

# Australian Social Infrastructure Fund

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ARSN 094 614 874

## 2002 PROSPECTUS

Broker to the Offer  
Austock Brokers Pty Ltd  
ABN 51 053 513 438

Manager  
Ceramic Funds Management Limited  
ABN 29 094 185 092

**CERAMIC**  
FUNDS MANAGEMENT

This prospectus is dated 14 December 2001.

No units will be issued on the basis of the Prospectus more than 13 months after the above date. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (ASIC) on 14 December 2001. ASIC takes no responsibility for its contents.

The manager of the Australian Social Infrastructure Fund (Fund) is Ceramic Funds Management Limited (Manager). The Custodian is Sandhurst Trustees Limited (Custodian).

An electronic version of this prospectus may be accessed via the internet site of the broker to the Offer (Austock Brokers Pty Ltd) [www.austock.com.au](http://www.austock.com.au).

The Manager is the issuer of this Prospectus and is responsible for its contents. The Custodian has had no involvement in the preparation of any part of this Prospectus (other than the particular references to the Custodian).

The Custodian expressly disclaims and takes no responsibility for any part of this Prospectus. It makes no statement in this Prospectus and has not authorised or caused the issue of it. Neither the Manager nor the Custodian guarantees the success of the Fund or the repayment of capital or any particular rate of capital or income return.

Investments in the Fund may only be made by Australian residents.

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# Section 1

## Definitions

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**ABC**

ABC Learning Centres Limited ABN 93 079 736 664.

**Applicant**

A person (or persons) who completes and lodges an Application Form with the Manager.

**Application**

An Application Form with Application Monies.

**Application Form**

An application form attached to the Prospectus.

**Application Monies**

An amount in Australian dollars described in and accompanying an Application Form, paid by an Applicant.

**ASIC**

Australian Securities and Investments Commission.

**ASIF or Fund**

Australian Social Infrastructure Fund.

**ASX**

Australian Stock Exchange Limited.

**Auditor or SPH**

Smith Peacock and Henshaw, the auditor of the Fund.

**Austock**

Austock Brokers Pty Ltd ABN 51 053 513 438 broker to the Offer.

**Authorised Investment**

A class of asset defined in the Constitution in which the Fund may invest. Refer Section 12.5.

**Business Day**

Any day on which trading banks are open for business in Melbourne excluding Saturdays and Sundays.

**CIB**

CIB Fund. The trust that owns the Victorian 24-hour police stations and law courts portfolio in which the Fund has a 15% interest. (Refer Section 4.2.1.2).

**Constitution**

The Constitution of the Fund dated 21 September 2000.

**Corporations Act**

The Corporations Act 2001 (Cwlth).

**CPI**

Consumer Price Index (Capital Cities).

**Custodian or Sandhurst**

Sandhurst Trustees Limited  
ABN 16 004 030 737.

**DRP**

Distribution reinvestment plan.

**Facility One**

The five-year, fixed interest facility of \$12,900,000 provided by the Financier on 16 March 2001 to assist the Fund in acquiring its seed assets.

**Facility Two**

The five-year, fixed interest facility of \$3,750,000 provided by the Financier on 6 June 2001 to assist the Fund in acquiring its interest in the CIB Fund.

**Financier**

The Australian bank that has provided loan facilities to the Custodian to assist the Fund to acquire the 2001 Assets. (Refer Section 7).

**GST**

The goods and services tax established under the "A New Tax System (Goods and Services Tax) Act 1999" and related legislation.

**IIF**

Index Income Fund. The trust for which the Manager in its capacity as responsible entity has entered into a heads of agreement with Leighton Properties Pty Limited under which it may acquire the facilities that comprise the Gold Coast Hospital support facilities project on completion. The Fund has an option to acquire up to a 44% interest in IIF (Refer Section 4.2.2.2).

**Investor or Unitholder**

A holder of Units in the Fund.

**IPO**

The Fund's initial public offering that was made through a prospectus dated 18 December 2000 under which 6,275,000 ordinary units were issued at \$2.00. The issue was underwritten by Austock.

**Liabilities**

The liabilities of the Fund, including any provision, contingent liability or liability that the Manager determines should be brought to account.

**Manager or Responsible Entity**

Ceramic Funds Management Limited.  
ABN 29 094 185 092

**Net Asset Value**

The Value of Assets less the aggregate of Liabilities and any amount set aside for distribution to Investors.

**Offer**

The Offer of Units in the Fund contained in the Prospectus.

**Offer Period**

The Offer will close no later than 13 months after the date of the Prospectus.

**Prospectus, 2002 Prospectus**

This prospectus and where applicable any supplementary or replacement prospectus.

**2001 Assets**

The 25 property ABC child care centre portfolio and 15% interest in the CIB Fund that comprise the Fund's principal non-cash assets at the date of the Prospectus (Refer Section 4.2.1).

**2002 Assets**

The four ABC child care centres and up to a 44% interest in IIF that the Fund has options to acquire. (Refer Section 4.2.2).

**Units or Ordinary Units**

The fully paid, ordinary units offered in the Prospectus for \$2.10 each and any over subscriptions that the Manager may accept (Refer Section 3.1).

**Value of Assets**

The gross assets of the Fund.

# Section 2

## Investment Objectives, Background Purpose and Benefits of the Offer

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### INVESTMENT OBJECTIVE

Through its exclusive investment in a spread of assets in the Australian social infrastructure sector, and only in assets in that sector that have very long dated leases with net cashflows that are regularly reviewed by reference to a regularly published index such as the CPI or increased by fixed increments, the Fund provides Investors with a secure, high yielding investment that distributes income monthly and has a low level of volatility.

### BACKGROUND, PURPOSE AND BENEFITS OF THE OFFER

#### Background

On 16 March 2001, the Fund settled the acquisition of its seed assets that were the freeholds of 25 modern child care centres located in Queensland and Victoria with the proceeds of its initial public offering and a five-year fixed interest loan facility (Facility One) that was provided by an Australian bank. The IPO was contained in a prospectus dated 18 December 2000 and underwritten by Austock Brokers Pty Ltd. The purchase price of the portfolio was \$22.97 million.

The IPO prospectus offered 6,275,000 \$2.00 units (\$12,550,000) and the loan facility was for \$12,900,000.

The Fund's seed assets were acquired from ABC and other owners of child care centres.

The Fund leased/leased back all of the acquired centres to ABC on a fully repairing portfolio lease agreement of 20 years. Under the lease, rentals are payable monthly in advance by one payment and revised annually by reference to the CPI.

The listing of ABC's shares on the ASX coincided with the Fund's acquisition of the child care centre portfolio. ABC's shares listed at \$2.00 and at the date of the Prospectus were trading at over \$12.00 and the company had a market capitalisation of approximately \$180 million. The trading price of ABC's shares is published in to the daily press or may be obtained from the ASX.

ABC, which commenced trading with one centre in 1988 and has traded profitably since that time, currently operated over 60 centres.

Details of the properties that the Fund leases to ABC are contained in Section 4.2.1.1.

The Fund's maiden (monthly) distribution was made on 21 April 2001 and was accompanied by an announcement by the Manager that because of economies that crystallised during the IPO program the first year's distribution yield would be at the rate of 10.3% which exceeded prospectus forecasts by 25 basis points.

On 6 June 2001 the Fund acquired, with Facility Two, a 15% interest in the CIB Fund for \$3,667,500.

The CIB Fund is a special purpose, unlisted, wholesale fund established by the Manager to acquire the nine modern 24 hour police stations and two substantial law court complexes that a company controlled by the Victorian State government tendered for sale on the basis of a 15 year lease-back with annual CPI reviews of rental.

The purchase price of the portfolio was \$46.7 million.

Details of the portfolio are contained in Section 4.2.1.2.

In November 2001 the Manager:

- authorised Austock to arrange an institutional placement of 1.225 million, ordinary fully paid units in the Fund to investors that under section 708 (8) (c) of the Corporations Act are classified as 'sophisticated' at \$2.00 per unit; and
- entered into option agreements that would enable the Fund to acquire four additional ABC leased child care centres and up to a 44% interest in IIF.

IIF is a special purpose, unlisted, wholesale fund established by the Manager to acquire the Gold Coast Hospital support facilities project (the GCH Project) that Leighton Properties Pty Limited (Leighton) are undertaking on behalf of the Queensland Department of Health (D of H).

The GCH Project is a Queensland Government sponsored, build, own and transfer scheme that a Leighton led consortium tendered for and won in early 2001.

The GCH Project comprises:

- a four level office building that at practical completion is to be leased to D of H for 25 years; and
- an adjoining 860 bay public carpark.

Rental under the proposed D of H and carpark leases is to be reviewed annually by reference to the CPI.

The Gold Coast Hospital is a major public facility of 500 beds with a catchment area that extends into northern NSW, along the NSW/Queensland border and north into greater Brisbane.

If the Fund acquires an interest in IIF the income distributions that it will receive from that fund (like the income it already receives from CIB) will have a substantial tax advantaged component which in turn will result in the Fund having a portion of its distribution being tax free or deferred in Unitholders' hands.

### **Purpose**

The purpose of the Offer is to raise the capital that will enable the Fund to:

- exercise the options to acquire the additional ABC leased properties and the interest in IIF (2002 Assets) described above; and
- retire all or part of Facility Two.

If the Offer raises insufficient capital for the Fund to exercise all or any of the options that it has to acquire the 2002 Assets or retire all or part of Facility Two or, for whatever reasons, the Manager decides not to exercise all or any of the options or retire all or any of Facility Two the cents per unit distributions forecasts shown in Section 6.1 will not change.

It is the Manager's objective that at least 4,400,000 Units are issued through the Prospectus (to raise \$9,240,000) which when combined with the proceeds of the November placement program (\$2,450,000) will enable the Fund to acquire the 2002 Assets and retire 50% of Facility Two.

For the purposes of the investment forecasts contained in Section 6 of the Prospectus it is assumed that this objective will be met.

### Benefits

The benefits that Unitholders will receive by the raising and application of the capital that is the subject of the Prospectus are:

- **Increased asset spread.** Through the Fund's investment in IIF which will give it exposure to the health services and public carpark sectors;
- **Increased spread of income base.** The Fund's investment in IIF will give it exposure to an income stream paid by the State of Queensland;
- **Increased liquidity.** The growth of the capital base of the Fund since its IPO has increased its appeal to a wider investment market which was evidenced by the placement of Units to the professional investment market in November 2001;
- **Increased interest cover and decreased gearing.** The Fund's interest cover ratio will increase from approximately 2.12 to 2.99 times and its gearing rate will reduce from approximately 59% to 40%; and
- **Increased portion of distribution that is tax free or tax deferred.** The Fund's seed assets generated a distribution to Unitholders that was approximately 20% tax advantaged. The acquisition of the Fund's interest in CIB and its proposed acquisition of the 2002 Assets will increase this figure to over 30%.

# Section 3

## Statement of Values and Key Features of Offer

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### STATEMENT OF VALUES

The best long-term investments are those that provide high, sustainable returns to stakeholders and at the same time enhance the wellbeing of the broader community and the environment.

These considerations are fundamental when the Manager is researching the suitability of assets that the Fund may acquire.

By investing in social infrastructure assets, the Manager aims to foster development in sectors judged to be of benefit to Australian society without impacting negatively on the environment or communities.

The Manager's approach to asset selection is illustrated through the following five key issues:

#### Health and Education

The long-term wellbeing of the Australian community will substantially depend on the standard of and universal accessibility to its education and health systems.

It is the intention of the Manager to participate in the development of the infrastructure required to enable public and private providers to continue to deliver the quality of health care and education services Australians have come to expect.

Whilst governments will continue to have a pivotal role in the establishment of policy and the management of Australia's health and education systems, it is apparent that private capital will be required to at least provide some of the physical infrastructure so that the community's expectations in respect of the relative standards of its health and education systems are met.

The Manager intends that the Fund, as a formal aggregator of capital for investment in social infrastructure, will be a valuable resource for financially and operationally competent providers and managers of private and public health and education services.

#### Regional and Rural Development

Australia's cultural identity is founded on a unique inter-relationship between city and regional and rural communities. Subject to prudent investment risk and reward considerations, the Manager will favourably view

investing in regions where local authorities and instrumentalities supported by state governments have viable and well articulated programs of initiating sustainable development projects.

The Manager will focus on assets that will enhance the wellbeing of communities by increasing:

- Sustainable employment opportunities;
- Regional and export incomes;
- Population growth; and
- The liveability of the regions in which they operate.

#### Design and Construction

The most important area where social infrastructure investment can have a positive impact on the environment is through the implementation of eco and user friendly design principles during construction.

Where the Manager, on behalf of the Fund, has input into the design and/or construction of yet to be built improvements or the extension or conversion of existing improved assets it will require that:

- Detailed consideration is given to the design of such proposed improvements and the materials used in their construction in order that such structures are as energy efficient as current technology and sensible budgeting permit;
- The assets provide safe, pleasant and healthy environments for those that work in, and use the services delivered from the assets including providing high levels of natural light and quality ventilation and airconditioning systems;
- Local consultants, contractors and materials are used where practicable; and
- Use of native Australian vegetation in landscaping.

#### Tenant Qualities

When making decisions about the type of asset the Fund will acquire, a number of criteria are taken into account, including the balance sheet, cashflow and relevant experience of tenants.

In addition to these considerations, the Manager will favourably consider dealing with:

- Governments and government authorities;
- Not-for-profit organisations; and
- Corporations that have a demonstrated commitment to a range of matters including staff betterment, the minimisation of wasteful and polluting practices and high standards in respect of service delivery.

### **Sport and Recreation**

Sport has traditionally played an important role in Australian society and provides a source of physical development, health promotion and personal interaction to wide sections of the community.

The Manager will favourably consider the Fund's investment in modern facilities that are leased on a long-term basis to appropriately capitalised and administered government, club and corporate entities that are involved in the management and promotion of sport and recreation.

## KEY FEATURES

**3.1 PROPOSED UNITS TO BE ISSUED, EQUITY TO BE RAISED UNDER THE PROSPECTUS** At least 4,400,000 fully paid, Ordinary Units at \$2.10 to raise \$9,240,000. Over subscriptions may be accepted if, during the Offer Period, the Manager identifies and contracts to acquire further assets in the social infrastructure sector which if acquired by the fund which will enhance its objectives.

**3.2 FUND BORROWINGS, GEARING RATE** As at 30 June 2001 the Fund had borrowings of \$16.65 million and a gearing rate of approximately 59%.  
It is the Manager's intention that up to \$3.75 million of the proceeds of the Offer be used to retire existing borrowings. If the Fund acquires the 2002 Assets and reduces its existing borrowings by 50% of this amount the gearing rate will be approximately 40% and its interest cover ratio will increase from approximately 2.12 times to 2.99 times.

**3.3 FORECAST DISTRIBUTION YIELD AND TAX DEFERRED PORTION**

	Year to 30 June				
	2002	2003	2004	2005	2006
Distribution Per Unit ¢	20.60	20.86	21.38	21.91	22.46
Yield to 2002 Prospectus Investors	9.81%	9.93%	10.18%	10.43%	10.69%
Average Yield to 30 June 2006	10.21%				
Estimated Tax Free and Deferred Portion	39.76%	44.15%	36.03%	33.82%	28.32%
Yield to IPO Investors	10.30%	10.43%	10.60%	10.96%	11.23%

The above table should be read in conjunction with the detailed forecasts, assumptions and risk factors detailed in Sections 6 and 9.

<b>3.4 INCOME DISTRIBUTION</b>	Income that the Manager has determined is to be distributed to Unitholders is distributed on the 21st day of each month.
	The first distribution that investors who acquire Units through the Prospectus will receive will be paid on the 21st day of the month following the first complete calendar month after the Manager's receipt of an Investor's Application Form.
<b>3.5 DISTRIBUTION REINVESTMENT</b>	Unitholders may elect to reinvest their income distributions in further Units whilst the Fund's distribution reinvestment plan (DRP) is operative.
	The price of DRP Units issued whilst the Prospectus is current will be the higher of \$2.00 or an issue price based on the Net Asset Value plus an allowance for transaction costs divided by the aggregate of the paid up proportion of each Unit on issue on the relevant day. The Constitution permits the Manager to suspend the DRP or under certain circumstances, amend the issue price of further Units to be issued under it.
<b>3.6 FUND MANAGER, RESPONSIBLE ENTITY</b>	Ceramic Funds Management Limited ABN 29 094 185 092.
<b>3.7 FUND CUSTODIAN AND REGISTRAR</b>	Sandhurst Trustees Limited ABN 16 004 030 737.
<b>3.8 APPLICATION OF FUNDS</b>	<p>The Manager proposes that the Fund utilises the capital raised under this Prospectus and the November placement program to:</p> <ul style="list-style-type: none"> <li>• acquire the 2002 Assets for \$8,930,000 plus acquisition costs;</li> <li>• retire all or part of the \$3.75 million Facility Two; and</li> <li>• increase cash reserves by approximately \$130,000.</li> </ul>
<b>3.9 LIFE OF THE FUND</b>	The Fund is an enduring entity with a maximum life of 80 years. If, at some time in the future the Units of the Fund are quoted on a market, the Fund will continue to operate unless wound-up under the provisions of the Constitution. Refer Section 4.3.
<b>3.10 FUND NOT LIQUID</b>	<p>Unitholders do not have a right to withdraw their investment from the Fund.</p> <p>However, the Manager intends to investigate the possibility of establishing or participating in a market for Units and, if so, determine whether it is in the best interests of Unitholders for Units to be quoted on such a market. The Manager can give no assurance that Units will be quoted on a market and nothing in the Prospectus should be taken to state or imply that Units will be so quoted. Refer Section 4.3.</p>
<b>3.11 MINIMUM APPLICATION</b>	\$5,000 with investments after the first \$5,000 being in increments of \$1,000. Refer Section 5.1.

<b>3.12 MANAGER'S ANNUAL FEE INCLUDING PROPERTY MANAGEMENT</b>	For the period to 5 March 2002, the management fee will be 0.5% (plus GST) per annum of the Value of the Assets payable monthly in arrears. From 5 March 2002, the management fee will 1% (plus GST) per annum of the Value of Assets payable monthly in arrears. The net management fee is the cost to the Fund of management fees, GST on the management fees less the input tax credits that the Fund will receive in respect of the GST on the management fees. Any fees paid to external property managers engaged to manage the Fund's assets are paid by the Manager.
<b>3.13 CUSTODIAN'S ANNUAL FEE</b>	0.05% (plus GST) of the Value of Assets, payable quarterly in arrears.
<b>3.14 BROKER TO THE OFFER</b>	Austock Brokers Pty Ltd ABN 51 053 513 438.
<b>3.15 ELECTRONIC PROSPECTUS</b>	An electronic version of the Prospectus may be accessed via the internet site of the Broker to the Offer ( <a href="http://www.austock.com.au">www.austock.com.au</a> ). Any person accessing the electronic version of the Prospectus for purposes of investing in the Fund must be an Australian resident and only access it from within Australia. The Corporations Act prohibits any person from passing on to another person the Application Form which accompanies the Prospectus unless it is accompanied by a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. During the Offer Period, any person may obtain a hard copy of the Prospectus by contacting the Manager or the Broker to the Offer.
<b>3.16 INVESTOR COMMUNICATIONS</b>	Investors applying for Units will receive a letter acknowledging receipt of their application, and within five Business Days of acceptance and allotment of Units, a transaction statement.  Unitholders will receive a half yearly statement which records all income distributions during the period, an annual report that includes the Fund's audited accounts, an annual tax statement and copies of the Manager's occasional series of 'Report to Unitholders' which inform Investors of new acquisitions or other important developments relating to the Fund.
<b>3.17 CLOSING DATE</b>	No units may be issued under the Prospectus after 13 months after the date of the Prospectus.  The Manager reserves the right to close the Offer at any time.

# Section 4

## What is the Australian Social Infrastructure Fund?

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The Fund is an enduring, public unit trust established to acquire Australian properties in the social infrastructure sector. It distributes income monthly by electronic credit.

### 4.1 THE SOCIAL INFRASTRUCTURE ASSET CLASS

Social infrastructure is the real property from which governments, not-for-profit organisations and corporations deliver essential services to the community.

It is an extremely wide asset class that, in Australia used to be almost exclusively owned by the service providers.

A high proportion of the assets is represented by properties that provide education, health, welfare and transport services to the community such as schools, universities, hospitals, aged care facilities, public transport terminals and public carparks.

Examples of social infrastructure assets include:

<b>Education</b>	universities, schools.
<b>Health</b>	hospitals, medical centres.
<b>Housing</b>	aged care (hostels, nursing homes), retirement villages, government administered housing projects including defence and state housing.
<b>Community</b>	water and sewerage treatment plants, child care centres, police stations, courthouses, sports and self storage complexes, pier stations.
<b>Transport</b>	railway and bus stations, airports, carparks

Whilst the Australian Social Infrastructure Fund was the first Australian public fund to invest exclusively in social infrastructure the concept is well established in the US where there are a large number of listed Real Estate Investment Trusts that invest only in the sector. Some invest in only one subset such as health or housing. Some have total assets of several billion US dollars.

Increasingly in Australia as:

- the private sector assumes roles that used to be the province of governments such as the operation of universities, airports, hospitals and power utilities; and
- governments and private companies decide that, whilst they may want to control the real properties from which they deliver essential services, they do not necessarily need to own them,

social infrastructure will be sold to, and developed and held by, private investors who want to enjoy the long term income stream that is generated from the asset class but do not want to have any involvement in, or take any of the risks associated with, the services being provided from the properties.

In the 1980's and 1990's governments and private providers of community services started to sell, and investors to purchase/develop and own and lease back, social infrastructure assets including:

- airports (nationally);
- universities (Queensland, Victoria);
- police stations, court houses (Victoria);
- defence housing (nationally); and
- hospitals (nationally).

Between June 2000 and November 2001 the Victorian, Tasmanian and New South Wales State governments released templated formats under which the private sector will be invited to develop and own hard and social infrastructure assets for use by those governments. Other state governments have announced that they will be developing similar policies.

Hard and social infrastructure assets are generally acquired from, or built by, the private sector for governments under one of four alternative contractual formats:

- build or buy, own, operate and transfer (BOOT);
- build or buy, own and operate (BOO);

- build or buy, own and transfer (BOT); or
- build or buy, own and lease/leaseback (BOL).

The Australian Social Infrastructure Fund as a non-trading, tax transparent entity and does not undertake any of the risks associated with the provision of the services delivered from the assets it acquires and therefore when dealing with governments only participates in BOT or BOL type transactions where the asset is leased to the (government) service provider on a long term basis.

Under a build or buy, own and transfer transaction the Fund typically transfers the asset to the lessee/service provider at the end of a long term lease and the cashflows received by the Fund during the lease term reflect an amortisation of the capital cost of the asset during the period of the lease (similar to an annuity).

The increased cashflow received by the Fund from such transactions increases the distributions made to Unitholders.

The increased amount (above the normal income distribution) represents a tax free return of capital to Investors, the returns from the Fund's proposed IIF investment will have a tax free component.

## **4.2 FUND ASSETS**

### **4.2.1 2001 Assets**

The non-cash assets the Fund acquired with the capital raised from its 2001 initial public offering and the two borrowing facilities that it entered into during that year comprise 25 ABC leased freeholds in Queensland and Victoria and a 15% interest in the CIB Fund which owns the freehold of nine 24 hour police stations and two substantial law court complexes in Victoria. The CIB Fund freeholds are leased to the State of Victoria.

The details of these two portfolios is as follows:

#### 4.2.1.1 ABC Leased Freeholds (2001)

Location	Address	Land Area m <sup>2</sup>	Bldg Area m <sup>2</sup>	Licensed Places	Net Annual Rental \$	Purchase Price \$	Valuation (1) \$
Ashgrove	22 Trout Street	2,152	740	126	156,000	1,365,000	1,370,000
Aspley	792 Zillmere Road	2,020	425	74	88,000	795,000	800,000
Boondall	73 Zillmere Road	11,350	1,075	167	181,000	1,600,000	1,600,000
Burleigh Waters	Cnr Christine Ave/Silverbank Dve	2,000	488	82	96,000	840,000	900,000
Burpengary	10 Station Road	4,067	1,050	145	161,000	1,435,000	1,440,000
Capalaba	39 Holland Court	1,872	514	74	86,000	795,000	780,000
Crestmead	Cnr Third Ave/Browns Plains Rd	5,838	1,000	158	159,000	1,320,000	1,260,000
Eight Mile Plains	81 Holmead Road	2,006	604	74	92,000	800,000	760,000
Eltham Vic	816 Main Road	2,406	668	120	140,000	1,200,000	1,200,000
Helensvale	111 Mildura Drive	1,400	400	62	75,000	570,000	570,000
Helensvale North	7 Wandilla Drive	915	260	43	45,000	350,000	360,000
Helensvale	106 Helensvale Road	2,310	711	82	96,000	840,000	870,000
Indooroopilly	26 Witton Road	2,169	494	92	110,000	990,000	1,000,000
Kallangur North	167 Duffield Road	1,610	504	75	85,000	760,000	730,000
Kallangur West	1517 Anzac Avenue	4,267	548	75	85,000	710,000	700,000
Kallangur	52 Duffield Road	3,575	592	92	110,000	990,000	1,000,000
Labrador	120 Olsen Avenue	2,412	430	83	96,000	840,000	820,000
Monterey Keys	Cnr Monterey Keys Dve/ Helensvale Rd	2,246	546	75	82,800	720,000	720,000
Morayfield	1-5 Ridgegarden Drive	2,180	525	75	85,000	680,000	700,000
Mango Hill, North Lakes	Lot 710 Discovery Drive	2,984	494	92	110,000	990,000	1,000,000
Tarragindi	43 Pope Street	1,195	467	74	85,000	760,000	760,000
Thornlands	39 Osprey Drive	2,066	442	75	85,000	760,000	760,000
Kirwan	14 Burnda Street	3,233	840	131	164,250	1,400,000	1,400,000
Kirwan, Willows	104 Golf Links Drive	3,335	527	74	88,000	760,000	780,000
Wishart	6 Boyanda Street	2,491	622	75	80,500	700,000	780,000
<b>Totals</b>				<b>2,295</b>	<b>2,641,550</b>	<b>22,970,000</b>	<b>23,060,000</b>

Note (1) LandMark White (Qld) Pty Ltd

#### Lease Summary

Each ABC leased asset is the subject of a separate portfolio lease which includes the following standard terms and conditions.

- Parties to the leases:
  - Lessor** – Sandhurst Trustees Limited;
  - Lessee** – ABC Learning Centres Limited; and
  - Manager** – Ceramic Funds Management Limited.
- Lease term: 20 years commencing 16 March 2001.
- Rental is reviewed on each anniversary date of the lease by reference to the movement in the CPI during the previous 12 months. In any event the rental following each review date shall not be less than the rental that was payable prior to the review date.

The extent of any one-off increase in the CPI caused by the introduction of the goods and services tax is excluded from the CPI figure used for the two reviews conducted after the commencement date of the lease.
- The lessee pays all outgoings associated with the operation of the properties including statutory charges (other than land tax in Queensland).

#### 4.2.1.2 ABC Learning Overview Centres Limited

##### Overview

ABC is the only ASX listed specialist operator of private child care and education businesses in Australia. The company operates over 60 centres.

Its shares listed on the ASX in March 2001 at \$2.00 and on the date of the Prospectus were trading at over \$12.00. Its current market capitalisation is approximately \$180 million. The trading price of ABC's shares is published in to the daily press or may be obtained from the ASX.

The company's centres cater for children aged from six weeks to 12 years and are open on weekdays (excluding public holidays).

Most centres offer before and after school care and vacation care for school aged children and company owned buses are attached to many centres to provide school pick-up services.

#### Site Selection

ABC has a disciplined site selection process in which high growth residential areas are identified using housing approvals and other relevant figures published by the Australian Bureau of Statistics.

Preferred sites have the following characteristics:

- Vacant land, zoned commercial, or "as of right" use for child care purposes with a land area of at least 2000 square metres (half an acre);
- Close to main feeder roads leading to major commercial centres and/or close to schools; and
- In or near high growth residential areas.

The selection of vacant sites enables ABC to develop purpose built centres which meet their own requirements and government regulations. For these reasons ABC has preferred to develop vacant land rather than convert existing premises.

If, in more established areas vacant land has not been available but suitably located and configured premises have been, ABC has effected conversions. Most of the ABC leased centres that the Fund has acquired are purpose built.

Centres located in or near high growth residential areas attract enrolments from young families in the immediate area. However, as a residential area matures the need for child care services may reduce over time. For this reason ABC centres are usually located close to main feeder roads or schools. In this way they are visible and convenient to commuters and have a much wider catchment area than only the immediately surrounding area. ABC uses published traffic flow statistics as a secondary measure to confirm the suitability of centre locations.

#### ABC Training College

Through its wholly owned subsidiary, ABC Early Childhood Training College Pty Ltd (the college) the company operates a training college in the Brisbane central business district from which it offers nationally accredited courses in child care and education in a class room environment for persons wanting to become qualified child care providers. These facilities assist the company in identifying and recruiting staff for its own centres.

The college is responsible for the preparation of its own educational material which is delivered on a full and part-time basis which students may access through face to face, lecture room delivery or by correspondence.

The college's principal purpose is to train future graduates who will meet the vocational standards required by ABC. However, its courses are open to all qualified applicants.

The establishment of the college grew out of the development of structured training programs for in-house use by ABC.

The college commenced operations in June 1995 by offering a Certificate in Child Care and Education Level II course. It subsequently received national recognition from the Vocational Education Training and Employment Commission for that course.

The college began offering a certificate in Child Care and Education Level III in January 1996 and in July that year a Diploma in Child Care and Education.

Since January 1996, the college has implemented a new Technical and Further Education (TAFE) syllabus for its certificate and diploma courses. The new syllabus is nationally recognised and is conducted on a full and part time basis.

During 1996, the college was granted Queensland State government approval to train early childhood traineeship students and Commonwealth Register of Institutions and Courses for Overseas Students accreditation to train international students.

In 1999 the College achieved quality endorsed training organisation status. It was the first early childhood training college in Queensland to gain this recognition.

#### 4.2.1.3 CIB Fund Assets

CIB is a special purpose, unlisted, wholesale trust established and managed by the Manager to acquire nine modern 24 hour police stations and two substantial law court complexes that are leased to the Victorian government. The Fund has a 15% interest in CIB.

Location	Address	Land Area m <sup>2</sup>		Bldg Area m <sup>2</sup>	Net Annual Rental (3) \$	Purchase Price \$	Valuation (4) \$
Dandenong	34-50 Langhorne St	17,458	(1)	4,321	1,210,000	12,725,200	12,672,317
			(2)	2,915			
Frankston	15 Fletcher Rd	11,914	(1)	4,683	930,000	9,766,750	9,776,991
			(2)	2,156			
Moorabbin	1011-1013 Nepean Hwy	9,070	(1)	4,208	725,000	8,034,375	7,685,295
Melton	243-245 Station Rd	7,959	(1)	2,153	305,000	2,880,650	2,960,559
Keilor Downs	Sunshine Avenue	5,000	(1)	1,669	255,000	2,416,900	2,430,959
Narre Warren	4 Lauderdale Rd	3,619	(1)	1,824	277,000	2,589,400	2,673,886
Mill Park	151 Centenary Dve	6,173	(1)	2,052	295,000	2,781,700	2,798,506
Craigieburn	155-165 Craigieburn Rd	4,006	(1)	1,283	175,000	1,659,900	1,639,204
Wangaratta	1 Handley Street	8,103	(1)	3,766	511,300	4,042,500	4,409,639
<b>Totals</b>					<b>4,683,300</b>	<b>46,897,375</b>	<b>47,047,349</b>

(1) 24 hour police station

(3) Before deduction of cost of land tax overage and insurances

(2) Law court complex

(4) Urbis Pty Ltd

#### Lease Summary

Each of the CIB Fund's assets are the subject of a separate portfolio lease which include the following standard terms and conditions

- Parties to the leases:  
**Lessor** – Sandhurst Trustees Limited;  
**Lessee** – State of Victoria; and  
**Manager** – Ceramic Funds Management Limited.
- Lease term: 15 years commencing 1 December 2000 plus 5 year option.
- The annual rental is increased by 3% on 1 December 2001 and 2002 then by reference to the CPI annually from 1 July 2003.
- The lessee must pay all outgoings associated with the ongoing operation of the properties except land tax overage and building insurance.

#### 4.2.2 2002 Assets

The assets that the Manager intends the Fund acquires with up to \$8,930,000 (plus acquisition costs) of the capital raised under the Prospectus and the November unit placement are as follows:

#### 4.2.2.1 ABC Leased Freeholds 2002

The Fund has individual options which are current until 31 March 2002 (or in the case of 2 Manra Way, Gaven which, at the date of the Prospectus was being constructed that date or seven days after practical completion of the improvements and the issue of a child care centre licence, whichever is the later) to acquire the below scheduled child care centres which shall be leased to ABC on essentially the same terms and conditions as the Fund's existing ABC leased freeholds (refer Section 4.2.1.1).

The lease terms will commence on the date of settlement of each asset.

The Albany Creek and Forest Lake properties are in greater Brisbane. Albany Creek is approximately 15 kilometres north of the Brisbane central area and Forest Lake approximately 17 kilometres south. Gaven is a new suburb situated at the north end of the hinterland of the Gold Coast.

Location	Address	Land Area m <sup>2</sup>	Bldg Area m <sup>2</sup>	Licensed Places	Net Annual Rental \$	Purchase Price \$	Valuation (2) \$
Albany Creek	640 Albany Creek Road	962	450	64	89,700	780,000	740,000
Forest Lake	10 Forest Lake Boulevard	5,375	1,088	134	166,750	1,450,000	1,430,000
Gaven	54 Santa Isobel Boulevard	3,299	(3)	100	132,250	1,150,000	1,120,000
Gaven	2 Manra Way (1)	3,471	(3)	100	132,250	1,150,000	1,120,000 (4)
<b>Totals</b>				<b>398</b>	<b>520,950</b>	<b>4,530,000</b>	<b>4,410,000</b>

(1) Not constructed at date of Prospectus. The Fund's option to purchase this asset expires 31 March 2002 or seven days after practical completion of the improvements and issue of child care licence, whichever is the later.

(2) LandMark White (Qld) Pty Ltd.

(3) Improvements subject to as-built measurement.

(4) Indicative, subject to as-built appraisal.

#### 4.2.2.2 Indexed Income Fund Assets – The Gold Coast

##### Hospital Support Facilities Project (the GCH Project)

The Fund has an option that may be exercised at anytime up until the practical completion of the GCH Project to acquire up to a 44% unitholding in the Index Income Fund.

IIF is a special purpose, unlisted, wholesale trust established and managed by the Manager to acquire the GCH Project that Leighton Properties Pty Limited (Leighton) are undertaking on behalf of the Queensland Department of Health (D of H).

The GCH Project is a Queensland government sponsored, build, own and transfer (BOT) scheme that a Leighton led consortium tendered for and won in early 2001.

The GCH Project comprises:

- a four level office building that is to be constructed on a site ground leased to the Manager in its capacity as manager of IIF for 25 years and sub-leased to D of H for 25 years; and
- an adjoining five level, 860 bay public carpark that is to be constructed on a site ground leased to the Manager in its capacity as manager of IIF for 40 years and sub-leased to an appropriately capitalised and experienced operator of public carparks for a minimum initial period of 10 years.

Rental under the proposed D of H and carpark leases is to be reviewed annually by reference to the CPI.

The Gold Coast Hospital is a major public facility of 500 beds with a catchment area that extends into northern NSW, along the NSW/Queensland border and north into greater Brisbane.

The Fund's option to acquire the IIF interest has been granted by IIF's principal unitholder.

The option, if exercised, will entitle the Fund to acquire up to 4,400,000 ordinary IIF Units at (\$1.00 per unit).

The option will only be exercised if:

- the Fund raises sufficient capital through the Offer to enable it to do so;
- both the D of H and carpark formal agreements to lease contain terms and conditions that are acceptable to the Manager;
- the estimated on-completion value of the GCH Project is formally valued by LandMark White (Qld) Pty Ltd at not less than the agreed acquisition cost of the Project by IIF of \$21.3 million; and
- IIF is registered by ASIC as a Managed Investment Scheme.

If the option is not exercised, any funds raised pursuant to the Prospectus that may otherwise have been applied to the Fund's acquisition of an interest in IIF will be used to retire all or part of Facility Two.

## Gold Coast Hospital Support Facilities Project

### Office Building

Lessee	Ground Lease Area m <sup>2</sup>	Ground Lease Term	Proposed Commencing Net Annual Rental \$	Net Lettable Area m <sup>2</sup>	Proposed Lease Term of Improvements	Purchase Price \$	Rent Review
Queensland Department of Health	3,900	25 years	704,700	4,400	25 Years	8,520,000	Annual CPI
<b>Carpark</b>							
	4,477	40 years	Year 1 – 1,020,000 Year 2 – 1,220,000	860 Bays	Minimum 10 Years	12,780,000	Annual CPI After Year 2
<b>Totals</b>						<b>21,300,000</b>	

#### Lease Summary

##### Office Building

- 25 year lease term.
- Lessor to pay outgoings and operating costs.
- Lessee recarpets and repaints.
- Annual CPI rental reviews.
- At expiration of the 25 year ground lease period ownership of the improvements revert to the freehold owner (State of Queensland).

##### Carpark

- Proposed minimum initial term 10 years.
- Lessee to pay all outgoings and operating costs.
- Annual CPI rental reviews.
- At expiration of the 40 year ground lease period, ownership of the improvements reverts to freehold owner (State of Queensland).

#### 4.3 FUND NOT LIQUID

Unitholders do not have a right to withdraw their investment from the Fund.

However, the Manager is investigating the possibility of establishing or participating in a market for Units to determine whether it is in the best interests of Unitholders for Units to be quoted on such a market. The Manager can give no assurance that Units will be quoted on a market and nothing in the Prospectus should be taken to state or imply that the Units will be so quoted.

If, for whatever reason, the Fund's Units:

- are never listed on a secondary trading facility the Fund will be wound-up by 6 March 2011 (being the tenth anniversary of the first allotment of Units); or
- are at some time in the future quoted on a market but cease to be listed or are suspended from trading on the market after January 2010, and continue to be suspended or not to be listed, for a period of three months the Manager will wind-up the Fund in accordance with the provisions of the Constitution.

# Section 5

## Investing in the Fund

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### 5.1 APPLYING AND PAYING FOR UNITS

Applications for Units may be made by investors who are Australian residents by sending a completed Application Form from the Prospectus to:

**Ceramic Funds Management Limited**  
**Level 8, 350 Collins Street**  
**Melbourne Vic 3000**  
**Telephone:** (03) 8601 1111  
**Facsimile:** (03) 9642 8270  
**Email:** ceramic@ceramicfm.com.au

or:

**Ceramic Funds Management Limited**  
**Reply Paid 2245**  
**MELBOURNE VIC 8060**

Reply paid envelope enclosed

with a cheque made payable to:

**Sandhurst Trustees Limited – ASIF.**

The issue price of each Unit is \$2.10.

An initial investment must be for an amount of at least \$5,000, with investments in excess of \$5,000 being in increments of \$1,000. The Manager may accept initial investments of less than \$5,000 under certain circumstances.

The Manager reserves the right to allot less than the number of Units applied for, or to decline any application. In such a case, any surplus Application Monies will be returned to the Applicant as soon as practicable after allotment or declination.

Any surplus Application Monies that result only from the issue of the greatest number of whole Units (at the issue price of \$2.10) that may be created from an accepted Application will be retained in the Fund.

A written confirmation of the number of Units issued to each applicant at allotment will be forwarded to each Applicant and any broker or financial planner whose stamp is affixed to an Application Form within five business days after the day the units are issued.

### 5.2 INVESTOR ENQUIRIES

Additional copies of the Prospectus may be obtained by making contact with Austock or the Manager, refer Corporate Directory inside rear cover.

Applicants should, however, only rely on the information contained in the Prospectus as this forms the sole basis of any contract made with the Manager in relation to the Fund.

### 5.3 CALCULATION AND DISTRIBUTION OF INCOME

Income distributions are made on the 21st day of each month. The first distribution that investors who acquire Units through the Prospectus will be paid on the 21st day of the month following the first complete calendar month after the Manager's receipt of an Investor's Application Form.

If the 21st day of any month falls on a non-business day, payment is made on the next business day.

Each Unitholder's distribution entitlement for the relevant month is calculated by dividing the income the Manager has approved for distribution for the period by the total number of fully paid Units on issue at the end of that period and multiplying this amount by the number of Units held by the Unitholder at the end of the month.

Investor's monthly income distributions will be paid by direct electronic payment into their nominated Australian bank, building society or credit union account. Distributions are not made by cheque.

Any units (other than Ordinary Units) such as contributing or preferred units that may be on issue will receive any income distributions that they are entitled to in accordance with their terms and conditions that applied to their issue.

#### **5.4 INVESTOR COMMUNICATIONS**

Applicants will receive a letter acknowledging the receipt of each application. Applicants who are allotted Units will receive a transaction statement within five business days of allotment and a copy will be forwarded to any broker or financial planner whose stamp is affixed to the Application Form.

Applicants who are not allocated Units or are allocated a lesser number of Units than applied for will have (surplus) Application Monies returned to them with a letter of explanation, a copy of which will be forwarded to any broker or financial planner whose stamp is affixed to the Application Form.

Unitholders will receive a half yearly statement which records all income distributions during the period, an annual report, that includes the Fund's audited accounts, an annual tax statement and copies of the Manager's occasion series of 'Report to Unitholders' which informs Investors of new acquisitions or other important developments relating to the Fund.

# Section 6

## Investment Forecasts

### CASHFLOW, DISTRIBUTION, TAX FREE AND DEFERRED INCOME, SOURCE AND APPLICATION OF FUNDS AND PROFORMA BALANCE SHEET

The Manager's forecasts for the Fund's revenue, expenses and distributable income for the period to 30 June 2006 are set out in Section 6.1 and based on the underlying assumptions outlined in this Section.

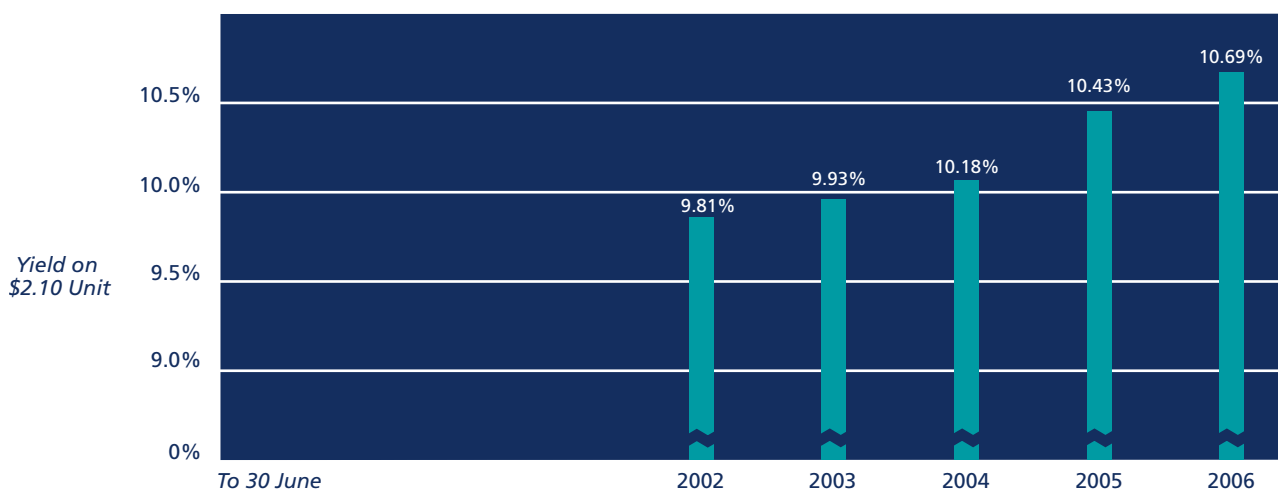
Applicants should note that these forecasts are made on the basis that the Fund:

- continues to own its 2001 Assets and acquires all of the 2002 Assets described in Section 4;
- has ongoing borrowings of approximately \$14,775,000; and
- has approximately 11.9 million Units on issue.

Applicants should note that the Manager reserves the right, on behalf of the Fund, to acquire additional assets to those described in the Prospectus and that forecasts are likely to change if additional assets (to those described in the Prospectus) are acquired or further decreases (or increases) in Fund borrowings are effected.

### FORECAST DISTRIBUTION SUMMARY

	Year to 30 June				
	2002	2003	2004	2005	2006
Distribution Per Unit ¢	20.60	20.86	21.38	21.91	22.46
Yield to 2002 Prospectus Investors	9.81%	9.93%	10.18%	10.43%	10.69%
Average Yield to 30 June 2006	10.21%				
Estimated Tax Free and Deferred Portion	39.76%	44.15%	36.03%	33.82%	28.32%
Yield to IPO Investors	10.30%	10.43%	10.60%	10.96%	11.23%



The above table and graph should be read in conjunction with the detailed forecasts, assumptions and risk factors detailed in Sections 6 and 9.

## 6.1 CASHFLOW AND DISTRIBUTION

Year to 30 June	Note	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$
<b>Income</b>	1					
2001 ABC acquisitions	2	2,564,505	2,741,434	2,809,970	2,880,219	2,952,224
2001 CIB acquisition	2	356,053	380,618	390,133	399,887	409,884
2002 ABC acquisitions	2	260,475	527,462	540,648	554,165	568,019
2002 IIF acquisition	2	82,889	269,926	396,268	425,156	438,762
Interest on Cash at Bank	3	12,952	14,745	10,935	9,567	9,977
<b>Total Income</b>		<b>3,276,874</b>	<b>3,934,185</b>	<b>4,147,954</b>	<b>4,268,994</b>	<b>4,378,866</b>
<b>Expenses</b>						
Audit – Fund and Market	4	15,000	20,250	20,756	21,275	21,807
Legal	4	15,000	20,250	20,756	21,275	21,807
Initial Market Listing Costs, Annual Listing Fee	4	12,500	20,188	15,567	15,956	16,355
Fund, Property Management	5	266,615	370,110	378,318	387,366	397,093
Property Condition Audit	4	10,125	10,378	10,638	10,904	11,176
Registry, Distribution	4	20,250	20,756	21,275	21,807	22,352
Printing	4	10,125	10,378	10,638	10,904	11,176
Compliance, Accounting	4	15,000	20,250	20,756	21,275	21,807
Custodian Fee	6	16,657	18,506	18,916	19,368	19,855
Revaluation/Valuation	4		15,000		30,000	
Interest on Borrowings	7	1,076,207	1,085,798	1,085,798	1,085,798	1,085,798
Contingency	4	15,000	20,250	20,756	21,275	21,807
<b>Total Expenses</b>		<b>1,472,479</b>	<b>1,632,114</b>	<b>1,610,163</b>	<b>1,667,203</b>	<b>1,651,033</b>
<b>Net Income</b>		<b>1,804,395</b>	<b>2,302,071</b>	<b>2,523,780</b>	<b>2,601,791</b>	<b>2,727,833</b>
<b>Distribution</b>	8	<b>1,872,025</b>	<b>2,482,043</b>	<b>2,544,094</b>	<b>2,607,696</b>	<b>2,672,888</b>
<b>Cents per Unit</b>		<b>20.60</b>	<b>20.86</b>	<b>21.38</b>	<b>21.91</b>	<b>22.46</b>
<b>Yield on Units issued under 2002 Prospectus @ \$2.10</b>		<b>9.81%</b>	<b>9.93%</b>	<b>10.18%</b>	<b>10.43%</b>	<b>10.70%</b>
<b>Average Yield to 31 December 2006</b>				<b>10.21%</b>		
<b>Estimated Tax Free and Deferred Portion of Income</b>		<b>39.76%</b>	<b>44.15%</b>	<b>36.03%</b>	<b>33.82%</b>	<b>28.32%</b>
<b>Yield on Units issued under IPO Prospectus @ \$2.00</b>		<b>10.30%</b>	<b>10.43%</b>	<b>10.60%</b>	<b>10.96%</b>	<b>11.23%</b>

In preparing the above forecasts, the Manager has made the assumptions outlined in this Section. Investors should be aware that while the Manager considers the assumptions to be reasonable and appropriate as at the time of preparation of the Prospectus, many factors that affect actual results cannot be foreseen or accurately predicted and some of these factors are beyond the Manager's control. Actual results invariably differ from forecast results.

Intending Investors should also refer to the Section 9 entitled "Risks and Risk Management".

#### **Notes**

1. (a) *The forecasts have been prepared in accordance with the taxation laws as they apply at the date of the Prospectus.*  
(b) *The assumed increase in the CPI for the period of the forecasts is 2.5% per annum.*  
(c) *It is assumed that the \$2,450,000 raised through the November 2001 placement program and \$9,240,000 raised through the Offer is available to the Fund to settle the acquisition of the 2002 Assets and repay fifty percent of Facility Two on 1 January 2002. Variations to the timing of the receipt of funds from the November unit placement and/or the Offer and the acquisition of the 2002 Assets and/or repayment/part repayment of Facility Two have an immaterial effect on forecast distributions.*
2. *The estimated net annual property based income received by the Fund and where, under the provisions of underlying lease agreements, this is increased by reference to the CPI any one-off impact on CPI that may be caused by the introduction of the goods and services tax is ignored.*
3. *Interest earned on the Fund's estimated average cash at bank at a rate of 4% per annum.*
4. *Manager's estimate using industry comparables adjusted annually in accordance with the assumed increase in CPI.*
5. *Calculated in accordance with the Constitution as up to 1% (plus GST) of the Value of Assets. The value of the 2001 Assets and 2002 Assets is assumed to increase at the assumed inflation rate. Half of this rate (0.5%, plus GST) is payable until 5 March 2002.*
6. *Calculated in accordance with the Custodian's fee rate.*
7. *Calculated at the rates (that are fixed for five years from the dates the borrowings were draw down) that apply to the Fund's loan facilities.*
8. *The Fund distributes income on the 21st day of each month or on the following business day.*

## Forecast Pre-tax Yield Equivalents after Allowance for Tax Free and Deferred Portions of Distribution

Unitholder's Marginal Tax Rate %	Notes	Year to 30-Jun-02 %	Year to 30-Jun-03 %	Year to 30-Jun-04 %	Year to 30-Jun-05 %	Year to 30-Jun-06 %
15.00	(1)	10.50	10.71	10.83	11.06	11.23
18.50	(2)	10.69	10.93	11.01	11.24	11.38
30.00	(3)	11.48	11.81	11.75	11.95	11.99
31.50	(2)	11.60	11.95	11.87	12.06	12.09
43.50	(2)	12.81	13.31	13.00	13.15	13.03
48.50	(2)	13.48	14.07	13.64	13.76	13.55

### Notes:

- (1) Superannuation fund rate  
(2) Individual taxpayer rate for 2001/2002 plus Medicare levy of 1.5%  
(3) Corporate rate from 2001/2002

## 6.2 CPI SENSITIVITY MATRIX

The Manager's forecasts of the Fund's distribution yield assume an increase in the CPI (inflation rate) of 2.5% per annum which is the mid point of the Reserve Bank of Australia's preferred range of 2% – 3% per annum.

The following table sets out the impact on the forecast average yield if the actual inflation rates for the forecasts period are 0% or 5% per annum.

Annual Change In CPI %	Commencement Yield %	Forecast Average 5 Year Yield to 30 June 2006 %
0	9.81	9.81
2.5	9.81	10.21
5	9.81	11.11

### 6.3 TAX FREE AND DEFERRED INCOME

Under present taxation laws a portion of the income distributed by the Fund will be tax free and deferred in Unitholders' hands.

A summary of the nature of tax free and deferred income is contained under "Taxation" in Section 11.3.1. Essentially it means that a portion of the Fund's distributable income is not taxed in Unitholders' hands (such as any portion of a distribution that is classified as a return of capital) or, in the case of tax deferred income, until Unitholders' realise their investment in the Fund. Tax deferred income results from the tax deductions and allowances that apply to eligible buildings and plant in which the Fund has an interest.

The assumptions on which the estimates of the portion the Fund's distributable income that is tax free and deferred are set out below.

	Notes	Year to 30-Jun-02 \$	Year to 30-Jun-03 \$	Year to 30-Jun-04 \$	Year to 30-Jun-05 \$	Year to 30-Jun-06 \$
<b>Net Income</b>	<b>2</b>	<b>1,804,395</b>	<b>2,302,071</b>	<b>2,523,780</b>	<b>2,601,791</b>	<b>2,727,833</b>
<b>Deductible Expenditure</b>						
2001 ABC acquisitions	3	191,417	191,417	191,417	191,417	191,417
2001 CIB acquisition	3	314,223	240,327	240,243	234,194	231,035
2002 ABC acquisitions	3	22,650	45,300	45,300	45,300	45,300
2002 IIF acquisition	3	37,841	215,909	356,136	356,136	356,136
Borrowing Expenses	4	43,000	43,000	43,000	43,000	43,000
<b>Gross Deductions</b>		<b>609,131</b>	<b>735,953</b>	<b>876,096</b>	<b>870,047</b>	<b>866,888</b>
Undistributed income (Distribution of Capital)		67,630	179,971	20,314	5,905	(54,944)
<b>Net Deductions</b>		<b>676,761</b>	<b>915,924</b>	<b>896,410</b>	<b>875,952</b>	<b>811,944</b>
<b>Taxable Income</b>		<b>1,127,634</b>	<b>1,386,147</b>	<b>1,627,370</b>	<b>1,725,839</b>	<b>1,915,889</b>
<b>Forecast Distribution</b>	<b>5</b>	<b>1,872,025</b>	<b>2,482,043</b>	<b>2,544,094</b>	<b>2,607,696</b>	<b>2,672,888</b>
<b>Tax Free and Deferred Component of Distribution</b>	<b>6</b>	<b>39.76%</b>	<b>44.15%</b>	<b>36.03%</b>	<b>33.82%</b>	<b>28.32%</b>

#### Notes:

- (1) It is assumed the settlement of the Fund's acquisition of the 2002 Assets and the repayment of fifty percent of Facility Two occurs on 1 January 2002.
- (2) Net Income as shown in the "Cashflow and Distribution" schedule. Refer Section 6.1.
- (3) The Manager's estimate of the deductible amounts at the scheduled rates permitted under the Income Tax Assessment Act for the depreciation of eligible expenditure on plant and articles such as air conditioning plant, electrical, machinery and equipment, carpets and lifts, and the building allowance that applies to the building works component of the real property assets owned by the relevant fund. The straight line method has been used to determine the amount of the annual deductions.
- (4) Includes costs related to Fund borrowings including stamp duties, valuations and legal expenses.
- (5) This is the Fund's estimated distributable income shown in Section 6.1.
- (6) This is the estimated percentage of Unitholders' distributions which is tax free or tax deferred.

**6.4 SOURCE AND APPLICATION OF FUNDS AFTER SETTLEMENT OF 2002 ASSETS AND REPAYMENT OF FIFTY PERCENT OF FACILITY TWO**

<b>Source</b>	<b>\$</b>
Capital raised under November 2002 placement program	2,450,000
Capital raised under 2002 Prospectus	9,240,000
First months rental ABC leased 2002 Assets	43,412
	<b>11,733,412</b>
<b>Application</b>	<b>\$</b>
Purchase price of 2002 Assets	8,930,000
Stamp duty	169,875
Due diligence, legal, valuation costs	30,000
Manager's acquisition fees	90,600
Printing, advertising	20,000
Brokerage, capital raising costs (placement and prospectus units)	412,300
GST on issue costs	56,290
Repayment of fifty percent of Facility Two	1,875,000
Miscellaneous Offer expenses	10,000
Increases in reserves	139,347
	<b>11,733,412</b>

## 6.5 PROFORMA BALANCE SHEET

as at 1 January 2002 – Assuming the settlement of the Fund's acquisition of the 2002 Assets and the repayment of fifty percent of Facility Two.

<b>Assets</b>	<b>\$</b>
2001 Assets	28,074,746 (1)
2002 Assets	9,220,475 (2)
Cash at bank	241,762
Prepaid Expenses	459,790 (3)
Receivables	56,290 (4)
<b>Total Assets</b>	<b>38,053,063</b>
<b>Liabilities</b>	
Payables	139,804
Borrowings	14,775,000
Provision for distribution	67,233
<b>Total Liabilities</b>	<b>14,982,037</b>
Net Assets	23,071,026
Number of Units	11,900,000
Net Assets per Unit	1.94
<b>Unitholders' Equity</b>	
Subscribed capital	24,240,000 (5)
Fund establishment costs, issue and capital raising expenses written off	1,168,974 (6)
<b>Net Unitholders' Equity</b>	<b>23,071,026</b>

The net tangible assets per Unit calculation includes the 2001 Assets and 2002 Assets at their carrying value in the accounts of the Fund and the units in the CIB and IIF at their acquisition cost. See note (1) below.

<b>Notes</b>	<b>\$</b>
(1) 2001 Assets (including acquisition costs)	28,074,746
(2) 2002 Assets (including acquisition costs)	9,220,475
(3) Prepaid expenses - interest, borrowing costs	459,790
(4) Receivables - GST recoverable in issue costs	56,290
(5) 7,500,000 Units issued at \$2.00, 4,400,000 Units issued at \$2.10	24,240,000
(6) Capital raising costs - IPO prospectus	726,674
Capital raising costs - 2002 Prospectus	
Brokerage	412,300
Printing and advertising	20,000
Miscellaneous	10,000
	<b>1,168,974</b>

# Section 7

## Fund Borrowings

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### 7.1 BORROWINGS

At the date of the Prospectus the Fund had two borrowing facilities. Both facilities have fixed interest rates for five-years from the date they were drawn down.

**Facility One** – A five-year facility of \$12,900,000 that was used to assist the Fund in acquiring the assets described in the IPO prospectus. It was drawn down on 16 March 2001; and

**Facility Two** – A five-year facility of \$3.75 million that was used to assist the Fund to acquire its interest in CIB. It was drawn down on 6 June 2001.

The total of the two facilities gave the Fund a gearing rate as at the date of the Prospectus of approximately 59%.

Unitholders' liability for Fund borrowings is limited to their interest in, and entitlements from, the Fund's assets. The liability of Unitholders is limited by the provisions of the Constitution (except in certain situations involving tax action). Unitholders should not have any contractual liability over the amount they have invested in the Fund and their entitlement to unpaid earnings. The law here remains uncertain so no absolute assurance can be given that Unitholder liability is so limited. The Financier has no recourse to Investors' other assets.

The 2001 Assets are mortgaged to the Financier.

### 7.2 GEARING

The principal reason for using borrowings to partly fund the purchase of Fund assets ('gearing') is to improve the return on equity invested by Unitholders.

Improved returns may be achieved in two ways:

- It is currently possible to borrow to acquire good quality investment property at interest rates that are below the income yields provided by such properties and the positive difference between the interest rate paid on the borrowings used to acquire the properties and the income yield from the properties results in an increased rate of income return; and

- If there is an increase in the value of Fund assets partly acquired with borrowings and the level of debt remains unchanged, the full amount of the increase in value accrues to the Fund.

The opposite will apply if assets decrease in value.

### 7.3 FUTURE BORROWINGS

It is the intention of the Manager that up to \$3.75 million of the capital raised under the Prospectus be used to repay/partly repay Facility Two. If fifty percent of Facility Two is repaid and the Fund has settled the purchase of the 2002 Assets the Fund's gearing rate will be approximately 40%.

This gearing rate is lower than the level preferred by the Manager given the current low inflation/interest rate environment, however, it is a rate that will give the Fund the capacity to enter into well priced future borrowing arrangements in order that it can bid competitively for any further acquisition opportunities that the Manager considers, if acquired by the Fund, will assist it in furthering its investment objectives.

# Section 8

## The Manager

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The Fund is managed by Ceramic Funds Management Limited (Manager).

The Manager is a single purpose, public company established by its directors to found and administer public and private property-based investment entities.

The Manager is a licensed securities dealer.

The Manager's directors have extensive full time involvement in the real property and/or securities sectors of the Australian investment market.

The equity in the Manager is held in unequal parts by:

- Echuca Wharf Management Pty Ltd, a company controlled by Rod Keown;
- Australian Pooled Development Financing Limited of which Bill Bessemer and Martin Ryan are directors and substantial shareholders; and
- Edmund S and Le Neve A Groves who are joint managing directors of ABC.

The principal duties of the Manager are summarised in Section 12.4.3.

### DIRECTORS OF THE MANAGER

#### Managing Director – Rodney M. Keown

Rod has been involved full time in the Australian investment property sector for 28 years, including 10 years at Growth Equities Mutual Limited where he was director in charge of listed property trusts.

He is well known in the industry and has extensive knowledge of the statutory and market environment in which Australian property based investment entities operate and is responsible for the day-to-day operation of the Fund.

Rod has a Bachelor of Arts degree and a Diploma in Real Estate Management. He is a Fellow of the Australian Property Institute.

#### William E. Bessemer

Bill Bessemer has extensive corporate experience including practical involvement in debt and equity raisings, financial structuring, mergers, acquisitions and business recoveries.

He is currently executive chairman of the Austock group of companies, non-executive chairman of Australian Property Exchange Limited and has been a non-executive director of ABC Learning Centres Limited for five years. He was recently appointed a director of Timbercorp Limited.

Prior to this he was an owner and director of a successful corporate advisory company, and before that, a Director of the ANZ Bank owned Delfin Corporate Services and ANZ CAP.

Bill has a Master of Business Administration and a Bachelor of Economics degree and is a Certified Practising Accountant.

#### Martin E. Ryan

Martin has been involved in the investment industry for nearly thirty years. After completing a Bachelor of Commerce degree at the University of Melbourne he commenced employment in stockbroking. In 1976 he joined the Funds Management division of Australian Eagle Insurance and soon after was appointed Investment Manager.

In 1980 he returned to broking through McCaughan Dyson, starting up their Fixed Interest operations. These activities grew organically, and through merger activity and by the late 1980's Martin was Director of Capital Markets with more than one hundred employees in six countries.

In 1991 he started Austock Brokers and is now the Chief Executive of Australian Pooled Development Financing, an affiliate of Austock Brokers, and a director of Austock Management Limited.

## Risks and Risk Management

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Investors in most market sectors are exposed to a number of risks, including:

- **market risk** from changes in market conditions;
- **borrowing and interest rate risk**;
- **asset risk** from inadequate asset research or ongoing monitoring of material changes in acquired assets or the environment in which they are operating;
- **deposit risk** from deposits with individuals or corporations which are not able to pay/repay interest and/or principal; and
- **currency risk** from changes in currency exchange rates.

Some of the risks that Investors can be exposed to may be covered by insurance. For instance, insurances taken out by the Manager will cover the Fund for loss of income that may be result from the damage, or the destruction of, a Property by fire.

The approaches taken by the Manager to manage the risks (as they relate to the Fund) that cannot be covered by insurance are as follows.

### 9.1 MARKET RISK

Market risk is the amalgam of the multitude of regional, national and international factors that may influence the investment performance of the Fund's underlying assets and in turn the performance of the Fund.

Such factors include:

- movements in local and overseas securities markets and interest and currency exchange rates;
- changes in investor sentiment;
- changes in relative inflation and economic growth rates;
- movements in Australia's terms of trade;
- levels of industrial disputation, civil unrest or other business interruptions;
- material changes in government licencing fees or rates and taxes that may reduce the capacity of business to operate profitably or the disposal incomes of individuals, families or whole communities;

- force majeure events such as an outbreak of war or the activity of terrorists such as that which occurred in the USA on 11 September 2001 or the occurrence of catastrophic weather or geographical conditions can adversely affect the ability of economies or companies to function. The Manager has no control over such happenings; and
- the turnover of units on the market. An excessive or small trading volume could adversely affect investor sentiment and cause price movements that are unrelated to the values of the Funds Assets. There is no redemption or buy-back facility for Units and therefore if there was a very low level of turnover on the market a Unitholder may find it difficult to divest itself of Units on-market.

It is not possible to eliminate market risk, and many of the components that make up market risk cannot be controlled by the Manager. However by monitoring the environment in which the Fund operates, the Manager will seek to minimise market risk by identifying likely market changes and take action designed to mitigate the exposure of the Fund to changes that may have a negative impact on the Fund's investment performance.

### 9.2 BORROWING AND INTEREST RATE RISK

The Fund proposes to enhance its rate of income distribution by undertaking a positive gearing position in respect to the assets that it acquires.

The Fund's initial borrowings have a fixed rate of interest for five-years. There is no guarantee that the Manager will be able to refinance those loans or that the interest rate will not increase at the end of the initial five-year periods.

Any increase in the interest rate payable on Fund borrowings at the end of the five-year periods will reduce its distributable income, conversely any decrease in the interest rate will increase distributable income.

If one or any of the tenants of the Fund's or CIB or IIF properties fails to pay the rent they have contracted to pay under their leases the income

of the Fund may not be sufficient to meet interest payments to the Financier under the loans. If there is a default in paying such interest, the Financier may be entitled to enforce its security.

Ongoing borrowings of \$14,775,000 will give the Fund an estimated gearing level of approximately 40% when the acquisition of the 2002 Assets and the repayment of Facility Two is completed. The forecast net income of the Fund after all property and on-going operational and administrative expenses will give the Fund an estimated interest coverage ratio at that time of approximately 3.5 times.

The Manager considers that the level of borrowings permitted under the Constitution provides it with the option of adopting a gearing rate that will enhance returns to Unitholders without creating an unacceptably high level of risk.

### 9.3 ASSET RISK

The specific Asset Risks that the Fund may be exposed to are:

#### 9.3.1 Lessee Default

If one or any of the tenants of the Fund's or CIB or IIF properties, for whatever reason, were in default of its obligations under their lease the Manager would take action to secure (a) replacement lessee(s). There can be no assurance that (a) replacement lessee(s) will be readily available or that they would pay the same rental as the rental that is payable under existing leases.

#### 9.3.2 Over Supplied Market

The development of property in Australia is not directly regulated (apart from town planning law and regulations) and the market is subject to the same supply and demand dynamics as other sectors of the economy.

If the market were over supplied in the segment of the market in which the Fund invests it would have a detrimental affect on the value of the Fund's properties.

The three principal factors that facilitate (or discourage) the supply of new properties for social infrastructure purposes are as follows:

- Regulation – only appropriately licensed persons or governments may provide many of the services that are provided from social infrastructure assets and in turn those services may only be delivered from appropriately licensed premises;
- Development Funding – is not as readily available to the developers of properties intended for providing social infrastructure services as developers of other forms of real property. The Manager believes this is because there are fewer financiers who have the specialist financial modelling skills and research required to have a sufficiently detailed understanding of this niche market; and
- Site Availability – only suitable zoned and sized sites may be developed for social infrastructure use.

#### 9.3.3 Changes in the Regulatory Environment

The provision of most social infrastructure services is regulated. The law regulating, for instance, the child care industry, like all law, is subject to change additionally the providers of formal child care services in Australia receive a subsidy from the Federal Government. There is no guarantee that the current level, or any future level, of subsidy will be maintained. If the level of subsidy were materially reduced it would affect the capacity of some operators of child care centres to pay rent which in turn would affect the freehold value of those centres including those owned by the Fund.

#### 9.3.4 Property Condition

As part of the due diligence and research program that the Manager undertook when considering the acquisition of the 2001 Assets and 2002 Assets the Manager engaged, and received written reports from, in its view, suitably qualified and experience experts (experts) in respect of the following physical characteristics of the properties owned by, or held under option by, the Fund, CIB and IIF:

- Environment (soil, hazardous materials) where considered appropriate;
- Structure; and
- Services.

As is normal with due diligence reports relating to multi-property portfolios some of the experts' reports contain qualifications and the Manager was required to exercise its judgement as to whether or not those qualifications could materially compromise the future capacity of the Fund to achieve the investment objectives and financial returns forecast by the Manager and contained in the Prospectus.

The Manager cannot guarantee that the matters that were qualified in the experts' reports will not affect the financial performance of the Fund in the future or that any future liability claims against the experts that may be initiated by the Manager would be successful.

#### **9.3.5 Legal Risk**

It is possible, but unlikely, that there could be a challenge to the title, the terms of a lease or other legal impediment to the Properties which could give rise to litigation that may affect the capital values of Fund assets or income.

#### **9.4 DEPOSIT RISK**

The Manager will minimise the risk of loss of income or capital from its cash reserves by only depositing them in Australia with authorised deposit-taking institutions (ADIs) or in AAA rated securities.

#### **9.5 CURRENCY RISK**

The Fund will not invest outside Australia and will only borrow in Australian dollars and therefore Investors will not be exposed to the risk of movements in foreign currencies relative to the Australian dollar that may negatively affect the value of the Fund's investments or its income from the perspective of an Australian investor.

# Section 10

## Fees and Expenses

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### 10.1 MANAGER'S FEES

If the Manager exercises its options to acquire the 2002 Assets the Manager will be entitled to receive:

- an acquisition fee of up to 2% (plus GST) of the Value of Assets acquired;
- a management fee calculated as up to 1/12 of 1% (plus GST) of the Value of Assets payable monthly in arrears (50% of this amount will be payable for the period to 5 March 2002);
- a fee of up to 2% (plus GST) of the net sale price of any asset; provided that the sale proceeds received by the Fund after the deduction of legal fees and any disposal costs exceeds the purchase price of the asset; and
- a fee of 2% (plus GST) of the Value of Assets payable if it is replaced as Manager of the Fund. If this fee is payable, it or any fee based on the net sale price of any Property that would otherwise have been payable to the Manager or any replacement manager, will not be payable.

The Fund will be entitled to reduced input tax credits in respect of the GST on the fees.

### 10.2 CUSTODIAN'S FEE

The Custodian is entitled to:

- receive a fee calculated at the rate of 0.05% (plus GST) of the Value of Assets per annum payable quarterly.
- be paid or reimbursed out of the Fund for all charges, costs and expenses properly incurred by the Custodian in providing custodian services to the Fund.

### 10.3 BROKERAGE

The Fund will pay:

- Austock for its role as broker to the Offer, a fee of 1% (plus GST) of Application Monies received and accepted by the Manager that accompany Application, Forms lodged by Austock from the Prospectus.

- Appropriately licensed securities dealers (including Austock) whose stamp is attached to Application Forms a fee of up to 3% (plus GST) of accompanying Application Monies received and accepted by the Manager.

The Manager will pay (from its own resources) an annual trailing fee to appropriately licensed intermediaries of 0.35% (plus GST) for a period of up to five years.

### 10.4 FUND EXPENSES

Expenses properly incurred by the Manager or the Custodian in relation to the Fund (but not the usual overhead expenses of the Manager or Custodian) are paid by the Fund.

Without limiting that right, those expenses include:

- the costs incurred in establishing and maintaining the Fund including the preparation of documents (such as Constitution, Compliance Plan, custodian agreement, and the Prospectus) and any amendments to them; the establishment and operation of the Fund's compliance committee; establishing and developing computer software systems; and the travel and accommodation costs of the Manager's personnel;
- commission and brokerage (other than trail fees) to anyone introducing new Unitholders;
- costs incurred in acquiring, managing, improving, financing, or selling assets of the Fund including: any due diligence investigations; any option fees and/or deposits paid for property; any project management, development or construction costs; and any insurance premiums payable in relation to assets;
- borrowing costs and charges whether incurred on behalf of Unitholders or in relation to property for or of the Fund and incidental fees;

- the costs incurred in obtaining professional and expert assistance, advice and reports for the Manager, Custodian and Compliance Committee such as that from valuers, lawyers, computer experts, brokers and accountants;
- all types of taxes, duties, levies and imposts (including stamp duty, financial institutions duty, capital gains tax, goods and services tax) together with any interest or penalty payable on them;
- all government and regulatory authority fees and charges, and costs incurred in preparing and lodging returns;
- any costs incurred in establishing, managing or maintaining a facility for the secondary trading of Units in the Fund;
- all relevant audit fees and expenses, and the costs of maintaining accounting records and registers;
- all agents' fees and expenses such as those of the Custodian;
- the costs of convening and holding Unitholder meetings;
- preparation, printing, distribution and postage costs of notices, cheques and other documents for Unitholders including envelopes and electronic transfer costs;
- costs of the Manager or Custodian initiating, conducting and/or settling court proceedings enforcing the Constitution; and
- costs associated with the retirement and replacement of the Manager or the Custodian.

Payments are permissible to directors and associates of the Manager under the above provisions.

# Section 11

## Taxation

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The following comments are intended as a brief summary of matters that may be relevant to intending Applications.

Only resident Australians may invest in the Fund and therefore these comments relate only to them.

Income tax laws are complex and subject to legislative change and interpretation by the Courts. The taxation consequences of investing in the Fund may differ depending on an Investor's individual circumstances. Investors are advised to consult their own professional advisers to determine the personal taxation consequences of investing in the Fund.

### 11.1 DISTRIBUTION POLICY

The Constitution requires that the total taxable income of the Fund in any financial year is distributed to Investors which means that under existing taxation legislation the Fund will not be liable for income tax and therefore the taxable income of the Fund will be taxed in the hands of individual Investors who are tax payers.

### 11.2 TAXATION OF INCOME DISTRIBUTIONS

To facilitate the completion of Unitholder's taxation returns the Manager will send each Unitholder an annual statement that sets out the amount of assessable income, taxable capital gains and any tax free and/or deferred component of distributions made to each Investor for the previous financial year. The taxable components of income distributions will form part of an Investor's assessable income for the financial year to which the distributions relate.

### 11.3 TAXATION OF CAPITAL GAINS

Net capital gains realised by the Fund will be distributed to Unitholders. Unitholders who are not classified as trading in Units may, for the purposes of assessing any capital gains tax liability, be able to offset any capital gains distributed by the Fund against capital losses realised on disposal of other investments.

Any capital gains realised by a Unitholder on disposal of Units must be included in their assessable income for the year of income in which the disposal is made.

If a capital loss is realised by a Unitholder, that loss may be offset against other capital gains realised in the same financial year. Any excess capital losses may be carried forward and offset against any future capital gains realised by the Unitholder.

A capital gain on disposal of Units is calculated as the surplus of proceeds received over the closing tax value of the Units.

A capital loss on disposal of Units is the deficiency of the proceeds received over the cost base of Units.

#### 11.3.1 Tax Free and Deferred Components of Income

A portion of the Fund's distribution income may include tax free and deferred components.

Tax free amounts are attributable to any portion of a Unitholder's income distribution that is classified as a return of capital.

Tax deferred amounts are attributable to the deductions allowed in respect of the building allowance, the depreciation of plant and equipment and other eligible expenditure incurred by the Fund.

Tax deferred components of distributions made by the Fund are not assessable when received unless the total of all tax deferred income amounts received by a Unitholder exceeds the cost base of the Unitholder's investment in the Fund.

For the purposes of calculating the amount of any capital gains tax liability realised when Units are disposed of by a Unitholder the total amount of tax deferred distributions received by the Unitholder reduces the cost base of the Units.

#### **11.4 TAX FILE NUMBERS**

Investors have the option of not quoting their tax file number when applying for Units in the Fund, however if they do not and no appropriate exemption information is provided on the Application Form the Manager is required to deduct tax from the Unitholder's income distribution entitlement at the highest tax rate applicable to individuals plus the Medicare levy which currently totals 48.5%.

The Application Form attached to the Prospectus makes provision for Investors to quote their tax file number or exemption information.

#### **11.5 TAXATION AND SOCIAL SECURITY**

The provisions of the Income Tax Assessment Act, Social Security legislation and Defence Forces legislation are complex and changeable over time. Investment in the Fund may affect Investors' entitlements to pension or other social security benefits. Accordingly Investors should seek their own qualified professional advice or contact the Australian Tax Office or the Departments of Social Security or Veterans Affairs.

# Section 12

## General Information

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### 12.1 FINANCIAL INFORMATION

The Fund was created on 21 September 2000, and settled the acquisition of the assets described in the IPO prospectus on 16 March 2001.

The 'Statement of Financial Position' and 'Statement of Cashflows' from the Fund's 30 June 2001 Financial Report are as follows:

#### Statement of Financial Position as at 30 June 2001

	2001 \$
<b>Current Assets</b>	
Cash Assets	108,447
Other	459,790
<b>Total Current Assets</b>	568,237
<b>Non-current Assets</b>	
Investments	28,074,746
<b>Total Non-current Assets</b>	28,074,746
<b>Total Assets</b>	28,642,983
<b>Current Liabilities</b>	
Payables	96,392
Provisions	67,233
<b>Total Current Liabilities</b>	163,625
<b>Non-current Liabilities</b>	
Interest-bearing Liabilities	16,650,000
<b>Total Non-current Liabilities</b>	16,650,000
<b>Total Liabilities</b>	16,813,625
<b>Net Assets</b>	11,829,358
<b>Equity</b>	
Contributed Unit Capital	11,829,358
<b>Total Equity</b>	11,829,358

**Statement of Cashflows as at 30 June 2001**

	2001 \$
<b>Cashflows from Operating Activities</b>	
Receipts	816,340
Interest received	22,701
Borrowing costs	(777,657)
Payments to suppliers	(34,356)
<b>Net Cash Provided by Operating Activities</b>	<b>27,028</b>
<b>Cashflows from Investing Activities</b>	
Purchase of Investments	(28,074,746)
<b>Net Cash used by Investing Activities</b>	<b>(28,074,746)</b>
<b>Cashflows from Financing Activities</b>	
Proceeds from borrowings	16,650,000
Proceeds from issue of units	11,823,326
Distributions paid to Unit holders	(317,161)
<b>Net Cash used by Financing Activities</b>	<b>28,156,165</b>
<b>Net Increase in Cash held</b>	<b>108,447</b>
Cash at beginning of period	-
<b>Cash at end of Period</b>	<b>108,447</b>

## **12.2 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal office hours at the office of the Manager for 13 months after the date of the Prospectus.

- the documents summarised in this section;
- the consents to the issue of the Prospectus; and
- the valuation reports of the Fund's real property assets.

## **12.3 MATERIAL CONTRACTS**

### **12.3.1 2002 Asset Option Contracts**

The principal terms and conditions of the options to acquire the 2002 Assets that the Manager holds in its capacity as Responsible Entity for the Fund are summarised in Sections 4.2.2.1 and 4.2.2.2.

### **12.3.2 Leases**

The principal provisions of the leases that will apply to the 2002 Assets if the options to acquire those assets are exercised by the Manager in its capacity as Responsible Entity of the Fund are contained in Sections 4.2.2.1 and 4.2.2.2.

## **12.4 THE CONSTITUTION AND THE RIGHTS AND RESPONSIBILITIES OF UNITHOLDERS, THE MANAGER AND AUDITOR**

### **12.4.1 The Constitution**

The Fund is established under a Deed known as the Constitution. The Manager and Unitholders are bound by the Constitution which sets out the rights and obligations of Unitholders and the rights, duties and obligations of the Manager.

The Constitution and the Corporations Act prescribe the main obligations of the Manager. Other duties, rights and obligations of the Manager are contained in general trust law.

Investors may refer to a copy of the Constitution at the Manager's office during business hours.

The provisions of the Constitution may be amended by the Manager provided that, in the opinion of the Manager, the proposed amendments do not adversely affect the rights of Investors.

If, in the opinion of the Manager, a proposed amendment to the Constitution may adversely affect the rights of Investors, the Manager must obtain the approval of Unitholders at a meeting convened to consider and vote on the proposed amendment.

Unless terminated earlier in accordance with the relevant provisions of the Trust Deed, the Fund will terminate no later than 20 September 2080.

The Fund may be terminated in circumstances provided for in the Constitution including by appropriate notice from the Manager to Unitholders.

On termination of the Fund its assets will be liquidated and the proceeds of liquidation (less the liabilities of the Fund and all costs, charges, fees, expenses, claims and demands arising from the winding up) will be distributed to Investors in proportion to their Unitholdings at the time of termination.

Subject to an indemnity in favour of the Manager in respect of tax and similar liabilities, the Trust Deed provides that no Unitholder in the Fund, by reason alone of being a Unitholder, is under any personal obligation to indemnify the Manager or any creditor of the Manager in the event of there being any deficiency in the assets of the Fund, and any rights of the Manager or any creditor to seek indemnity is limited to having recourse to the Fund and shall not extend to Unitholders personally.

However, the Manager cannot give an absolute assurance on this matter because the determination of Unitholders liability ultimately rests with the courts.

#### 12.4.2 Unitholder Rights, Meetings

Unitholders are entitled to:

- receive their share of the Fund's distributed income and capital;
- transfer their Units or have them pass to any surviving joint holder or their estate;
- receive the financial statements of the Fund and accompanying statutory reports;
- remove the Manager in certain circumstances; and
- demand, attend and vote at Unitholders' meetings.

Meetings to consider special/extraordinary resolution may be demanded by at least 100 Unitholders or holders of 5% of votes able to be cast at a meeting. The holders of 5% of the votes able to be cast may call a meeting provided that they are prepared to pay the costs of calling and conducting it.

Resolutions of Unitholders passed at meetings held in accordance with the provisions of the Constitution are binding on all Unitholders.

#### 12.4.3 The Manager

As Responsible Entity for the Fund, the Manager:

- Is responsible for the ongoing management and administration of the Fund;
- Issues any Offer Documents that offer investors the opportunity to invest in the Fund;
- Processes Unit applications and accounts to the Custodian for Application Monies;
- Within the parameters of the Fund's Authorised Investments (refer Section 12.5) determines the Fund's investment policy, selects the assets to be acquired by the Fund, and arranges the purchase of selected assets;
- Is responsible for the maintenance of the Fund's register of Unitholders and assets, and keeping its books of account;
- Convenes and organises Unitholder meetings;
- Arranges all written Unitholder communications including transaction advises, half yearly

statements, annual reports and taxation statements;

- Arranges for the payment of the Fund's expenses that are authorised by the Constitution; and
- Receives a fee paid monthly that is calculated as up to 1/12 of 1% (plus GST) per annum of the Value of Assets. Refer Sections 10.1 and 10.4.

#### 12.4.4 The Auditor

Smith, Peacock and Henshaw are the Auditor of the Fund. The Constitution provides for the appointment, removal, retirement and replacement of the Auditor.

#### 12.5 AUTHORISED INVESTMENTS

The Constitution of the Fund authorises the investment of the Fund in:

- Real Property;
- Securities;
- Unit Trust Investment (including Units in the Fund);
- any deposit with or any negotiable instrument accepted, endorsed or issued by, an Australian ADI, as defined in Section 9 of the Corporations Act;
- any deposit at call or for a term with, or loan, to any financial institution not referred to in the above paragraph;
- bills of exchange, promissory notes or commercial bills issued by any financial institution;
- the taking, granting, buying or selling of options in relation to any of the above; and
- any other investment determined by the Manager to be an authorised investment for the purpose of this Constitution.

It is the intention of the Manager that the Fund invests only in the categories of Authorised Investments that meet the investment objectives of the Fund.

## 12.6 COMPLIANCE PLAN

The Compliance Plan is the document which outlines the systems, measures and procedures that must be adopted by the Manager to ensure that it complies in all respects with the provisions of the Corporations Act, ASIC policy and the Constitution. It deals with an extensive range of issues including the formation and operation of a compliance committee, comprised of a majority of independent members which must meet periodically to oversee the operation of the Fund and monitor the performance of external service providers.

Matters covered in detail in the Compliance Plan include procedures for complaints handling, the processing of applications, transfers and distributions: the monitoring of and resolution of suspected breaches of the Corporations Act, accounts and record keeping, valuations, registry systems, audits, fee calculations, related party transactions, conflicts of interest and disclosure and reporting requirements.

The Compliance Plan is audited annually in accordance with the provisions of the Corporations Act.

## 12.7 CUSTODY AGREEMENT

The Manager and the Custodian have entered into a custodian agreement ('Custodian Agreement') under which the custodial services are provided in respect of the Fund. The Custodian has agreed to, or warranted that it will, comply with the Corporations Act and relevant ASIC policy as they relate to its duties in respect of the assets of the Fund.

The Custodian indemnifies the Manager for loss or damage suffered by the Manager as a result of the Custodian breaching its obligations under the Custodian Agreement.

The Custodian must take out and maintain appropriate insurance cover for a provider of custodian services.

The Custodian must not effect any transactions involving Fund assets unless it has received proper instructions from the Manager.

The Custodian is to enter into contracts to purchase and hold the assets of the Fund (including property titles and leases) on the Manager's behalf. The Custodian's duties also include opening and maintaining bank accounts in such names as the Manager may direct to hold application money and other income (such as rent) of the Fund, and maintaining proper records and providing reports to the Manager. If properly instructed to do so by the Manager, the Custodian will enter into contracts relating to the assets of the Fund.

The role of the Custodian, as agent of the Manager, is limited to holding the assets of the Fund separate to the assets of the Manager. The Custodian is not responsible for the operation of the Fund and has no liability or responsibility for protecting the interests of investors. The Manager is responsible for ensuring that the Custodian has all the information and proper instructions it needs to carry out its obligations.

The Custodian Agreement continues until terminated. Either party may terminate the agreement on 60 days notice and in addition, upon the occurrence of a breach or an insolvency event, the Manager may immediately terminate the agreement.

The Custodian must act honestly and exercise all due care in carrying out its obligations under the Custodian Agreement.

## 12.8 DISTRIBUTION REINVESTMENT PLAN

Unitholders may elect to reinvest their income distribution entitlement in additional Units by indicating their intention to do so in Section 5 of the Application Form or vary or cancel their election to reinvest, by notifying the Manager in writing.

The price of the Units acquired through reinvestment of income will, subject to amendment by the Manager from time to time, be calculated in accordance with the Unit application price provisions of the Constitution but for the life of the Prospectus, unless varied in accordance with the Constitution will be \$2.00 or an issue price based on the Net Asset Value plus an allowance for transaction costs divided by the aggregate of the paid up proportion of each Unit on issue on the relevant day whichever is the higher.

## 12.9 ISSUE PRICE OF UNITS

The Manager must not issue a Unit except at an issue price determined in accordance with the Unit issue price provisions of the Constitution.

Subject to the specific provisions of the Constitution relating to the issue price of Units for pari passu rights issues, distribution reinvestment and placements the issue price of Units after the first issue will be:

- While Units are quoted on a market a price that is not less than 90% of the market price on the Business Day immediately prior to the date of issue; or
- During any period that Units are not quoted on a market, a price that is not less than:
  - (a) \$2.00; or
  - (b) the amount determined in accordance with the following formula:

$$IP = \frac{NAV + T}{U}$$

Where

IP = Issue Price

NAV = Net Asset Value

T = Transaction Costs; and

U = the aggregate of the paid-up proportion of each Unit on issue in the Fund on the relevant day; or

- (c) such other amount as determined by the Manager but which shall not be less than the amount in (a) or (b), whichever is higher.

## 12.10 APPOINTMENT OF AN AGENT

An Investor may appoint (in writing) an agent to act on his or her behalf in respect of their investment in the Fund.

If an agent is appointed the Manager will act in accordance with the instructions of the appointed agent until the appointment is withdrawn in writing by the Unitholder.

Investors wanting to appoint an agent should indicate their intentions by marking Section 6 on the Application Form.

## 12.11 OUR PRIVACY POLICY

When an Investor completes the Application Form for Units in the Fund, the Manager will be collecting personal information from the Investor. Whilst investing in the Fund, the Manager may collect additional personal information from Investors by other means.

The Manager needs to collect personal information from Investors for the primary purpose of providing investors with an investment in the Fund. There are also a number of related purposes for which the personal information will be used and these are to process applications, administer investments, manage the assets comprising an Investor's investments, and comply with Australian taxation laws.

It may be difficult for the Manager to provide an Investor with an investment in the Fund or process an application, if the Manager is not provided with all the information it requires.

The information that an Investor provides to the Manager may be disclosed to certain organisations. The types of organisations or persons to whom the Manager usually discloses the information provided by Investors include:

- the Australian Taxation Office and other Government bodies as required by law;

- the Investor's adviser or adviser dealer group (only with the consent of the Investor);
- any third party service provider engaged by the Manager to provide administration, custody, investment management, technology, auditing, mailing or printing services.

If Investors have any questions about the personal information we collect they can call or write to the Manager. The Manager's contact details can be found on the inside back cover of the Prospectus. If an Investor wishes to access personal information about themselves which is held by the Manager, they should write to the Manager.

#### 12.12 FINANCIAL SERVICES REFORM ACT

The Financial Services Reform Act (the 'FSR Act') was recently passed by the Federal Parliament and has an announced commencement date of 11 March 2002, and a transition period of up to two years for industry participants to comply with most aspects. The FSR Act will make significant changes to the existing regulatory requirements for the financial services industry including licensing, disclosure and the introduction of a 14 day cooling off period in certain circumstances. This cooling off period does not apply to funds which are not liquid (as defined in the Corporations Act) and in certain limited situations, such as if the issue is made under a distribution reinvestment plan, or represents additional contributions required under an existing agreement.

The Manager does not expect any of these reforms to have a material impact on the Fund or its Unitholders during the life of the Prospectus with the exception of the introduction, from 11 March 2002 of an obligation on the Manager to confirm transactions as soon as practicable after they occur.

#### 12.13 CONSENT OF EXPERTS AND OTHER PARTIES

The following persons and companies have given, and at the date of lodgement of the Prospectus have not withdrawn, their consents.

- the auditor, Smith, Peacock and Henshaw, consent to being named in the form and context in which they are named;
- the custodian and registrar, Sandhurst Trustees Limited, consents to being named in the form and context in which it is named;
- the broker to the Offer, Austock Brokers Pty Ltd, consents to being named in the form and context in which it is named;
- the valuer, LandMark White (Qld) Pty Ltd, consents to being named in the form and context in which it is named;
- the valuer, Urbis Pty Ltd, consents to being named in the form and context in which it is named.

Each of these parties advise intending Investors that:

- its involvement in the preparation of the Prospectus is limited to the preparation of those parts of the Prospectus which are set out above and below;
- the giving of its consent to being named in the Prospectus and the inclusion of statements (if any) in the form and context in which those statements are included should not be taken as an endorsement of the Fund or a recommendation of any participation by intending Investors; and
- there are no assurances or guarantees whatsoever in respect of either the successful operation or performance of the Fund.

## 12.14 DISCLOSURE OF INTERESTS

Except as disclosed in the Prospectus:

- no expert or any firm in which any expert is a partner; and
- no-one who is named as having provided advice in connection with the preparation or distribution of the Prospectus, or any firm of which such person is a partner or director,

has any interest in the promotion or formation of the Fund or the offer of Units.

No payment has been made (or agreed to be made) or benefit given (or agreed to be given) to such person or firm save as disclosed below.

### Specifically:

- The Manager is the promoter of the Fund and has entitlements to remuneration and reimbursement of expenses permitted by the Constitution (refer Section 10). Since the inception of the Fund, the Manager has received acquisition fees of \$459,000 (plus GST) and management fees of \$90,002 (plus GST);
- The directors and shareholders of the Manager and their respective related parties may participate in the Fund by subscribing for Units, but have no other interests in the Manager, the Fund or interests associated with them except as disclosed in the Prospectus (refer Section 8);
- Rodney M. Keown, William E. Bessemer and Martin E. Ryan, each of whom is a director of the Manager, hold or have interests in shares in companies that have interests in the Manager (refer Section 8) and hold Units;
- William E. Bessemer is a director of Austock whose fees are set out in Section 10.3. Since the inception of the Fund Austock has received (gross) underwriting fees of \$627,500 (plus GST).

- The Custodian and registrar has the entitlements to remuneration and reimbursement of expenses permitted by the Constitution (refer Section 10.2);
- LandMark White (Qld) Pty Ltd valued the 2001 and 2002 Assets for the Manager for a fee of \$42,318 (plus GST); and
- Urbis Pty Ltd valued the properties owned by CIB for the Manager for a fee of \$28,375 (plus GST).

## 12.15 DIRECTORS' CONSENT

Each director of the Manager authorises the issue of the Prospectus and consents, for the purpose of section 720 of the Corporations Act, to its lodgment with ASIC.

Dated this 14th day of December 2001

## HOW TO COMPLETE THE APPLICATION FORM

Please complete the Application Form in **BLOCK LETTERS** and sign where indicated.

### 1. APPLICANT'S DETAILS

It is important that names should be entered correctly, in line with the following examples:

Type of Investor	Completing Section 1	Example of Correct Form
<b>Individual</b>	Complete your individual details with full name	John Peter Smith
<b>Joint</b>	Complete details of both Investors as Investor A Investor B	John Peter Smith Jennifer Marie Jones
<b>Partnership</b>	Provide partner's personal names, plus partnership name	John Peter Smith Jennifer Marie Jones <Smith Jones Partners>
<b>Corporations</b>	Use full Company name and provide the ACN or ABN	XYZ Pty Ltd ABN 00 123 456 789
<b>Trusts</b>	Use name of Trustee plus name of the Trust	John Peter Smith <Smith Family Trust A/C>
<b>Superannuation Funds</b>	Use name of Trustee and name of the Fund	XYZ Pty Ltd ABN 00 123 456 789 <Super Fund A/C>
<b>Persons under 18 years of age</b>	Use name of Parent/Guardian	John Peter Smith <Kylie Jane Smith A/C>

Please ensure that an address for correspondence and a telephone number where the Applicant may be contacted during business hours, are provided.

### 2. INVESTMENT AMOUNT

The minimum investment is \$5,000 with investments after the first \$5,000 being in increments of \$1,000.

### 3. SIGNING THE APPLICATION FORM

Joint applications must be signed by all parties. Applications by a company must be signed by:

- two directors of the company; or
- a director and company secretary of the company; or
- if the company is a proprietary company that has a sole director who is also the sole company secretary – that director.

Applications made on behalf of those under the age of 18 must be signed by the parent/guardian under whose name the application is being made.

**Balance of "How to Complete the Application Form" over.**

**4. TAX FILE NUMBER (TFN)**

Please provide your TFN or give the appropriate exemption details. You are not obliged to supply your TFN but if you do not, tax may be taken out of your distribution entitlement at the highest marginal tax rate plus Medicare levy (currently 48.5%). The collection of TFNs is authorised by taxation laws.

By quoting your TFN you authorise the Manager to apply it in respect of all your investments with the Manager. If you want to quote for some investments but not for others, please let the Manager know.

**5. INCOME DISTRIBUTION INSTRUCTIONS**

You may choose to have your monthly income distribution automatically reinvested in additional units in the Fund (refer Distribution Reinvestment Plan Section 12.8).

**OR**

Credited to your nominated Australian Bank, Building Society or Credit Union account.

If distributions are to be credited to your nominated Australian Bank, Building Society or Credit Union account full details of your account and BSB number should be provided along with a copy of a blank deposit slip to ensure the accuracy of the details provided. The BSB number is the six digit number on cheque and deposit forms which identifies your bank and branch.

**6. AGENT**

If you are appointing an agent to act on your behalf in respect of your investment in the Fund, complete this section.

**7. ADVISERS/BROKERS**

Should complete their details and sign and stamp the Application Form.

**8. LODGING THE APPLICATION**

Upon completion, Applicants should forward the Application Form together with a cheque drawn on an Australian Bank in Australia and crossed "Not Negotiable" and made payable to "**Sandhurst Trustees Limited – ASIF**" to:

**Ceramic Funds Management Limited**

**Level 8, 350 Collins Street**

**Melbourne, Victoria, 3000**

**Telephone:** (03) 8601 1111

**Facsimile:** (03) 9642 8270

**Email:** ceramic@ceramicfm.com.au

**or:**

**Ceramic Funds Management Limited**

**Reply Paid 2245**

**MELBOURNE VIC 8060**

Reply paid envelope enclosed

This page has been left blank intentionally.

## APPLICATION FORM

Please use BLOCK LETTERS

Please complete the Application Form in accordance with the instructions and attach your cheque crossed 'NOT NEGOTIABLE' and made payable to

'Sandhurst Trustees Limited - ASIF'

and forward to:

Ceramic Funds Management Limited  
Reply Paid 2245  
MELBOURNE VIC 8060

### 1 Applicant(s)

#### INVESTOR A

TITLE	GIVEN NAMES	SURNAME
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#### INVESTOR B

TITLE	GIVEN NAMES	SURNAME
-------	-------------	---------

#### INVESTOR C

TITLE	GIVEN NAMES	SURNAME
-------	-------------	---------

#### COMPANY/TRUSTEE

COMPANY NAME
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COMPANY/TRUSTEE	ACN/ABN
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ADDRESS
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SUBURB/TOWN	STATE	POSTCODE
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#### CONTACT TELEPHONE

PRIVATE	BUSINESS
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Do you wish to receive a copy of the Fund's Annual Report each year?  NO  YES

### 2 Applicant(s)

Minimum Initial Application \$5,000. Minimum additional amounts in \$1,000 increments.

Cheques payable to "Sandhurst Trustees Limited – ASIF".

#### CHEQUE DETAILS

DRAWER, BANK AND BRANCH	A \$
-------------------------	------

DRAWER, BANK AND BRANCH	A \$
-------------------------	------

### 3 Signature(s)

**Important: Before signing this Application Form, you should read the Prospectus. I/We, the Applicant:**

- Have read the Prospectus dated 14 December 2001 to which this Application Form was attached and want to apply for the Units in the Fund.
- Declare that the details given in this Application Form are true and correct.
- This application is made upon and subject to the terms and conditions of the Prospectus dated 14 December 2001.
- Agree to be bound by the terms and provisions of the Constitution of the Fund, as may be amended from time to time in the future.
- Authorise the Manager to complete or amend this Application Form where necessary to correct any error or include any omission.
- Authorise the Manager to disclose to the person whose stamp appears above information relating to any investment that results from this Application.
- Understand that no Units will be issued on the basis of the Prospectus after 13 January 2003.
- Am/Are 18 years of age or older.

**This Application Form must not be handed on unless attached to a copy of the Prospectus.**

#### SIGNATURE(S)

INVESTOR A	INVESTOR B (if applicable)	INVESTOR C (if applicable)	DATE
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COMPANY SEAL	Executed by the applicant Company by using signed by:		
	SOLE DIRECTOR/SOLE SECRETARY	DATE	
	DIRECTOR/SECRETARY	DATE	

### 4 Tax File Number (TFN)

The collection of TFN is authorised by law. It is not an offence if you choose not to quote your TFN. However, unless you supply your TFN or claim an exemption, tax may be taken out of your distribution at the highest marginal tax rate (plus Medicare Levy) in order for the Manager to meet taxation law requirements.

#### ARE YOU EXEMPT FROM QUOTING YOUR TFN?

##### IF YES GIVE REASON (PLEASE TICK)

- I receive an **Age, Service, Invalid** or **Veteran's Pension** (please circle)
- I receive a **Wife, Carer, Widow, Sole Parent** or **Special Benefit Pension** (please circle)
- I am a **Territory resident** or **non-resident** of Australia (please circle)
- I am a **child under 16 years and earn less than \$420 per year**
- I represent an **entity not required to lodge a tax return** (eg association) - Please supply supporting documentation

#### IF NO PLEASE INSERT YOUR TFN IN THE APPROPRIATE CATEGORY

PERSONAL	INVESTOR A	INVESTOR B (if applicable)	INVESTOR C (if applicable)
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PARTNERSHIP OR COMPANY			
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TRUST ACCOUNT	
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## 5 Income Distribution Instructions

I/We request that my/our income distributions be automatically reinvested in additional units in the Fund:

YES

OR

Electronically credited into my/our Australian Bank/Building Society/Credit Union account, the details of which are shown below.

Note: to ensure the correct account details are recorded, please attach a blank deposit slip of your nominated account.

BANK BRANCH CODE (BSB NO)	ACCOUNT NUMBER		
ACCOUNT NAME			
FINANCIAL INSTITUTION			
FULL ADDRESS			
SUBURB/TOWN		STATE	POSTCODE

## 6 Agent

ARE YOU AN APPOINTED AGENT?

NO  YES

AGENT'S NAME
SIGNATURE

## 7 Advisors/Brokers (complete if applicable)

Only licensed investment advisers, stock brokers and other approved persons are entitled to receive brokerage.

<b>ADVISOR'S GROUP</b>	ADVISOR'S GROUP			
<b>ADVISOR'S NAME</b>	ADVISOR'S GROUP			
	ADDRESS			
	SUBURB/TOWN		STATE	POSTCODE
<b>TELEPHONE</b>	TELEPHONE			
<b>FACSIMILE</b>	FACSIMILE			
<b>E-MAIL</b>	E-MAIL			
<b>SIGNATURE</b>	SIGNATURE		DATE	
<b>OFFICE USE ONLY</b>	UNIT PRICE	UNIT ISSUED	TRANSACTION NUMBER	
	ISSUE DATE	INVESTOR NUMBER	INPUT	AUDIT
			DATE	

## APPLICATION FORM

Please use BLOCK LETTERS

Please complete the Application Form in accordance with the instructions and attach your cheque crossed 'NOT NEGOTIABLE' and made payable to

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Ceramic Funds Management Limited  
Reply Paid 2245  
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### 1 Applicant(s)

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TITLE	GIVEN NAMES	SURNAME
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#### INVESTOR B

TITLE	GIVEN NAMES	SURNAME
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#### INVESTOR C

TITLE	GIVEN NAMES	SURNAME
-------	-------------	---------

#### COMPANY/TRUSTEE

COMPANY NAME
--------------

COMPANY/TRUSTEE	ACN/ABN
-----------------	---------

ADDRESS
---------

SUBURB/TOWN	STATE	POSTCODE
-------------	-------	----------

#### CONTACT TELEPHONE

PRIVATE	BUSINESS
---------	----------

Do you wish to receive a copy of the Fund's Annual Report each year?  NO  YES

### 2 Applicant(s)

Minimum Initial Application \$5,000. Minimum additional amounts in \$1,000 increments.

Cheques payable to "Sandhurst Trustees Limited – ASIF".

#### CHEQUE DETAILS

DRAWER, BANK AND BRANCH	A \$
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DRAWER, BANK AND BRANCH	A \$
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- Agree to be bound by the terms and provisions of the Constitution of the Fund, as may be amended from time to time in the future.
- Authorise the Manager to complete or amend this Application Form where necessary to correct any error or include any omission.
- Authorise the Manager to disclose to the person whose stamp appears above information relating to any investment that results from this Application.
- Understand that no Units will be issued on the basis of the Prospectus after 13 January 2003.
- Am/Am/Am 18 years of age or older.

**This Application Form must not be handed on unless attached to a copy of the Prospectus.**

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INVESTOR A	INVESTOR B (if applicable)	INVESTOR C (if applicable)	DATE
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COMPANY SEAL	Executed by the applicant Company by using signed by:		
	SOLE DIRECTOR/SOLE SECRETARY	DATE	
	DIRECTOR/SECRETARY	DATE	

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#### ARE YOU EXEMPT FROM QUOTING YOUR TFN?

##### IF YES GIVE REASON (PLEASE TICK)

- I receive an **Age, Service, Invalid** or **Veteran's Pension** (please circle)
- I receive a **Wife, Carer, Widow, Sole Parent** or **Special Benefit Pension** (please circle)
- I am a **Territory resident** or **non-resident** of Australia (please circle)
- I am a **child under 16 years and earn less than \$420 per year**
- I represent an **entity not required to lodge a tax return** (eg association) - Please supply supporting documentation

#### IF NO PLEASE INSERT YOUR TFN IN THE APPROPRIATE CATEGORY

PERSONAL	INVESTOR A	INVESTOR B (if applicable)	INVESTOR C (if applicable)
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PARTNERSHIP OR COMPANY			
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TRUST ACCOUNT	
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OR

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Note: to ensure the correct account details are recorded, please attach a blank deposit slip of your nominated account.

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ACCOUNT NAME				
FINANCIAL INSTITUTION				
FULL ADDRESS				
SUBURB/TOWN			STATE	POSTCODE

## 6 Agent

ARE YOU AN APPOINTED AGENT?

NO  YES

AGENT'S NAME
SIGNATURE

## 7 Advisors/Brokers (complete if applicable)

Only licensed investment advisers, stock brokers and other approved persons are entitled to receive brokerage.

ADVISOR'S GROUP

ADVISOR'S GROUP
-----------------

ADVISOR'S NAME

ADVISOR'S NAME
----------------

ADDRESS
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SUBURB/TOWN	STATE	POSTCODE
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TELEPHONE

TELEPHONE
-----------

FACSIMILE

FACSIMILE
-----------

E-MAIL

E-MAIL
--------

SIGNATURE

SIGNATURE	DATE
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OFFICE USE ONLY

UNIT PRICE	UNIT ISSUED	TRANSACTION NUMBER		
ISSUE DATE	INVESTOR NUMBER	INPUT	AUDIT	DATE

# Corporate Directory

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## **Manager**

Ceramic Funds Management Limited  
ABN 29 094 185 092

## **Registered Office**

Level 8, 350 Collins Street  
Melbourne VIC 3000  
Tel: (03) 8601 1111  
Tax: (03) 9642 8270  
email: ceramic@ceramicfm.com.au

## **Directors of the Manager**

Rodney M. Keown  
Managing Director

William E. Bessemer

Martin E. Ryan

## **Custodian and Registrar**

Sandhurst Trustees Limited  
ABN 16 004 030 737  
Level 1, 410 Collins Street  
Melbourne VIC 3000

## **Auditor of the Fund and the Manager**

Smith Peacock and Henshaw  
10 Powlett Street  
East Melbourne VIC 3002

## **Broker to the Offer**

Austock Brokers Pty Ltd  
ABN 51 053 513 438  
Level 1, 350 Collins Street  
Melbourne VIC 3000  
Tel: (03) 8601 2000  
Fax: (03) 9600 1138  
Toll Free: 1800 806 362  
Email: info@austock.com.au  
Internet: www.austock.com.au

