



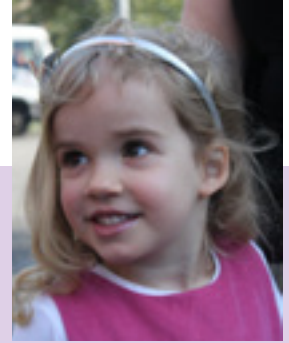
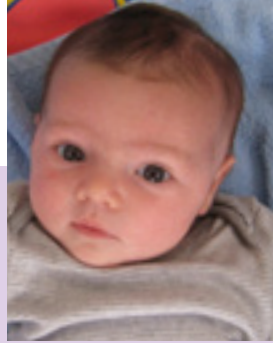
Austock Childcare Fund

ABN 46 186 578 434 ARSN 104 229 861

Annual Financial Report 30 June 2010



Responsible Entity:
Austock Property Management Ltd
ABN 46 111 338 937
AFSL 281544



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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010



The Directors of Austock Property Management Limited ("the Responsible Entity"), the Responsible Entity of Austock Childcare Fund ("the Fund") present their report on the Fund for the year ended 30 June 2010.

THE RESPONSIBLE ENTITY

The registered office and principal place of business of the Responsible Entity and the Fund is Level 1, 350 Collins Street, Melbourne Victoria 3000.

Directors of the Responsible Entity

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

Name	Period of Directorship
Mr Victor David Cottren	Appointed 22 December 2004
Mr Michael Francis Johnstone	Appointed 22 December 2004
Mr Nicholas James Anagnostou	Appointed 4 August 2008
Mr Tim David Boyle	Appointed 24 March 2010. Resigned 9 July 2010

Company Secretary's Qualifications and Experience

The Fund has Joint Company Secretaries with details as follows:

- Amanda Gawne, BCom, LLB (Melbourne University), Grad Dip CSP, ACIS - Appointed 2 March 2007. Amanda has over 12 year's company secretarial experience in large private and publicly listed organisations.
- Adrian Hill, BSc, LLB (Monash University) - Appointed 15 May 2009. Adrian joined Austock Group in 1998 as General Counsel. Austock Group is the parent of Austock Property Management Ltd the Responsible Entity of the Austock Childcare Fund. During his time at Austock, Adrian has served on boards and compliance committees for funds management businesses.

Remuneration of the Responsible Entity

During the financial year the Responsible Entity received fees totalling \$382,000 (2009: \$332,000) from the Fund. Fees paid by the Fund to the Responsible Entity and its associates during the year are set out in Note 15.

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 geographical area, Australia. There has been no change in the nature of the principal activities of the Fund for the year ended 30 June 2010.

The Fund's properties as at 30 June 2010 are tenanted as follows:

	No of Properties	Carrying Value \$000's	Current Rent (pa) \$000's
Operating Properties			
GoodStart	11	11,400	1,071
Other	13	14,235	1,342
Total Properties	24	25,635	2,413

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

GOODSTART

GoodStart – New Tenant of 11 former ABC1 Childcare Properties

Effective 31 May 2010, the not-for-profit group, GoodStart Childcare Limited ("GoodStart") is the new tenant of 11 of the Fund's properties as the purchaser of some 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. 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.

The transition to GoodStart has been successful with no disruption or reduction to the Fund's rental income and with 11 of the Fund's leases now in favour of GoodStart.

The Fund achieved the following outcomes upon the assignment of leases to GoodStart:

- Provision of a pooled bank guarantee of ~\$670k;
- Payment of pre-receivership outgoings unpaid by the former tenant, ABC Learning Centres Ltd; and
- Recovery of the majority of the costs directly relating to the assignment to GoodStart.

The Fund looks forward to a new relationship with GoodStart's management who are expected to provide significantly stronger executive and operational expertise together with enhanced corporate governance standards.

Other

These comprise 5 centres which are leased to Leading Childcare, 2 centres to Early Learning Centres Limited, 2 centres to Neighbourhood Early Learning Centres ("NELC") and 4 other centres with single tenancies.

Assignment of the 2 ABC centres operated by NELC is being negotiated with an alternate operator and agreement on these properties is expected shortly.

REVIEW AND RESULTS OF OPERATIONS

The key financial results of the Fund for the year ended 30 June 2010 are as follows:

Full year ending 30 June (\$m)	2010	2009
Revenue		
Property Income	2.2	2.7
Property Outgoings Recoverable	0.4	-
	2.6	2.7
Expenses		
Finance Costs	0.8	1.0
Responsible Entity's Remuneration	0.4	0.3
Direct Property Expenses	0.5	0.2
Other Expenses	0.2	0.2
Impairment of Receivables	-	0.1
	1.9	1.8
Net operating profit attributable to Unitholders excluding non-cash or non-recurring items	0.7	0.9
Net property revaluation increment /(decrement)	1.0	(4.1)
Gain / (Loss) on sale of investment properties	0.1	(1.0)
Change in fair value of interest rate swaps	0.3	(1.1)
Other	0.1	-
Net profit / (loss) attributable to Unitholders	2.2	(5.3)

DISTRIBUTIONS

Distributions paid for the financial year to 30 June 2010 total 4.0 cents per unit (2009: 5.7 cents per unit) as detailed below. Future distributions are to commence on a quarterly basis commencing September 2010.

	Quarter ending	Paid/ payable	\$'000	Cents per unit
Fourth quarter	30 June 2010	12 July & 3 September 2010	544	4.0
Total			544	4.0

FUNDING

As at 30 June 2010 the Fund had total assets of \$27.0 million, debt of \$10.3 million and net assets of \$15.8 million. During the year bank debt decreased from \$11.4 million to \$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 has successfully negotiated a new debt facility for the Fund 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).

Management is entering into new hedging arrangements shortly to protect the Fund against adverse interest rate movements.

As at the 30 June 2010 the Fund complied with all of its debt covenant ratios and obligations.

STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year under review.

UNITS ON ISSUE

The number of units on issue in the Fund as at the end of the financial year consists of 13,600,000 fully paid ordinary units (2009: 13,600,000 units).

The Fund had total assets valued at \$27.0 million as at 30 June 2010 (2009: \$27.0 million). The basis for valuation of the Fund's assets is disclosed in Note 1 to the financial statements.

The Fund neither acquired nor cancelled any units on issue during the period, including up to the date of this report.

No options have been granted over any unissued units in the Fund.

ENVIRONMENTAL REGULATION

The Fund's properties are not subject to any significant environmental regulations under Commonwealth, State or Territory legislation. However, the Directors believe that the Fund has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Fund.

EVENTS SUBSEQUENT TO BALANCE DATE

The Fund successfully negotiated a new 3 year debt facility with CBA. Refer to the Funding section of this Report for further details.

There have been no other significant events since 30 June 2010 that have or may significantly affect the results and operations of the Fund.

INTERESTS OF THE RESPONSIBLE ENTITY

Interests of both the Responsible Entity and its Directors in the Fund are disclosed in Note 15 to the financial statements.

LIKELY DEVELOPMENTS

The Directors would like to recognise Unitholders for their patience and support during the past 12 months whilst Management has been dealing with the Fund's major tenant in Receivership. Management has undertaken positive steps to ensure Unitholder's interests are adequately protected. The successful assignment of the 11 leases to GoodStart, a new long-term debt facility, payment of pre-ABC Receivership outgoings and the recovery of the majority of costs relating to the assignment of GoodStart; will result in a more favourable and stable future for Unitholders.

Future distributions will commence on a quarterly basis in September 2010.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The Directors of the Responsible Entity at the time of this report are:

Name and qualifications	Age	Experience and special responsibilities
Mr Victor David Cottren Independent Director and Chairman Bachelor of Commerce (Melbourne) Fellow of Australian Insurance Institute Fellow of the Australian Society of Certified Practising Accountants Fellow of the Australian Institute of Company Directors	68	Vic was appointed on 22 December 2004. Vic has an extensive background in financial planning, life insurance & superannuation and investment management gained with such companies as AMP, Williams Tolhurst, Australian Eagle, Norwich Union, Investors Life Group and National Australia Bank. Vic filled various senior management posts, including chief executive and directorship positions within these companies and their subsidiaries prior to commencing his consulting business in 1995. He is a director of Austock Group Ltd and several of its subsidiaries. Vic was also appointed as a Professorial Fellow at RMIT University in 1993 with responsibility for researching and establishing Australia's first undergraduate degree in financial planning.
Mr Michael Francis Johnstone Independent Director Bachelor of Town & Regional Planning Licensed Land Surveyor Advanced Management Program (Harvard)	68	Michael was appointed on 22 December 2004. Michael has over 35 year's global experience in real estate finance, investment and development. Michael is currently a non-executive director of Dennis Family Holdings and Dennis Family Homes, a non-executive director of APN Funds Management and a member of the Investment Committee of APN Development Fund, a non-executive director and Chairman of bWired Pty Ltd, a non-executive director and Chairman of State Equity Group. Michael is also a member of the Audit and Compliance Committee of the Fund.
Mr Nicholas James Anagnostou Executive Director Bachelor of Business in Property Associate of the Australian Property Institute Certified Practising Valuer Licensed Estate Agent (Vic)	41	Nick was appointed on 4 August 2008. Nick joined Austock Property Management Ltd in 2005 as the Fund Manager for the Australian Education Trust. He has 20 years experience in the property industry in the areas of property investment, development and acquisitions, with groundings in valuation, transactions and real estate consultancy. Nick was previously a Director of Jones Lang LaSalle and has extensive experience in commercial and investment grade real estate.

The Fund's Constitution does not require Directors to retire and seek re-election.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Responsible Entity during the year were:

	Board Meetings	
	A	B
Mr MF Johnstone	15	15
Mr VD Cottren*	15	14
Mr NJ Anagnostou	15	15
Mr TD Boyle	5	5

*Mr VD Cottren was granted leave of absence for the meeting in which he did not attend

A - Number of meetings held during the time the Director held office during the year.

B - Number of meetings attended.

AUDIT AND COMPLIANCE COMMITTEE MEETINGS

The members of the Audit and Compliance Committee are:

- Mr WK Bastian (Independent Chairman)
- Mr D Penman (Independent member)
- Mr MF Johnstone (Member)

Mr Bastian and Mr Penman are not Directors of the Responsible Entity.

Details of meetings held during the year and member's attendance are as follows:

	Audit and Compliance Committee Meetings	
	A	B
Mr WK Bastian	5	5
Mr MF Johnstone	5	5
Mr D Penman	5	4

A - Number of meetings held during the year the member was eligible to attend.

B - Number of meetings attended.

REMUNERATION REPORT

This report details the nature and amount for each Director of the Responsible Entity and for the executives receiving the highest remuneration.

Remuneration of Directors of the Responsible Entity

The Responsible Entity does not have a Remuneration Committee as the Fund's Constitution prescribes the Fund's remuneration arrangement with the Responsible Entity. In relation to remuneration of the Directors of the Responsible Entity this is a matter for the Board and the ultimate parent entity of the Responsibility Entity.

It is the objective of the Fund that the Board comprises Directors with an appropriate mix of skills, experience and personal attributes that allow the Directors individually and the Board collectively to supervise

the operations of the Fund with excellence. All fees and expenses of the Responsible Entity are approved by the Board and remuneration of the Responsible Entity is dealt with comprehensively in the Fund's Constitution.

Remuneration of the Directors is paid either directly by the Responsible Entity or by entities associated with the shareholders of the Responsible Entity. The Directors are not provided with any remuneration by the Fund itself. Directors are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the Responsible Entity.

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives.

Loans to Directors of the Responsible Entity

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the Directors of their personally-related entities at any time during the reporting period.

Details of unitholdings in the Fund

No Directors of the Responsible Entity held any interests in units of the Fund during the year.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

Indemnification

Under the Fund Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any Auditor of the Fund.

Insurance Premiums

During the financial year the Responsible Entity has paid premiums totalling \$11,253 in respect of its officers for liability and legal expenses insurance contracts for the year ended 30 June 2010. The Responsible Entity has paid or agreed to pay in respect of the Fund, premiums in respect of such insurance contracts for the year ending 30 June 2010.

Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

PROCEEDINGS ON BEHALF OF RESPONSIBLE ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity or intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings.

The Responsible Entity was not a party to any such proceedings during the year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

NON-AUDIT SERVICES

Details of non-audit services provided to the Fund by the independent Auditor during the year ended 30 June 2010 are contained in Note 20 to the financial statements.

ROUNDING

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

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity:



Victor David Cottren
Chairman

Austock Property Management Limited
Melbourne, 6 September 2010

PricewaterhouseCoopers
ABN 52 780 433 757

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Auditor's Independence Declaration

As lead auditor for the audit of Austock Childcare Fund for the year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Charles Christie
Partner
PricewaterhouseCoopers

6 Melbourne
September 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
Revenue			
Lease income		2,174	2,691
Property outgoing recoveries		381	48
Interest income		22	18
Revaluation increment of investment properties		1,037	-
Changes in fair value of derivative financial instruments		300	-
Other income		6	15
Profit on sale of investment properties		94	-
Total revenue		4,014	2,772
Expenses			
Property outgoing		490	241
Finance costs	2(b)	758	951
Legal fees		63	56
Other expenses	2(a)	150	165
Responsible entity's management fees		382	332
Changes in fair value of derivative financial instruments		-	1,128
Loss on sale of investment properties		-	959
Provision for impairment of receivables		-	89
Net property revaluation decrement		-	4,102
Total expenses		1,843	8,023
Profit / (Loss) before distribution to Unitholders		2,171	(5,251)
Distributions to unitholders	3	1,047	272
Net profit / (loss) attributable to Unitholders		1,124	(5,523)
Other comprehensive income		-	-
Total comprehensive profit/(loss)		1,124	(5,523)
Earnings per unit			
		Cents	Cents
Basic earnings per unit	4	15.96	(38.61)
Diluted earnings per unit	4	15.96	(38.61)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

BALANCE SHEET

AS AT 30 JUNE 2010



	Note	2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	5	1,329	940
Trade and other receivables	6	27	227
Other current assets	7	164	1,958
Total current assets		1,520	3,125
Non-current assets			
Investment properties	8	24,882	23,146
Other non-current assets	9	589	752
Total non-current assets		25,471	23,898
Total assets		26,991	27,023
Current liabilities			
Trade and other payables	10	342	673
Derivative financial instruments	11	-	300
Distribution payable	12	544	-
Borrowings	13	10,300	11,369
Total current liabilities		11,186	12,342
Total liabilities		11,186	12,342
Net assets		15,805	14,681
Equity			
Contributed equity	14	12,270	12,270
Undistributed profit		3,535	2,411
Total equity		15,805	14,681

The above balance sheet should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING 30 JUNE 2010

	Units on Issue \$'000	Undistributed Profit \$'000	Total \$'000
Entity			
Balance at 1 July 2008	12,270	7,934	20,204
Loss attributable to Unitholders	-	(5,251)	(5,251)
Distribution paid or provided for	-	(272)	(272)
Balance at 30 June 2009	12,270	2,411	14,681
Balance at 1 July 2009	12,270	2,411	14,681
Profit attributable to Unitholders	-	2,171	2,171
Distribution paid or provided for	-	(1,047)	(1,047)
Balance at 30 June 2010	12,270	3,535	15,805

The above statement of changes in equity should be read in conjunction with the accompanying notes

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010



	Note	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of GST)		3,251	3,053
Cash payments in the course of operations (inclusive of GST)		(1,704)	(766)
Interest received		22	18
Net cash provided by operating activities	5(b)	1,569	2,305
Cash flows from investing activities			
Proceeds from sale of investment properties		1,150	2,339
Net cash provided by investing activities		1,150	2,339
Cash flows from financing activities			
Finance costs		(730)	(922)
Repayment of borrowings		(1,097)	(2,290)
Distributions paid to Unitholders		(503)	(624)
Net cash used in financing activities		(2,330)	(3,836)
Net increase in cash held		389	808
Cash at the beginning of the financial year		940	132
Cash at the end of the financial year	5(a)	1,329	940

The above cash flow statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. Statement of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the entity Austock Childcare Fund ("the Fund").

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the *Corporations Act 2001* and the requirements of the Fund Constitution.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Financial statement presentation

The Fund has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Fund had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(r).

(b) Comparative information

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

(c) Revenue and expenditure recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the entity's activities as described below. The entity bases its estimates on historical results, taking of transaction and the specifics of each arrangement.

Expenses including rates, taxes and other outgoings are brought to account on an accruals basis and any related payables are carried at cost.

Revenue is recognised for the major business activities as follows:

Lease income:

Rent income due but not received at balance date is reflected in the Balance Sheet as a receivable.

Lease incentives:

Lease incentives such as rent-free periods are capitalised in the Balance Sheet and amortised over the term of the lease.

Fixed Rent Reviews:

For leases with rent reviews based on a fixed rate, lease income arising on investment properties is recognised on a straight line basis over the lease term. Adjustments to lease income are also reflected in the Balance Sheet as a Straight Line Rental asset.

Interest income:

Interest is brought to account on a time proportion basis using the effective interest when earned and if not received at balance date, is reflected in the Balance Sheet as a receivable.

Responsible Entity fees:

Fees payable to the responsible entity are recognised in the income statement on an accruals basis. Fees relating to specific events or transactions are charged upon completion or occurrence of the relevant service or event. Under the Fund's Constitution, the Responsible Entity is entitled to a management fee of 1% of the value of assets of the Fund.

(d) Taxation

Under current legislation, the Fund is not liable for income tax, provided that the taxable income and taxable realised gains are fully distributed to Unitholders each year. Tax allowances for building and plant and equipment depreciation are distributed to Unitholders in the form of a tax deferred component of the distribution.

(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(f) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Property interests held under operating lease are deemed investment property.

Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the financial statements.

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed/redeveloped internally include the costs of materials and direct labour. Directly attributable overheads and other incidental costs including interest costs incurred during construction are also capitalised to the asset.

Valuations:

After initial recognition, investment properties 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. The Fund's Constitution requires the Responsible Entity to have the Fund's property investments independently valued at regular intervals. An independent valuation of a property is carried out at least once every three years. These valuations are considered by the Directors

of the Responsible Entity when determining fair value. When assessing fair value, the Directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and
- (iv) it only takes into account instructions given by the Responsible Entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Responsible Entity.

All investment properties are considered one class of asset. Under AASB 140: Investment Property, adjustments to fair value are to be recognised in the statement of comprehensive income.

(g) Financial Assets

Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

The Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading
- Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.
- Financial instruments designated at fair value through profit and loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and commercial paper.

These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss. Financial assets carried at fair value through the profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

Financial assets and liabilities held at fair value through profit and loss

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in profit or loss to reflect a change in factors, including time that market participants would consider in setting a price.

Loans & receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Trade and other receivables

Trade receivables are recognised at fair value, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. Statement of significant accounting policies (continued)

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(i) Trade and other payables

These amounts represent liabilities for goods or services provided to the Fund prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to Unitholders as at the end of each reporting period is recognised separately in the balance sheet when Unitholders are presently entitled to the distributable income under the Fund Constitution.

(j) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(k) Bank loans

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing debt is stated at amortised cost with any difference between proceeds and redemption value being recognised in the statement of comprehensive income over the period of the debt on an effective interest basis.

(l) Derivatives

Derivative instruments are measured at fair value. The Fund's derivatives do not qualify for hedge accounting and therefore changes in the fair value of any derivative instrument are recognised immediately in the statement of comprehensive income.

(m) Distribution payable

Distribution payable is recognised as a liability when it has been declared and is due and payable at reporting date.

(n) Impairment of assets

At each reporting date, the Fund reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets' fair value less costs to sell and value in use, is compared to the assets' carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(o) Contributed equity

The Fund applied the following pronouncements to the annual reporting period beginning 1 July 2009:

AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation.

This standard is applicable for reporting periods beginning on or after 1 January 2009. The Fund has adopted the amendments on 1 July 2009.

Previously, the Fund classified Unitholders' funds, being their initial contribution plus accumulated reserves, as a financial liability called "net assets attributable to Unitholders". Following the application of the amended standard, all Unitholders' funds will be shown in equity and any distributions to Unitholders will be reflected as distributions from equity rather than as a finance cost. All Unitholders' funds have been classified as equity as the responsible entity considers all the criteria under the new accounting standard have been met. The amendment has been applied retrospectively.

Balance Sheet as at	30 June 2009	Adjustments	30 June 2009 (Restated)
\$'000			
Financial Liabilities			
Net assets attributable to Unitholders	14,681	(14,681)	-
Equity			
Contributed equity	-	12,270	12,270
Undistributed profit	-	2,411	2,411
	-	14,681	14,681

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables to the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) Rounding of amounts

The Fund is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(r) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based upon current trends and economic data, obtained both externally and within the Fund.

Key estimates – Valuation of Investment Properties

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 2009, the Fund recognised a revaluation decrement of \$1.9 million in respect of the properties that were not independently valued at that time, based on an extrapolation of the valuations that were completed. As at 30 June 2010, 24 properties were valued, resulting in a \$0.9 million revaluation decrement or 3.4% to the value of the investment property portfolio.

A favourable variance of \$1.0 million is thereby recognised in the statement of comprehensive income for the year ending 30 June 2010 as a net property revaluation increment and as an increase in the carrying cost of the Investment Properties in the Balance Sheet as at 30 June 2010, being the difference between the 30 June 2009 extrapolation and the actual independent valuations of those properties at 30 June 2010.

The 30 June 2010 independent valuations reflect a softening in property yields. Yields adopted by the valuers ranged between 8.25% and 10.0%.

(s) Earnings per unit

i. Basic earnings per unit (EPU)

Basic earnings per unit is calculated by dividing:

- the profit attributable to the Unitholders, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary units outstanding during the financial year.

ii. Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units; and
- the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

(t) Going concern

The financial statements have been prepared on a going concern basis. The Fund's current liabilities exceeded its current assets by \$9.7 million. The Directors of the Responsible Entity believe that the Fund will be able to continue as a going concern on the basis that the Fund has completed new long term funding arrangements with CBA subsequent to 30 June 2010, which will result in the Fund's borrowings no longer being classified as current liabilities.

(u) New Accounting Standards for Application in Future Periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

i. AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]*

In May 2009 the AASB issued a number of improvements to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 8 Operating Segments, AASB 101 Presentation of Financial Statements, AASB 101 Statement of Cash Flows, AASB 117 Leases, AASB 118 Revenue, AASB 136 Impairment of Assets and AASB 139 Financial Instruments, Recognition and Measurement. The Fund will apply the revised Standards from 1 July 2010. The Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

ii. Revised AASB 124 *Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Fund will apply the amended standard from 1 July 2011. When the amendments are applied, the Fund would need to disclose any transactions between its subsidiaries and its associates. However, as the Fund does not have any subsidiaries and associates, the amendment will not have any effect on the Fund's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$'000	2009 \$'000
2. Income statement items		
(a) Other expenses		
Custodian fees	14	14
Valuation fees	43	45
Professional fees	50	50
Other expenses	12	13
(b) Finance costs		
External parties	758	951

3. Distribution

Net profit / (loss) attributable to Unitholders	2,171	(5,251)
Adjusted for:		
Change in fair value of derivative financial instruments	(300)	1,128
Net property revaluation (increment)/decrement	(1,037)	4,102
(Profit)/ Loss on sale of investment properties	(94)	959
Net profit distributable to Unitholders	740	938
Distribution paid or payable	1,047	272
Distribution per unit interim and final (cents)	4.0	2.0

Distributions for the year ended 30 June 2010 include an amount of \$0.5 million relating to the year ended 30 June 2009.

	2010 cents	2009 cents
4. Earnings per unit ("EPU")		
Basic EPU	15.96	(38.61)
Diluted EPU	15.96	(38.61)
Distributable EPU	5.44	6.90
Distributable diluted EPU	5.44	6.90

The following information reflects the income and security numbers used in the calculations of basic, diluted and distributable EPU:

	Number of Units '000	Number of Units '000
Weighted average number of ordinary units used in calculating basic EPU	13,600	13,600
Bonus element of unit options which are dilutive	-	-
Adjusted weighted average number of ordinary units used in calculating diluted and distributable EPU	13,600	13,600

	2010 \$'000	2009 \$'000
Earnings used in calculating basic EPU	2,171	(5,251)
Earnings used in calculating diluted EPU	2,171	(5,251)
Earnings used in calculating basic EPU	2,171	(5,251)
Change in fair value of derivative financial instruments	(300)	1,128
Net property revaluation decrement / (increment)	(1,037)	4,102
(Profit) / Loss on sale of investment properties	(94)	959
Earnings used in calculating distributable EPU	740	938

There have been no conversions to, calls of, or subscriptions for ordinary units or issues of potential ordinary units since the reporting date and before the completion of this report.

	2010	2009
	\$'000	\$'000

5. Cash and cash equivalents

(a) Components of cash and cash equivalents

Cash	1,329	940
Total cash and cash equivalents	1,329	940

(b) Reconciliation of profit after tax expense to net cash flows provided by operating activities

Net profit / (loss) attributable to unitholders	2,171	(5,251)
Finance costs	758	951
Revaluation (increment) / decrement of investment properties	(1,037)	4,102
Changes in fair value of derivative financial instruments	(300)	1,128
Amortisation of straight line rental account	239	(6)
(Profit) / Loss on sale of investment properties	(131)	959
Decrease / (Increase) in receivables	200	(61)
(Decrease) / Increase in payables and accruals	(331)	483
Net cash flows provided by operating activities	1,569	2,305

(c) Financing facilities

Committed financing facilities available to the entity:		
Cash Advance Facility	10,300	11,369
Amounts utilised	10,300	11,369
Available financing facilities	-	-
Cash	1,329	940
Financing resources available at the end of the year	1,329	940

Maturity profile of financing facilities:

Due within one year	10,300	11,369
Due between one year and five years	-	-
Due after five years	-	-

Refer to Note 13 for details on the conditions of the financing facility.

6. Trade and other receivables

Trade receivables	11	257
Less: impairment of receivables	-	(89)
	11	168
Other receivables	16	59
	27	227

Trade receivables are recognised at fair value less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. Provision for impairment of trade receivables is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted of the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

6. Trade and other receivables (continued)

Trade receivables that are past due but not impaired:

As at 30 June 2010, there were no trade receivables that were past due but not impaired. The ageing analysis of receivables is as follows:

	31-60 days \$'000	61-90 days \$'000	90+ days \$'000
2010	-	-	-
2009	26	26	51

Allowance for impairment loss:

Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired

	2010 \$'000	2009 \$'000
Reconciliation of impairment of receivables:		
Opening balance	(89)	-
Amounts provided for during the year	-	(89)
Amounts written off during the year	89	-
Closing balance	-	(89)

Fair value and credit risk:

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Fund's policy to transfer (on-sell) receivables to special purpose entities.

7. Other current assets

	2010 \$'000	2009 \$'000
Investment properties expected to be sold within 12 months	-	1,719
Straight line rental account	164	239
	164	1,958

8. Investment properties

(a) Leasehold properties - at valuation or cost

Total investment properties	25,635	25,856
Less: straight line rental account (refer note 7 and 9)	(753)	(991)
Total investment properties	24,882	24,865
Less: investment properties to be sold within 12 months	-	(1,719)
Carrying amount at the end of the year	24,882	23,146

(b) Movement in investment properties

Balance at the beginning of the year - at valuation	23,146	32,237
Net revaluation increment / (decrement)	1,037	(4,102)
Disposal of investment properties	(1,020)	(3,270)
Investment properties to be sold within 12 months (refer note 7)	1,719	(1,719)
Carrying amount at the end of the year	24,882	23,146

- (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. Refer to Note 1(f) for further detail on valuations.
- (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 2009, the Fund recognised a revaluation decrement of \$1.9 million in respect of the properties that were not independently valued at that time, based on an extrapolation of the valuations that were completed. As at 30 June 2010, 24 properties were valued, resulting in a \$0.9 million revaluation decrement or 3.4% to the value of the investment property portfolio. A favourable variance of \$1.0 million is thereby recognised in the statement of comprehensive income for the year ending 30 June 2010 as a net property revaluation increment and as an increase in the carrying cost of the Investment Properties in the Balance Sheet as at 30 June 2010, being the difference between the 30 June 2009 extrapolation and the actual independent valuations of those properties at 30 June 2010.

The 30 June 2010 independent valuations reflect a softening in property yields. Yields adopted by the valuers ranged between 8.25% and 10.0%.

	2010 \$'000	2009 \$'000
9. Other non current assets		
Straight line rental account	589	752
	589	752

10. Trade and other payables

Trade creditors	68	76
Accrued expenses	97	192
Rent received in advance	123	134
GST payable	54	271
	342	673

Fair value and credit risk:

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Financial guarantees:

There are no financial guarantees in place.

Interest rate and liquidity risk:

Detail regarding interest rate and liquidity risk exposure is disclosed in Note 17.

11. Derivative financial instruments

Derivative financial instruments - interest rate swap	-	300
	-	300

The Fund uses interest rate swaps 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. The interest rate swap is due to expire on 1 July 2010.

12. Distribution payable

Distribution payable	544	-
	544	-

Details of distributions paid/payable during the financial year are as follows:

	Quarter ending	Paid	Cents
Fourth quarter - June 2009	30/6/2009	16/10/2009	3.7
Fourth quarter - June 2010	30/06/2010	9/7/2010 & 3/9/2010	4.0
Total			7.7

The June 2009 distribution was declared after 30 June 2009 and therefore not reflected in the June 2009 financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$'000	2009 \$'000
13. Borrowings		
Current:		
Borrowings - secured	10,300	11,369
	10,300	11,369

The effective interest rate on the facility as at 30 June 2010 was 6.63% (2009: 6.63%) per annum.

The Fund operated an interest only Cash Advance Facility issued from the Commonwealth Bank of Australia ("CBA"), which expired on 27 June 2010, with an extension granted to 5 August 2010. Subsequent to 30 June 2010, the Fund renewed its facility with the CBA 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 30 June 2010, the Fund uses a derivative financial instrument (interest rate swap) to hedge its risks associated with interest rate fluctuations. The derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured to fair value.

Interest rate and liquidity risk:

Refer to Note 17 for information on interest rate and liquidity risk.

Fair values:

The carrying amount of the Fund's Borrowings approximates their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

Assets pledged as security:

Collateral that has been pledged for secured liabilities is as follows:

(i) Financial assets pledged		
Cash and cash equivalents	1,329	940
Trade and other receivables	27	227
(ii) Other assets pledged		
Investment properties	25,635	25,856
Total assets pledged	26,991	27,023

The principal terms and conditions with respect to the assets pledged are:

- not change materially the business of the Fund;
- limits on capital expenditure; and
- not, without lender's consent borrow or raise further money.

Covenants:

The main requirements of the debt facility applicable at 30 June 2010 is that the Fund maintains maximum debt to property value ratio of 60% and minimum net earnings before interest and tax to an interest ratio of 2.0 times. The Fund was in compliance with the requirement of this facility.

	Units on issue No '000	Units on issue \$'000
14. Contributed Equity		
Balance at 1 July 2008	13,600	12,270
Units issued	-	-
Balance at 30 June 2009	13,600	12,270
Balance at 1 July 2009	13,600	12,270
Units issued	-	-
Balance at 30 June 2010	13,600	12,270

During the year ending 30 June 2010, there were no further units issued.

All units on issue rank equally for the purpose of distributions and on termination of the Fund. All units entitle the holders to one vote, either in person or by proxy, at a meeting of the Fund.

Capital management:

The Responsible Entity's objective when managing capital objective is to ensure the Fund continues as a going concern as well as to maintain optimal returns to Unitholders and benefits for other stakeholders. The Responsible Entity also aims to maintain a capital structure that ensures the lowest cost of capital available to the Fund.

The Fund is a fixed term entity with no provision for the issue of additional capital. A funding mix of 50% equity and 50% debt has been deemed as appropriate for the Fund.

The Responsible Entity has a policy of paying out distributions solely from net income earned by the Fund for the period.

The gearing ratios for the year ending 30 June 2010 and 30 June 2009 are as follows:

	2010	2009
	\$'000	\$'000
Total borrowings	10,300	11,369
Less: cash and cash equivalents	(1,329)	(940)
Net debt	8,971	10,429
Total equity	15,805	14,681
Total capital	24,776	25,110
Gearing ratio	36.2%	41.5%

15. Related party disclosures

Responsible Entity

The Responsible Entity of Austock Childcare Fund is Austock Property Management Limited which was appointed Responsible Entity on the 23 July 2007.

In accordance with the Fund constitution and other agreements the Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation with the Fund or in performing its obligations under the constitution.

The following table provides the total amount of transactions that have been entered into with the Responsible Entity for the relevant financial year:

Amounts paid or payable during the year

Responsible Entities management fees	382	332
Amounts included in accruals or payables at balance date	31	-

The names of each person holding the position of Director of the Responsible Entity during the financial year were Messrs VD Cottren, MF Johnstone, TD Boyle and NJ Anagnostou. No Director of the Responsible Entity received or became entitled to receive any benefit because of a contract made by the Fund with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

Payment to Related Entity

Austock Corporate Finance Ltd, a company which has the same ultimate holding company as the Responsible Entity, received corporate advisory fees from the Fund during the year totalling \$13,469. This fee was paid for services provided by Austock Corporate Finance Limited in relation to the assignment of the ABC1 leases to GoodStart.

Custodian

The Custodian of the Fund's assets is The Trust Company Limited. The Custodian is entitled to fees for its services.

Amounts paid or payable during the year

Custodian fees	14	14
Amounts included in accruals or payables at balance date	7	7

Terms and conditions of transactions with related parties

All transactions between related parties were made on normal commercial terms and conditions.

Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

Key management personnel of the Responsible Entity

The Directors of the Responsible Entity are considered to be Key Management Personnel (KMP)

Chairman - Non-executive

Vic Cottren Appointed 22 December 2004

Executive Directors

Tim Boyle Appointed 24 March 2010, resigned 9 July 2010

Nicholas Anagnostou Appointed 4 August 2008

Non-executive Directors

Michael Johnstone Appointed 22 December 2004

Other KMP Role

Travis Butcher Chief Financial Officer, appointed 30 October 2008

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

15. Related party disclosures (continued)

Remuneration:

No KMP were remunerated directly by the Fund. The KMP of the Responsible Entity receive remuneration in their capacity as Directors and senior management of the Responsible Entity and these amounts are paid from an entity related to the Responsible Entity.

Units held in the Fund by related parties:

No Director of the Responsible Entity held units in the Fund during the financial year.

	2010	2009
	\$'000	\$'000

16. 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:

Receivable:

Not later than 1 year	2,414	2,309
Between 1 years and 5 years	10,400	10,057
Greater than 5 years	8,823	11,658
	21,637	24,024

17. Financial risk management

(a) Financial risk management policies

The Fund's activities expose it to a variety of financial risks: market risk (including interest risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund. The Fund uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange, and aging analysis for credit risk.

The Fund's financial instruments consist of deposits with banks, accounts receivable and payable, derivatives and loans from banks.

The Responsible Entity manages the Fund's exposure to key financial risks in accordance with its Risk Management Plan. The objective of the plan is to support the delivery of the Fund's financial targets whilst protecting future financial security.

A Risk Management Plan, developed in accordance with the Australian Standard on Risk Management (AS/NZS 4360:1999) was adopted by the Board on 26 May 2005. The policy reflects the Board's commitment to identifying, monitoring and mitigating risks as well as capturing opportunities. Day to day responsibility for risk management has been delegated to executive management, with review occurring at both Committee level (by the Audit and Compliance Committee) and at Board level.

The Responsible Entity reviews and implements policies for managing each risk as summarised below.

(b) Risk exposures and responses

(i) Market risk

The Fund is exposed to interest rate, liquidity and credit risks. Details are provided in the following paragraphs. There are no known exposures to other risks that are material to the financial statements.

- *Interest rate risk:*

The exposure of interest rate risk for the Fund is primarily due to debt obligations.

The Fund has the following classes of financial assets and financial liabilities that are exposed to interest rate risk:

	2010	2009
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	1,329	940
	1,329	940
Financial liabilities		
Borrowings	10,300	11,369
	10,300	11,369
Net exposure	(8,971)	(10,429)

The weighted average interest rates relating to the above financial assets and financial liabilities were as follows:

	%	%
Financial assets		
Cash and cash equivalents	1.84%	0.83%
Financial liabilities		
Borrowings	6.63%	6.63%

Financial assets are not hedged and are exposed to variable interest rate risk. The Responsible Entity believes that this exposure is relatively low and does not pose a material risk to the Fund.

It is a policy of the Responsible Entity to hedge instruments to manage the Fund's exposure to interest rates on Borrowings. Borrowings relate to the Commonwealth Bank facility which expired on 27 June 2010 replaced by a new 3 year facility expiring 30 July 2013.

At 30 June 2010, the Fund held the following interest rate swap contract:

	Notional	Start date	End date	Fixed rate
	14,200,000	Jul-03	Jul-10	5.08%

The following sensitivity analysis is based on the interest rate risk exposures on Borrowings in existence at the reporting date.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Net profit / (loss) Increase/(decrease)		Equity Increase/(decrease)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Judgements of reasonably possible movements:				
Increase in variable interest rates of 1.00%	-	142	-	-
Decrease in variable interest rates of 1.00%	-	(142)	-	-

Judgements of reasonably possible movements:

Increase in variable interest rates of 1.00%

Decrease in variable interest rates of 1.00%

The movements in profit for the year ended 30 June 2009 is due to the movement in the fair value of derivative instruments. The derivative instrument expired on 1 July 2010, therefore movement in interest rates will have no impact on the fair value of derivative instruments.

(ii) Liquidity risk

Liquidity risk is managed by adhering to restrictions under the Fund's investment strategy from entering into contractual arrangements that produce an exposure not covered by sufficient liquid assets or a total investment exposure in excess of total Unitholders' funds. Further, the Responsible Entity ensures that sufficient cash and cash equivalents are maintained to meet the needs of the Fund through cash flow monitoring and forecasting.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2010. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing as at 30 June 2010.

The remaining contractual maturities of the Fund's financial liabilities are:

	2010 \$'000	2009 \$'000
6 months or less	10,914	983
6 to 12 months	-	11,369
1 to 5 years	-	-
Later than 5 years	-	-
	10,914	12,352

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

17. Financial risk management (continued)

The table below reflects a maturity analysis of financial assets and financial liabilities based on Management's expectations. Apparent shortfalls in cash are due to the maturity of debt facilities at various points in time. Prior to the maturity of these facilities, the Fund will either negotiate to extend the term of these facilities or arrange new facilities on terms appropriate at that time.

	6 months or less \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Later than 5 years \$'000	Total \$'000
2010					
Financial assets					
Cash and cash equivalents	1,329	-	-	-	1,329
Trade and other receivables	27	-	-	-	27
	1,356	-	-	-	1,356
Financial liabilities					
Trade and other payables	886	-	-	-	886
Borrowings	10,300	-	-	-	10,300
	11,186	-	-	-	11,186
Net exposure	(9,830)	-	-	-	(9,830)
2009					
Financial assets					
Cash and cash equivalents	940	-	-	-	940
Trade and other receivables	227	-	-	-	227
	1,167	-	-	-	1,167
Financial liabilities					
Trade and other payables	673	-	-	-	673
Derivative financial instruments	-	300	-	-	300
Borrowings	-	11,369	-	-	11,369
	673	11,669	-	-	12,342
Net exposure	494	(11,669)	-	-	(11,175)

(iii) Credit risk:

Credit risk arises from the financial assets of the Fund, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Fund's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable Note.

Receivables are generally received within 30 days.

The Fund does not hold any credit derivatives to offset its credit exposure.

The Fund trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Fund's policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Fund's exposure to bad debts is not significant.

(iv) Fair Value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the Fund has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2010 the Fund did not recognise financial assets or financial liabilities. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Net fair value of financial assets and liabilities:

Valuation approach

The net fair value of financial assets and liabilities are determined by the Fund on the following basis:

Recognised financial instruments:

Monetary financial assets and financial liabilities not readily traded in an organised financial market are valued at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank deposits, receivables, other debtors, accounts payable, bank loans, lease liabilities and distributions payable approximate net fair value.

Unrecognised financial instruments:

The valuation of off-balance sheet financial instruments reflects the estimated amounts which the Fund expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date.

Net fair values

Recognised financial instruments:

The Fund's financial assets and liabilities included in current and non-current assets and liabilities on the Balance Sheet are carried at amounts that approximate net fair value.

Unrecognised financial instruments:

The Fund has no off-balance sheet financial instruments.

18. Contingent liabilities

No contingent liabilities to the Fund exist of which the Responsible Entity is aware.

19. Subsequent events

This financial report was authorised on 31st August 2010 by the Board of Directors of the Responsible Entity.

A new 3 year debt facility has been entered into with CBA effective on 5 August 2010 to replace the existing facility which originally expired on 27 June 2010 and was subsequently extended until the new facility was finalised. Refer to Note 13 for more detail.

There have been no other significant events since 30 June 2010 that have or may significantly affect the results and operations of the Fund.

20. Auditor's Remuneration

	2010 \$'000	2009 \$'000
<i>Audit and other assurance service</i>		
Audit or review of financial report – PricewaterhouseCoopers, Australian firm	22,000	-
Audit or review of financial report – Moore Stephens	-	29,823
Audit of compliance plan – PricewaterhouseCoopers, Australian firm	4,000	-
Audit of compliance plan – Moore Stephens	-	3,250
<i>Taxation services</i>		
Taxation – PricewaterhouseCoopers, Australian firm	12,825	-
Taxation – Moore Stephens	-	10,450
Total audit remuneration	38,825	43,523

21. Fund details

The registered office and principal place of business of the Fund is Level 1, 350 Collins Street, Melbourne Victoria 3000 and the principal activity being a specialist childcare centre property owner. The domicile of the Fund is Australia.

DIRECTORS' DECLARATION

In the opinion of the Directors of Austock Property Management Limited, the responsible entity of Australian Childcare Fund ("the Fund"):

1. the financial statements and notes, set out on pages 8 to 25 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
2. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
3. the Fund has operated during the year ended 30 June 2010 in accordance with the provisions of the Fund Constitution dated 25 January 2003 (as amended).

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors of Austock Property Management Limited.

Dated at Melbourne this 6th day of September 2010



Victor David Cottren

Chairman

Austock Property Management Limited

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

Report on the financial report

We have audited the accompanying financial report of the Austock Childcare Fund (the Fund), which comprises the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Fund.

Directors' responsibility for the 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 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 controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

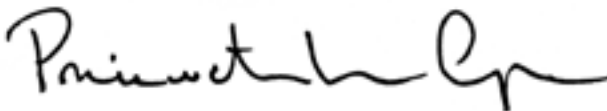
Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Austock Childcare Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.



PricewaterhouseCoopers



Charles Christie
Partner

6 Melbourne
September 2010

DIRECTORY

Responsible Entity and principal place of business of the Fund **Austock Property Management Limited**
Level 1
350 Collins Street
Melbourne VIC 3000

Directors of the Responsible Entity **Victor David Cottren (Chairman)**
Michael Francis Johnstone
Nicholas James Anagnostou

Solicitors **Macrossans Lawyers**
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Auditor **PricewaterhouseCoopers**
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2 Southbank Boulevard
Southbank VIC 3006

Taxation Advisors **PricewaterhouseCoopers**
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Bank **Commonwealth Bank of Australia**
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Sydney NSW 2000

Custodian **The Trust Company Limited**
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Sydney NSW 2000

Secretary of the Responsible Entity **Amanda Jane Gawne**
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Adrian Seamus Hill
Level 1
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Melbourne VIC 3000

Share Registry **Registries Limited**
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207 Kent Street
Sydney NSW 2000

