

## APX Announcement

7 April 2008

### ASIF transactions with the Api Fund

The Board of Austock Funds Management Limited (**AFML**), as responsible entity for the Australian Social Infrastructure Fund ARSN 094 614 874 (**ASIF**) (APX: PASIF) announces that ASIF has agreed to enter into arrangements which, subject to unitholder approval, will result in ASIF acquiring from the Api Fund ARSN 112 307 114 (**Api Fund**) (ASX:APR), its holdings in the Australian Education Trust (**AEU**) (ASX:AEU) and the ABN Amro Social Infrastructure Trust (**ABNASIT**) for ~\$20m. AFML is the responsible entity for the Api Fund.

ASIF has been looking for acquisition opportunities over the last twelve months that are consistent with its investment strategy, earnings accretive and which can be funded from debt utilising ASIF's conservative existing gearing. ASIF views this opportunity as satisfying these criteria.

#### Transaction Details

ASIF has agreed to a series of transactions that will enable it to acquire (subject to unitholder approval) the Api Funds holdings in AEU and ABNASIT.

These transactions (**Transaction**) involve ASIF and the Api Fund entering into the following:

- a Loan Facility Agreement (**Loan**) from ASIF to the Api Fund for approximately \$20.0m which the Api Fund will use to materially pay down the existing senior debt owed to the National Australia Bank Limited (**NAB**). ASIF will fund the Loan by extending its own debt facilities by \$20.0m increasing gearing to approximately 41%;
- a Deed of Charge by the Api Fund in favour of ASIF in support of the Loan, which includes a first ranking fixed charge over the AEU and ABNASIT securities that are subject to the Call Option and a second ranking floating charge over the balance of the Api Fund (**Charge**); and
- a Call Option Deed with an option (**Call Option**) granted by the Api Fund in favour of ASIF over:
  - 14,730,980 ordinary units in AEU; and
  - 5,000,000 stapled securities in ABNASIT.

The Api Fund will obtain all approvals required from its unitholders under the ASX Listing Rules and Corporations Act in connection with the exercise of the Call Option. In the event that the terms of the Call Option are not approved by the Api Fund unitholders, the Api Fund will remain liable to comply with, and repay, the Loan.

Likewise ASIF will also seek from its unitholders approval of the terms of the Call Option to enable it to exercise its rights under the Call Option Deed.

## Benefits to ASIF

The secured loan is a commercial arrangement reflecting a margin to ASIF's own cost of debt and with security over assets that are considered to be appropriate and attractive to ASIF in the event the Call Option is exercised over those assets.

Once the Call Option has been exercised, the AEU and ABNASIT securities offer ASIF the following benefits:

- an acquisition which would be earnings accretive to ASIF as the call option price currently reflects a weighted distribution yield of 13.2% based on total estimated distribution for AEU and ABNASIT of 14.7 and 9.8 cents per unit respectively for the year ending 30 June 2008. As announced previously, ASIF has historically funded part of its distribution through a return of capital funded from debt rather than earnings. AFML does not believe this is a sustainable position. The proposed acquisition would result in an improvement in ASIF's underlying earnings and as a result decrease the capital return component of ASIF's future distribution;
- the acquisition is consistent with ASIF's investment profile and mandate and allows ASIF to capitalise on its conservative gearing to improve its underlying earnings. The purchase is to be 100% debt funded and will result in ASIF's gearing increasing from 32% to 41%; and
- the Transaction would have the effect of significantly reducing the debt owed by the Api Fund to the NAB allowing the Api Fund to retain the balance of its investment portfolio and minimizing any impact on the value of ASIF's investment in the Api Fund.

Irrespective of the Call Option, the secured Loan provides ASIF with an attractive margin to its cost of debt secured against the AEU and ABNASIT units, as well as a second ranking security over the balance of the assets of the Api Fund.

## Pricing

### AEU Units

AEU is an ASX listed property trust which owned 421 child care centres as at 31 December 2007, 405 of which are leased to ABC Learning Centres throughout Australia and New Zealand.

The call option price for the 14,730,980 AEU units owned by Api will be \$1.02 which values the holding at \$15,025,600. This has been set by having regard to a number of factors, including the closing price of \$1.00 per unit for AEU units on Friday 28 March 2008 (being the last trading date before the price was agreed between the parties), the 10 day VWAP to 28 March 2008 at \$1.01 and the VWAP for the month of March at \$1.03. A value of \$1.02 also represents a discount of 22.7% to the net tangible assets of \$1.32 for AEU as at 31<sup>st</sup> December 2007.

### ABNASIT Securities

ABNASIT is an unlisted wholesale property trust which owns a portfolio of social infrastructure assets which are leased to government or quasi government bodies on a long term basis. Assets owned by ABNASIT include the Southbank Institute Brisbane, several NSW Schools and the Darwin Convention Centre.

The Call Option price for the 5,000,000 ABNASIT units owned by the Api Fund will be \$0.996, which values the holding at \$4,980,375. The value of \$0.996 per unit reflects ABNASIT's 31 December 2007 net tangible assets per unit and approximates the redemption value under the ABNASIT constitution.

## **Advisors**

Freehills have provided legal advice to ASIF, and Baker & McKenzie have provided separate legal advice to the Api Fund, on the terms and nature of the Transaction and the associated documentation from the perspectives of those separate funds.

Vin Harink  
Chief Executive Officer

For further information contact:

Lula Lioffi  
Investor Relations Manager  
61 3 8601 2668

---

## Background

Along with most funds in the property sector, the Api Fund has been affected by the recent decline and volatility in the equity, listed property and infrastructure markets. The ASX Property Index for example, has declined 27.1% since the 1<sup>st</sup> December 2007 to the 31<sup>st</sup> March. As the Api Fund primarily invests in ASX listed property and infrastructure securities, this decline has had a material negative impact on the market value of Api's investment portfolio. By comparison the market value of the Api Fund's portfolio of investments declined by 24.9% over the same period.

The decline in the Api Fund's investment portfolio has in turn had a negative impact on its bank debt gearing level. During this volatile period, Api has taken steps which sought to enable the Api Fund to meet its obligations under its bank debt facility, including remaining within the maximum allowable loan to value ratio (**LVR**) whilst also seeking to protect longer term unitholder value. The steps taken to date by the Api Fund to manage its LVR include the sale of securities from Api's portfolio (which realised \$9.68m) and a rights issue (which raised \$4.2m). Entire net proceeds from these activities (\$13.88m) have been used to reduce the Api Fund's bank debt from \$44m to \$30.2m.

At 30 June 2007 ASIF held 2.027 million units (value of \$3.47m) in the Api Fund with the bulk of these acquired in October 2006 through a subscription for new units in the Api Fund pursuant to a Product Disclosure Statement dated 10 August 2006.

With volatile equity markets impacting on the value of the Api Fund's investment portfolio, ASIF agreed to participate in an accelerated rights issue by the Api Fund in mid-February by subscribing for a further 1.52m units (value of \$2,052m) with the funds being used by the Api Fund to reduce debt as described above. Since mid February the value of the Api Fund's investment portfolio has declined by a further 12%.