

13 July 2009

ASIF Fund Update

The Australian Social Infrastructure Fund (ASIF) provides the following unitholder update in relation to its exposure to ABC Learning Centres Limited, Administrators and Receivers Appointed (ABC) and distribution policy.

ABC Receivership

ASIF's 56 childcare centres were leased to ABC which was placed into receivership on 6 November 2008. Since that time, the centres have been split into various categories as follows:

	No of Childcare Centres	Carrying Value \$000's
Operating Properties		
ABC 1 (under the control of McGrath Nicol)	42	62,060
ABC 2 (under the control of PPB)	7	9,115
ABC/NELC Centres (under the control of McGrath Nicol)	1	1,400
Closed Centres	6	8,955
Total Child Care Centre Properties	56	81,530

ABC 1

ABC 1 centres remain under the control of McGrath Nicol the receiver of ABC. The 42 ABC 1 centres owned by ASIF 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. A formal timetable for the sale of the ABC 1 business has not yet been set, however it is anticipated that a sale program will occur in late 2009 or possibly early 2010. The sales program will likely be for the business and require an assignment of existing leases from ABC to a new tenant or tenants. ASIF has established a commercial relationship with McGrath Nicol and rent and recoverable expenses continue to be paid on a monthly basis.

ABC 2

ABC 2 centres are those centres which were placed under the control of a second receiver PPB who were appointed by the Federal Government. These centres were initially funded by the Federal Government until 31 March 2009. The Federal Government subsequently extended its support. To date all rent has been received for these centres.

A key undertaking of PPB has been to source new tenants for the 241 centres under their control, seven of which are ASIF centres. On 26 February 2009, PPB announced that 180 binding offers had been received for the 241 centres under their control.

Following a review of these offers Austock has been able to conclude the assignment of all seven leases to three new tenants on terms very similar to the terms of the existing leases between ASIF and ABC. Minor rental concession in the form of 3 months rent free was provided in two instances. The completed assignments have delivered a number of positive outcomes for ASIF including:

- Maintaining the standard lease structure ie triple net with annual CPI increases;
- Maintaining the rents payable under the existing leases;
- Ensuring all rent payable under the leases has been paid;
- Strengthening the security associated with each of the leases via the introduction of bank guarantees; and
- Increasing ASIF's tenant diversity.



ABC / Neighbourhood Early Learning Centres Pty Ltd (NELC)

ASIF has one ABC/NELC centre 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 six centres were closed as a result of ABC being placed into receivership. ASIF appointed Jones Lang LaSalle (JLL) to manage an Expressions of Interest (EOI) process to invite interest from prospective buyers or tenants for five of the closed centres. EOIs closed on 25 March 2009. The sixth centre was not part of the EOI campaign as it was substantially damaged by fire and is currently being rebuilt.

To date, four of the five ASIF centres in the EOI campaign have been sold or are currently under a contract of sale as summarised in the table below. The remaining centre, 33-41 Beaconsfield Avenue, Midvale is yet to be sold or leased.

Address	Sale Price \$000's	Book Value \$000's	Sale Price % of Book Value	Status
2345 Sandgate Road, Boondall	1,200	1,180	102%	Settled 24 April 09
83 Holmead Road Eight, Mile Plains	1,275	1,275	100%	Settled 8 Jun 09
640 Albany Creek Road, Albany Creek	975	1,250	78%	Settled 19 Jun 09
10 Station Road, Burpengary			Under conditional contract	
Total	3,450	3,705	93%	

The net proceeds from the sale of these properties will be used to pay down debt.

Distributions

ASIF's distributions have been suspended since September 2008. In our letter to unitholders dated 29 April 2009, we advised management would review ASIF's distribution policy in July 2009 when it was expected there would be greater clarity around the outcome of ABC 2 and the future of ABC 1. Following a review of ASIF's current position and the successful outcome of the ABC 2 process we are pleased to announce that an additional estimated distribution of between 3.5 and 4.5 cents per unit will be paid to ASIF unitholders for the period ended 30 June 2009. The actual amount of the additional distribution will be based on ASIF's financial results which are currently being finalised. Payment of this additional distribution to unitholders will be via two payments as follows:

- 2.25 cents per unit will be paid to unitholders on 17 July 2009; and
- the balance of the additional distribution which is estimated between 1.25 and 2.25 cents per unit will be paid not later than 31 August 2009.

30 June 2009 Financial Accounts and Annual Tax Statement

Management is currently in the process of completing ASIF's annual audited accounts and annual tax statement. These are expected to be completed by September 2009. As part of this process approximately 60% of ASIF's direct property investments are currently being independently revalued. The results of these valuations will be reflected in the 30 June 2009 accounts.

The annual accounts will include a further unitholder update which will include commentary on future distributions and ABC 1. This update will also provide commentary on ASIF's other investments including the School Development Trusts, non ABC properties and securities.

We are committed to keeping ASIF's investors well informed and updating 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 lloissi@austock.com. The provision of your email address will ensure you receive all communications from ASIF.

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