

24 September 2008

## RESULTS FOR THE FINANCIAL YEAR 30 JUNE 2008

The Directors of Austock Funds Management Limited (“AFML”), the Responsible Entity of the Australian Social Infrastructure Fund (“Fund”), are pleased to provide details of the financial results for the Fund for the year ended 30 June 2008.

### Financial Highlights

The Fund’s net profit for 2008 was \$4.4 million compared to \$11.1 million in 2007. The lower net profit in 2008 was due to adverse financial markets in the second half of the year which resulted in higher finance costs, smaller increases in property valuations and the write down of the Fund’s investment in Api. The Fund delivered a distributable income of \$3.8 million for the year ending 30 June 2008.

	30-Jun-08 \$000’s	30-Jun-07 \$000’s
Revenue	9,547	9,381
Unrealised Revaluation of Property	3,585	5,310
Net Gain on Disposal of Property	170	-
Impairment of Api	(2,908)	-
Expenses	(6,018)	(3,628)
<b>Net Profit Attributable to Unitholders</b>	<b>4,376</b>	<b>11,063</b>
Distributable Income	3,778	5,819
Total Distributions paid or payable	6,594	6,539
Weighted Average Units on Issue 000’s	28,443	28,210
Basic EPU (cents) on weighted average units	15.39	39.22
Distributable Income per Unit (cents)	13.28	20.63
Distributions paid or payable per Unit (cents)	23.18	23.18

### Property Valuation and NTA

In accordance with the Fund’s revaluation policy, a total of 29 of its 58 properties were revalued throughout the June 2008 financial year. Fifteen of the properties were valued as at 31 December 2007 and 14 were valued as at 30 June 2008. The revaluations resulted in an increase in value of \$3.6 million or 6.6%. The 27 ABC Childcare Centres valued were valued on an average yield of 8.14%. The remaining two properties valued being the Melton Medical Centre and the Glen Iris Self Storage Facility were valued on yields of 7.5% and 8.0% respectively.

Following the revaluation of the above properties and the write down of the Fund’s investment in Api to zero, the Fund’s net tangible asset per unit (NTA) as at 30 June 2008 is \$2.75 which represent a 5.8% decline from the 30 June 2007 NTA of \$2.92.

## **Debt**

As at 30 June 2008, the Fund's gearing (Debt/Total Investments) was 42.7%. Total debt as at 30 June 2008 was \$59.4 million. The Fund's current debt facility expires in June 2010. The Responsible Entity expects to be able to renew this facility on expiry.

## **Investment in Schools**

As previously announced, the Fund acquired a minority interest in three unlisted trusts which were formed to acquire and develop three private schools. The majority of the expected return from the Fund's investment in the three school trusts will be via capital gains expected to be made on sale of the schools. The initial construction phase of two of the schools, Casey and Melton has been completed and both schools have commenced operating. Construction of the third school at Penrith has been delayed and is currently under review. The ability of the school trusts to maximise proceeds on sale will depend upon many factors, including improvement in economic and capital markets throughout 2008/2009.

## **ASIF Api Loan**

On 4th of April 2008, the Fund and Api Fund ("Api") (a fund managed by the Responsible Entity of the Trust) entered into a loan facility agreement ("Loan") under which the Fund loaned \$20.05 million to Api to enable part repayment of Api's existing senior debt. As security for the Loan, the Fund took a Call Option from Api and a first ranking fixed charge over Api's holdings in Australian Education Trust units and ABN AMRO Social Infrastructure Unit Trust stapled securities and a second ranking charge behind NAB over the balance of Api's assets.

Under the terms of an Intercreditor Agreement between NAB, the Fund, Api and others, Api must deal with the repayment of the debt owing to NAB in priority to the repayment of the debt owing to the Fund other than in connection with any rights that the Fund may have under either the Call Option or the Loan Facility in respect of the AEU and ABNASIT securities. As at 24 September 2008 Api owed NAB circa \$740,000. Api is continuing to sell securities to repay NAB. On 2 September 2008 it was announced that Api would be wound up on an orderly basis and its creditors would be repaid from the proceeds of the wind up.

Following a review of the options available to the Fund in relation to the repayment of the Loan by Api the Directors of AFML have agreed to extend the Loan repayment date from 30 September 2008 to 31 December 2008. The extension of the Loan until 31 December 2008 in the Directors view will enhance the Fund's ability to recover the full Loan amount. The Fund has agreed to the extension on the condition that the NAB also extends its funding support to Api until 31 December 2008. Until the Loan is repaid, Api is obligated to pay the Fund interest at a rate currently equal to the BBSY plus 3%. The interest payable to the Fund under the Loan has been fully paid to date.

## **Ian Townsing Fund Manager**

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