant or an Event of Default may result in a lender being able to impose a penalty or require immediate repayment of the loan, in which case the Fund may be forced to arrange alternative financing or sell assets within a short timeframe.

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 funds investments as at 31 December 2008.

	No. of Properties	Value as at 31 Dec 2008 \$000's	% of Gross Assets*	Lease Expiry Years	Occupancy %
Investment Properties					
Total Childcare Centres	31	33,200	99.0	11.41 ⁴	81 ⁵
Less Impairment		(2,880)			
Other Assets		416	1.0	NA	NA
Total Gross Assets		30,736	100.0	NA	NA

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

State	No. of Properties	Value as at 31 Dec 2008 \$000's*	% of Property Value*
Qld	28	30,170	91
SA	3	3,030	9
Total	31	33,200	100%

As investors are aware, the property portfolio of the Fund has never been diversified. From the outset, the Fund has focused on childcare properties predominantly leased to one tenant, which is now ABC Learning Centres Limited (ABC). The risks inherent in an undiversified portfolio were thought to be mitigated by the fact that the tenant was a profitable, publicly listed company with most of its income funded by Federal Government subsidies. However, the collapse of ABC in November 2008 has highlighted the underlying risk.

³ Based on the audited financial statements dated 31 December 2008.

⁴ Excludes closed centres.

* Excludes impairment.

⁵ Includes closed centres.

The Fund's 31 childcare centres were leased to ABC. ABC was placed into receivership on 6 November 2008. Since that time, the centres have been split into various categories as follows:

	No of Child Care Centres	Last Independent Valuation \$000's	Current Rent (pa) \$000's
Operating Properties			
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 control of McGrath Nicol)	2	2,360	192
Closed Centres	6	5,180	441
Total Properties	31	33,200	2,779

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. It is understood 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: ABC 2 centres are under the control of PPB (the Court Approved Receiver). These centres are being funded by the Federal Government until 15 May 2009. PPB is 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. APML is working closely with PPB to ensure that the new tenant (or 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"): The two ABC/NELC centre are leased to ABC and managed by NELC. On 19 February 2009, McGrath Nicol requested an assignment of this lease 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. On 19 February 2009, the Fund appointed Jones Lang LaSalle ("JLL") to manage an Expressions of Interest ("EOI") process to invite interest from prospective buyers or tenants. EOIs closed on 25 March 2009 and AFML is currently assessing the offers received. The book value of these properties is approximately \$5.2 million. No rent is being received on the closed 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.

In all sales processes, the Fund's consent is required for assignment of leases.

Up to date information on the portfolio is maintained on the Fund's website at www.acfund.com.au.

The investment strategy

The Fund is a fixed term unlisted property trust that solely invests in childcare centre 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.

The Fund is in a restructuring period to reflect the changes incurred as a direct result of the ABC's failure and subsequent receivership.

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.

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 31 December 2008 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. AFML, as responsible entity for the Fund, is entitled to receive fees in connection with the operation of the Fund. Directors of AFML are entitled to receive remuneration in their capacity as directors and senior management of AFML and these amounts are paid from an entity related to AFML. No director is remunerated directly from the Fund.

Austock Corporate Finance Pty Ltd (ACF), a related party of APML, has been appointed to assist the Fund with current negotiations with the Receivers of ABC1 and ABC2 childcare centres and source potential new tenants for the Fund's childcare centres.

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

As investors are aware, distributions for the Fund are currently suspended until June 2009. An announcement regarding the June quarter distribution will be made in June when there is expected to be greater clarity around the future of ABC and the Fund's childcare centres.

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. I strongly encourage unitholders and advisors who have not provided their email address details to do so by sending your details to llossi@austock.com.

ACF's half year accounts to 31 December 2008 are available at www.acfund.com.au.