

Australian Social Infrastructure Fund

ARSN 094 614 874

2003 PROSPECTUS

Prospectus No. 3

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

IMPORTANT NOTICE

This replacement Prospectus dated 16 September 2002 replaces the Prospectus which was lodged with the Australian Securities and Investments Commission on 2 September 2002.

This replacement Prospectus is dated 16 September 2002 and expires on 1 October 2003.

No units will be issued on the basis of the Prospectus before 17 September 2002 or after the expiry date. A copy of this replacement Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC). ASIC takes no responsibility for its contents.

The responsible entity 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 after 17 September 2002 via the internet site of the broker to the Offer (Austock Brokers Pty Ltd) 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.

This Prospectus is printed on a paper that contains a minimum of 50% recycled fibre and a minimum of 15% post consumer waste.

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Section 1

Definitions

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 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 4.2.2).

Constitution

The Constitution of the Fund dated 21 September 2000 as amended from time to time.

Corporations Act

The Corporations Act 2001 (Commonwealth).

CPI

Consumer Price Index (Capital Cities).

Custodian or Sandhurst

Sandhurst Trustees Limited ABN 16 004 030 737.

DRP

Distribution reinvestment plan.

2001 Facility

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.

2002 Facility

The variable balance and interest rate, come and go facility of (up to) \$5,000,000 provided by the Financier that the Fund uses to smooth its capital inflows (Application Monies) and outflows (asset acquisition costs).

Financier

The Australian bank that has provided loan facilities to the Custodian (refer 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 which through 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 when it is completed and leased. The Fund has an option to acquire up to a 44% interest in IIF (refer 4.2.3.1).

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 open on 17 September 2002 and close no later than the expiry date of the Prospectus.

Prospectus, 2003 Prospectus

This prospectus and where applicable any supplementary or replacement prospectus.

2001 Assets

The 25 property ABC leased day care centre portfolio and 15% interest in the CIB Fund owned by the Fund (refer 4.2.1).

2002 Assets

The eleven ABC leased day care centres acquired by the Fund between 10 January and 27 July 2002.

2003 Assets

The up to a 44% interest in IIF that the Fund has an option to acquire any ABC leased day care centres that the Fund acquires in the period from 1 September 2002 to 30 June 2003 (refer 4.2.3).

Units or Ordinary Units

The fully paid, ordinary units offered in the Prospectus for \$2.20 each.

Value of Assets

The gross assets of the Fund.

Section 2

Investment Objectives, Background Purpose and Benefits of the Offer

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 long dated leases with net cashflows that are periodically reviewed by reference to a regularly published index, such as the CPI, or increased by fixed increments, to provide 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

The Fund was established in March 2001 after an underwritten initial public offering (IPO), in which 6,275,000 units were offered through its first prospectus to Australian investors at \$2.00 each.

The Fund invests in social infrastructure.

The Fund settled the acquisition of its seed assets that were the freeholds of 25 day 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 purchase price of that portfolio was \$22.97 million.

The Fund leased or leased back the acquired centres to ABC Learning Centres Limited (ABC) on a fully repairing portfolio lease agreement for 20 years. Under this lease, rentals are payable monthly in advance by a single payment and revised annually by reference to the Consumer Price Index (CPI).

ABC is a specialist operator of day care centres. It is a listed public company that commenced trading with one centre in 1988, has traded profitably since that time, and currently operates over 90 centres.

The listing of ABC's shares on the Australian Stock Exchange coincided with the Fund's acquisition of its initial assets. ABC's shares listed at \$2.00 and at the date of the Prospectus were trading at over \$14.00 and the company had a market capitalisation of approximately \$218 million.

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

In June 2001 the Fund acquired, with borrowings (CIB Facility), a 15% interest in the CIB Fund for \$3.67 million.

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

The purchase price for the CIB Fund portfolio at the time the Fund acquired its 15% interest was \$46.7 million.

Details of that portfolio are contained in section 4.2.2.

In November 2001 the Manager:

- undertook 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 agreements that gave the Fund options to acquire four additional ABC leased centres and up to a 44% interest in the Indexed Income Fund (IIF), which is a special purpose, unlisted, wholesale Fund established by the Manager to acquire the Gold Coast Hospital support facilities project (GCH Project) that Leighton Properties Pty Ltd are undertaking on behalf of the Queensland Department of Health.

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 (refer 4.2.3.1).

The GCH Project comprises:

- a four level office building that at practical completion is to be leased to the Queensland Department of Health for 25 years. Practical completion is expected to be 30 June 2003;
- an adjoining 860 bay public car park that Leighton propose to lease to an appropriately experienced and capitalised operator of public car parks.

Rental under the proposed leases of the office building and car park are to be reviewed annually by reference to the CPI.

The Gold Coast Hospital is a major public facility of 500 beds.

In January 2002, the Fund issued its second prospectus (the 2002 Prospectus) in which fully paid ordinary units were offered to existing and new unitholders at \$2.10 each.

The purpose of the 2002 Prospectus was to raise at least \$9.24 million that would be used to enable the Fund to:

- exercise the options it had negotiated to acquire four additional ABC leased centres and the proposed interest in IIF; and
- retire fifty percent of the \$3,750,000 loan facility that it had drawn down to acquire its interest in the CIB Fund (the CIB facility).

Over \$15 million was raised through the 2002 Prospectus and the oversubscriptions were utilised to retire all of the CIB facility and fund the acquisition of seven additional ABC leased centres.

Purpose of the Offer

The purpose of the offer contained in this Prospectus is to raise the capital that will enable the Fund to:

- exercise its option to acquire an interest in IIF (refer 4.2.3.1);
- through the option arrangement that it has with ABC, acquire up to twenty-two additional ABC leased centres (refer 4.2.3.3); and
- retire all or part of the 2002 Facility that may be drawn down.

It is the Manager's intention that at least 6,700,000 Units are issued through the Prospectus (to raise \$14,740,000) which, with 50% of the 2002 Facility and a new facility of \$14.02 million (refer 7.2), will enable the Fund to fulfil the purpose of the Offer. The gearing level of the Fund at 30 June 2003 is estimated to be approximately 42%.

For the purposes of the investment forecasts contained in Section 6 of the Prospectus it is assumed that the above objectives will be completed by 30 June 2003, although if the Offer raises insufficient capital for the Fund to complete all or any of these objectives, the cents per unit distribution forecasts shown in Section 6.1 will not change.

Benefits of the Offer

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 – by sector and geographically.** Through the Fund's investment in IIF which will give it exposure to the health services and public carpark sectors and its investment in ABC leased centres that are situated in localities that do not compete with the Fund's existing centres;
- **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.

Section 3

Statement of Values and Key Features of Offer

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 AND EQUITY TO BE RAISED UNDER THE PROSPECTUS At least 6,700,000 fully paid, Ordinary Units at \$2.20 to raise \$14,740,000. 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, will enhance its investment objectives.

3.2 FUND BORROWINGS, GEARING RATE INTEREST COVER As at 30 June 2002 the Fund had borrowings of \$12.9 million, a gearing rate of approximately 35% and an interest cover rate of 2.95 times.

3.3 FORECAST DISTRIBUTION YIELD AND TAX ADVANTAGED PORTION

		Year to 30 June			
	2003	2004	2005	2006	
Distribution per unit ¢	21.00	21.53	22.06	22.61	
Yield to 2003 Prospectus Investors	9.55%	9.78%	10.03%	10.28%	
Average Yield to 30 June 2006				9.91%	
Estimated Tax Free and Deferred Portion	17.88%	16.52%	12.96%	9.72%	
Yield to IPO Prospectus Investors	10.50%	10.76%	11.03%	11.31%	
Yield to 2002 Prospectus Investors	10.00%	10.25%	10.51%	10.77%	

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

3.4 INCOME DISTRIBUTION Fund income that the Manager has determined is to be distributed is credited to Unitholders' bank, building society or credit union accounts on the 21st day of each month (or, if they have elected to participate in the Fund's distribution reinvestment plan, reinvested in additional Units [refer 3.5]).

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 and Application Monies.

3.5 DISTRIBUTION REINVESTMENT PLAN Unitholders may elect to reinvest their income distributions in further Units whilst the the Fund's distribution reinvestment plan (DRP) is operative.

The price of DRP Units issued whilst the Prospectus is current will be \$2.10. 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.

3.6 FUND MANAGER, RESPONSIBLE ENTITY	Ceramic Funds Management Limited ABN 29 094 185 092.
3.7 FUND CUSTODIAN AND REGISTRAR	Sandhurst Trustees Limited ABN 16 004 030 737.
3.8 APPLICATION OF FUNDS	<p>The Manager proposes that the Fund utilises the capital raised under this Prospectus to:</p> <ul style="list-style-type: none"> • acquire the 2003 Assets for an estimated consideration of \$32.53 million plus acquisition costs; and • retire all or part of the (up to) \$5 million 2002 Facility.
3.9 LIFE OF THE FUND	<p>The Fund is a public unit trust 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. If units in the Fund are not quoted on a market, the Fund will continue to operate until 6 March 2011, which is the tenth anniversary of the first allotment of Units (refer 4.3).</p>
3.10 FUND NOT LIQUID	<p>There is no facility for Units to be redeemed from the capital of the Fund or bought back by the Manager or any other party. However, Unitholders may transfer Units to other investors at any time in the normal manner.</p> <p>The Manager is investigating the options that are available to the Fund to establish or participate in a market on which Units may be listed and if so, whether it would be in the best interests of Unitholders for Units to be quoted on that market.</p> <p>The Fund's cashflows from which its distribution forecasts are derived make allowance for the estimated cost of such a listing.</p> <p>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 4.3).</p>
3.11 MINIMUM APPLICATION	<p>\$5,000 with investments after the first \$5,000 being in increments of \$1,000. Applicants may apply for whole or round numbers of units (provided that the sum of Application Monies exceeds \$5,000).</p>
3.12 MANAGER'S ANNUAL FEE INCLUDING PROPERTY MANAGEMENT	<p>The management fee is 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 plus GST on the management fees less the input tax credits that the Fund receives in respect of the 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.</p>

3.13 CUSTODIAN'S ANNUAL FEE	0.05% (plus GST) of the Value of Assets, payable quarterly in arrears.
3.14 BROKER TO THE OFFER	Austock Brokers Pty Ltd ABN 51 053 513 438.
3.15 ELECTRONIC PROSPECTUS	An electronic version of the Prospectus may be accessed via the internet site of the Broker to the Offer (www.austock.com.au). Any person accessing the electronic version of the 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.
3.16 INVESTOR COMMUNICATIONS	Investors applying for Units receive a letter acknowledging receipt of their application, and within five Business Days of acceptance and allotment of Units, a transaction statement. Unitholders 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 important developments relating to the Fund.
3.17 CLOSING DATE	No units may be issued under the Prospectus after the expiry 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?

The Fund is a 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:

Education	universities, schools.
Health	hospitals, medical centres.
Housing	aged care (hostels, nursing homes), retirement villages, government administered housing projects including defence and state housing.
Community	water and sewerage treatment plants, day care centres, police and fire stations, courthouses, sports and self storage complexes, ambulance depots.
Transport	railway and bus stations, airports, public 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 of the sector 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 and hospitals; 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 delivery of the services being provided from the properties.

During and since the 1990's, Australian governments and private providers of community services have been selling, and investors purchasing/developing and owning and leasing back social infrastructure assets including:

- leasing airports (nationally);
- ambulance depots (NSW);
- police stations, court houses (Victoria);
- defence housing (nationally);
- hospitals (nationally);
- university campus facilities (Victoria); and
- schools (NSW).

The Victorian, Tasmanian, New South Wales and Queensland state governments have templated formats under which the private sector is invited to develop and own hard and social infrastructure assets for use by those governments.

The investment programs that are established under these standardised formats are sometimes referred to as Public Private Partnerships (PPPs) or Private Funding Initiatives (PFIs).

Hard and social infrastructure assets are generally acquired or built by the private sector under four basic 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 is a non-trading, tax transparent entity that does not undertake any of the risks associated with the provision of the services delivered from the assets it acquires and only participates in BOT or BOL type transactions where the asset is leased to the service provider on a long term basis.

Under a BOT transaction the builder/buyer typically transfers the asset to the lessee/service provider at the end of a long term lease and the cashflows received 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.

4.2 FUND ASSETS

4.2.1 2001 Assets

The non-cash assets of the Fund at the date of the Prospectus comprise 36 ABC leased freeholds in Queensland and Victoria and a 15% interest in the CIB Fund which owns the freeholds of nine 24 hour police stations and two substantial law court complexes in Victoria. The CIB Fund properties are leased to the State of Victoria.

The details of these assets are continued in 4.2.1.1 and 4.2.2.

4.2.1.1 ABC Leased Freeholds

Location	Address	Land Area m ²	Bldg Area m ²	Licensed Places	Annual Rental \$	Purchase Price \$	Valuation (1) \$	Valuation Date	Acquisition Date
Queensland									
Albany Creek	640 Albany Creek Road	962	450	65	91,466	780,000	740,000	12-Dec-01	10-Jan-02
Ashgrove	22 Trout Street	2,152	740	126	160,871	1,365,000	1,370,000	5-Sept-00	16-Mar-01
Aspley	792 Zillmere Road	2,020	425	74	90,748	795,000	800,000	5-Sept-00	16-Mar-01
Bargara	115 Hughes Road	8,147	808	75	86,250	750,000	750,000	20-May-02	28-Jun-02
Boondall	73 Zillmere Road	11,350	1,075	167	186,652	1,600,000	1,600,000	22-Aug-00	16-Mar-01
Burleigh Waters	2 Silvabank Drive	2,000	488	82	98,998	840,000	900,000	22-Aug-00	16-Mar-01
Burpengary	10 Station Road	4,067	1,050	145	166,027	1,435,000	1,440,000	14-Sept-00	16-Mar-01
Capalaba	39 Holland Court	1,872	514	74	88,685	795,000	780,000	7-Sept-00	16-Mar-01
Carindale	86 Bridgnorth Street	1,614	370	60	86,250	750,000	750,000	14-Jun-02	12-Jul-02
Crestmead	1 Third Avenue	5,838	1,000	158	163,965	1,320,000	1,260,000	22-Aug-00	16-Mar-01
Eight Mile Plains	81 Holmead Road	2,006	604	74	94,873	800,000	760,000	12-Sept-00	16-Mar-01
Ellen Grove	10 Forest Lake Boulevard	5,375	1,117	134	166,750	1,450,000	1,430,000	12-Dec-01	15-Feb-02
Gaven 1	54 Santa Isobel Drive	3,200	778.1	100	132,250	1,150,000	1,120,000	12-Dec-01	10-Jan-02
Gaven 2	2 Manra Way	3,471	778.1	100	132,250	1,150,000	1,120,000	14-Mar-02	6-Mar-02
Helensvale	111 Mildura Drive	1,400	400	62	77,342	570,000	570,000	22-Aug-00	16-Mar-01
Helensvale North	7 Wandilla Drive	915	260	43	46,405	350,000	360,000	22-Aug-00	16-Mar-01
Helensvale	106 Helensvale Road	2,310	711	82	98,998	840,000	870,000	22-Aug-00	16-Mar-01
Inala	55 Poinsettia Street	3,751	880	110	143,750	1,250,000	1,250,000	4-Jun-02	28-Jun-02
Indooroopilly	26 Witton Road	2,169	494	92	113,435	990,000	1,000,000	5-Sept-02	16-Mar-01
Jindalee	102 Burrendah Road	2,164	416	74	83,375	725,000	725,000	16-May-02	28-Jun-02
Kallangur North	167 Duffield Road	1,610	504	75	87,654	760,000	730,000	13-Sept-02	16-Mar-01
Kallangur West	1517 Anzac Avenue	4,267	548	75	87,654	710,000	700,000	13-Sept-02	16-Mar-01
Kallangur	52 Duffield Road	3,575	592	92	113,435	990,000	1,000,000	13-Sept-02	16-Mar-01
Labrador	120 Olsen Avenue	2,412	430	83	98,998	840,000	820,000	22-Aug-00	16-Mar-01
Monterey Keys	182 Monterey Keys Drive	2,246	546	75	85,385	720,000	720,000	22-Aug-00	16-Mar-01
Morayfield	1-5 Ridgegarden Drive	2,180	525	75	87,654	680,000	700,000	14-Sept-00	16-Mar-01
North Lakes	Lot 710 Discovery Drive	2,984	494	92	113,435	990,000	1,000,000	22-Feb-01	16-Mar-01
Regents Park	18-20 Redgum Drive	1,577	357	60	86,250	750,000	750,000	7-Jun-02	12-Jul-02
Tarragindi	43 Pope Street	1,195	467	74	87,654	760,000	760,000	7-Sept-00	16-Mar-01
Thornlands	39 Osprey Drive	2,066	442	75	87,654	760,000	760,000	7-Sept-00	16-Mar-01
Tingalpa	18 Bognor Street	2,768	667	75	97,750	850,000	850,000	24-Jun-02	26-Jul-02
Kirwan	14 Burnda Street	3,233	840	131	169,379	1,400,000	1,400,000	26-Sept-00	16-Mar-01
Kirwan, Willows	104 Golf Links Drive	3,335	527	74	90,748	760,000	780,000	26-Sept-00	16-Mar-01
Upper Coomera	10 Jemima Place	13,780	1,445	139	196,853	1,711,765	1,710,000	20-Mar-02	5-Apr-02
Wishart	6 Boyanda Street	2,491	622	75	83,014	700,000	780,000	12-Sept-00	16-Mar-01
Victoria									
Eltham	816 Main Road	2,406	668	120	144,372	1,200,000	1,200,000	26-Sept-00	16-Mar-01
Totals						34,286,765			

Note (1) LandMark White Brisbane Pty Ltd

4.2.1.2 ABC Lease Summary

Each ABC leased asset is the subject of a separate portfolio lease. The lease 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 or in some instances 10 years plus a 10 year put and call option which effectively gives the Fund a 20 year initial term if it so requires.

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 leases of the 2001 Assets.

- The lessee pays all outgoings associated with the operation of the properties including statutory charges (other than land tax in Queensland).

4.2.1.3 ABC Learning Centres Limited

Overview

ABC is an ASX listed specialist operator of private day care and education businesses in Australia. The company operates over 90 centres.

Its shares listed on the ASX in March 2001 at \$2.00 and on the date of the Prospectus were trading at over \$14.00. Its current market capitalisation is approximately \$218 million. The trading price of ABC's shares is published in 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 ABC 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 of such premises. 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 expanded its operations into Western Australia, New South Wales and South Australia during the 2001/2002 financial year and the Manager anticipates that under the option arrangement that it has with ABC (refer 4.2.1.4) there will be opportunities for the Fund to invest in new centres in those states during the 2002/2003 financial year that will be leased to ABC on the terms of the template portfolio lease agreement that the Fund has with that company (refer Lease Summary 4.2.2.1 and 4.2.3).

ABC Training College

Through ABC's 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 day care and education in a class room environment for persons wanting to become qualified day 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.

4.2.1.4 ABC Option Arrangement

The Fund has an arrangement with ABC under which it has an option to acquire the freehold of any day care centre that is leased to ABC (or ABC intends leasing) if the freehold is available for purchase and ABC controls the site (typically through a first right of refusal or similar covenant that is contained in an existing lease or business purchase agreement).

Options to purchase centres under this agreement will be exercised by the Manager only. If properties meet the Fund's benchmarks in respect of location, number of licensed places, projected patronage and income, physical condition and valuation (as determined by an independent, formally qualified and suitably experienced valuer).

4.2.2 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.

4.2.2 CIB Fund Assets cont.

Location	Address	Land Area m ²		Bldg Area m ²	Annual Rental (3) \$	Purchase Price \$	Valuation (4) \$	Valuation Date
Dandenong	34-50 Langhorne St	17,458	(1)	4,321	1,246,300	12,725,200	12,672,317	1-May-01
			(2)	2,915				
Frankston	15 Fletcher Rd	11,914	(1)	4,683	957,900	9,766,750	9,776,991	1-May-01
			(2)	2,156				
Moorabbin	1011-1013 Nepean Hwy	9,070	(1)	4,208	746,750	8,034,375	7,685,295	1-May-01
Melton	243-245 Station Rd	7,959	(1)	2,153	314,150	2,880,650	2,960,559	1-May-01
Keilor Downs	Sunshine Avenue	5,000	(1)	1,669	262,650	2,416,900	2,430,959	1-May-01
Narre Warren	4 Lauderdale Rd	3,619	(1)	1,824	285,310	2,589,400	2,673,886	1-May-01
Mill Park	151 Centenary Dve	6,173	(1)	2,052	303,850	2,781,700	2,798,506	1-May-01
Craigieburn	155-165 Craigieburn Rd	4,006	(1)	1,283	180,250	1,659,900	1,639,204	1-May-01
Wangaratta	1 Handley Street	8,103	(1)	3,766	526,639	4,042,500	4,409,639	1-May-01
Totals					4,823,799	46,897,375	47,047,356	

(1) 24 hour police station

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

(2) Law court complex

(4) Urbis Pty Ltd

4.2.2.1 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 one 5 year option.
- The annual rental increases by 3% on 1 December 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.

4.2.3 2003 Assets

The assets that the Manager intends the Fund acquires during the life of the Prospectus are as follows:

4.2.3.1 Indexed Income Fund Units – The Gold Coast Hospital Support Facilities Project (the GCH Project)

The Fund has an option that may be exercised at any time up until the practical completion of the GCH Project to acquire up to a 44% unitholding in the Index Income Fund. Practical completion is expected to be 1 July 2003.

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). IIF's commitment to acquire the completed project is subject to Leighton satisfying a number of preconditions relating to the car park component of the project.

The GCH Project is a Queensland government sponsored, build, own and transfer (BOT) scheme that a Leighton led consortium successfully tendered for 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. Under the agreement that the Manager has with Leighton, that company must arrange for the car park to be sub-leased to an appropriately capitalised and experienced operator of public carparks for a minimum initial period of 10 years before IIF unconditionally commits to the acquisition.

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.

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 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 (Brisbane) 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 would otherwise have been applied to the acquisition of an interest in IIF will be used to retire all or part of Facility Two.

4.2.3.2 Lease Summary

Office Building

- 25 year lease term.
- Lessor to pay outgoing and operating costs.
- Lessee re-carpet and re-paints.
- 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 outgoing and operating costs.
- Annual CPI rental reviews.
- At expiration of the 40 year ground lease period, ownership of the improvements reverts to the freehold owner (State of Queensland).

Gold Coast Hospital Support Facilities Project cont.

Office Building

Lessee	Ground Lease Area m ²	Ground Lease Term	Proposed Commencing Net Annual Rental \$	Net Lettable Area m ²	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
Carpark							
	4,477	40 years	Year 1 – 1,020,000	860 Bays	Minimum	12,780,000	Annual CPI
			Year 2 – 1,220,000		10 Years		After Year 2
Totals						21,300,000	

4.2.3.3 ABC Leased Freeholds 2003

The Manager's investment forecasts (refer 6) assume that between the date of the Prospectus and 30 June 2003 the Fund will acquire eighteen additional ABC leased centres on the terms of the template portfolio agreement that the Fund has with that company (refer 4.2.1.2).

It is further assumed that:

- the timing of those acquisitions will be spread equally through the period;
- the average purchase price of each centre (excluding acquisition costs) will be \$1,100,000 (excluding GST); and
- the Fund will acquire the properties with an approximate mix of 50% equity raised through the Prospectus and 50% with long term, fixed interest borrowings (refer 7.2).

4.3 FUND NOT LIQUID

There is no facility for Units to be redeemed from the capital of the Fund or bought back by the Manager or any other party. However, Unitholders may transfer Units to other investors at any time in the normal manner.

The Manager is investigating the options that are available to the Fund to establish or participate in a market on which Units may be listed and if so, whether it would be in the best interests of Unitholders for Units to be quoted on that market.

The Fund's cashflows from which its distribution forecasts are derived, make allowance for the estimated cost of such a listing.

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.

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

- are never listed on a market the Fund will be wound-up by 6 March 2011, which is 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

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 14, 45 William Street
MELBOURNE VIC 3000

Telephone: (03) 9611 5600

Facsimile: (03) 9611 5611

Email: ceramic@ceramicfm.com.au

or:

Ceramic Funds Management Limited
Reply Paid 414

COLLINS STREET WEST VIC 8007

in the enclosed reply paid envelope,
with a cheque made payable to:

Sandhurst Trustees Limited – ASIF.

The issue price of each Unit is \$2.20.

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.

Applicants may apply for whole or round numbers of units (provided that the sum of Application Monies exceeds \$5,000).

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/all 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 \$2.20) that may be created from an accepted Application will be retained in the Fund.

A written confirmation of the number of Units issued 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

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

Applicants should 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 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.

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 are 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 the terms and conditions under which they were issued. Ordinary Units were the only units on issue at the date of the Prospectus.

5.4 INVESTOR COMMUNICATIONS

Applicants receive a letter acknowledging the receipt of each Application. Applicants who are allotted Units 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 have all/surplus Application Monies returned to them with a letter of explanation, a copy of which is forwarded to any broker or financial planner whose stamp is affixed to the Application Form.

Unitholders 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/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 contained in Section 6.1 and based on the underlying assumptions outlined below.

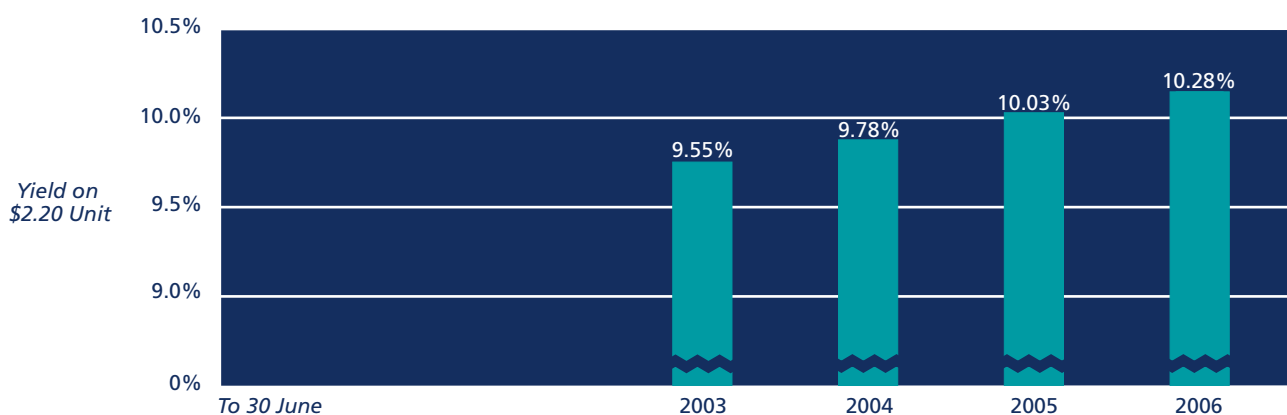
Applicants should note that these forecasts are made on the basis that the Fund:

- continues to own its existing assets (refer 4.2.1) and acquires the 2003 Assets (refer 4.2.3) by 30 June 2003;
- as at 30 June 2003 has ongoing borrowings of approximately \$29.42 million; and
- as at 30 June 2003 has approximately 21.88 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) that further the investment objectives of the Fund; and potential investors should note that forecasts are likely to change if such additional assets are acquired or further decreases (or increases) in Fund borrowings are effected.

6.1 FORECAST DISTRIBUTION SUMMARY

	Year to 30 June			
	2003	2004	2005	2006
Distribution per unit ¢	21.00	21.53	22.06	22.61
Yield to 2003 Prospectus Investors	9.55%	9.78%	10.03%	10.28%
Average Yield to 30 June 2006				9.91%
Estimated Tax Free/Deferred Portion	17.88%	16.52%	12.96%	9.72%
Yield to IPO Prospectus Investors	10.50%	10.76%	11.03%	11.31%
Yield to 2002 Prospectus Investors	10.00%	10.25%	10.51%	10.77%



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

6.2 CASHFLOW AND DISTRIBUTION

Year to 30 June	Note	2003 \$	2004 \$	2005 \$	2006 \$
Income					
	1				
Net Rental Income 2001 and 2002 ABC Acquisitions	2	4,051,092	4,152,370	4,256,179	4,362,584
Distribution CIB Fund	3	330,075	330,075	330,075	330,075
Net Rental Income 2003 ABC Acquisitions	2	1,795,414	3,470,285	3,557,043	3,645,969
Distribution Indexed Income Fund	4	75,681	360,386	415,140	428,424
Interest on Cash at Bank	5	58,756	86,966	112,939	141,943
Total Income		6,311,018	8,400,082	8,671,376	8,908,995
Expenses					
Audit and accounting	6	30,000	30,750	31,519	32,307
Legal	6	30,000	30,750	31,519	32,307
Fund, Property Mngt @ 1% Gross Assets	7	537,787	726,989	752,836	780,065
Property Condition Audit	6	15,000	30,000	30,750	31,519
Registry, Distribution	6	30,000	30,750	31,519	32,307
Printing	6	20,000	20,500	21,013	21,538
Compliance, Accounting	6	10,000	10,250	10,506	10,769
Custodian Fee	8	26,889	35,745	36,996	38,323
Revaluation/Valuation	6	15,000		40,000	
Interest	9	1,606,104	2,085,821	2,085,821	2,085,821
Miscellaneous	10	60,000	51,250	52,532	53,845
Total Expenses		2,380,780	3,052,805	3,125,011	3,118,801
Net Income		3,930,239	5,347,278	5,546,367	5,790,196
Distribution	11	3,736,929	4,711,159	4,831,238	4,954,613
Cents per Unit		21.00	21.53	22.06	22.61
Yield on Capital Subscribed under 2003 Prospectus		9.55%	9.78%	10.03%	10.28%
Average Yield to 30 June 2006					9.91%
Estimated Tax Deferred Portion of Income		17.88%	16.52%	12.96%	9.72%
Yield on Capital Subscribed under 2002 Prospectus		10.00%	10.25%	10.51%	10.77%
Yield on Capital Subscribed under IPO Prospectus		10.50%	10.76%	11.03%	11.31%

In preparing the above forecasts, the Manager has made the following assumptions. Investors should be aware that while the Manager considered 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 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. This was the weighted median of consumer prices measures issued by the Reserve Bank of Australia for the year ended June 2002 and the Manager considers its use is reasonable as it is also the criteria for the Fund's child care centre property lease reviews. Refer 6.4 for sensitivity matrix showing affect of changes in the CPI.*
 - (c) *It is assumed that \$14,740,000 is raised through the Offer and is available to the Fund to settle the acquisition of 2003 Assets, and the 2002 Facility of up to \$5,000,000 will be drawn down to an average of fifty percent for the period of the forecasts. Variations to the timing of the receipt of funds from the Offer and the acquisition of the 2003 Assets and/or the drawn balance of the 2002 Facility will have an immaterial affect 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. *Manager's estimate of distributions from the CIB Fund including estimated net annual property based income received by that fund. Where, under the provisions of underlying lease agreements, that net annual property based income would be 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.*
4. *Manager's estimate of distributions from the IIF Fund, assuming the option (refer 4.2.3.1) is exercised and practical completion of the Gold Coast Hospital support facilities occurs on or about 30 June 2003. Includes the estimated net annual property based income or interest income received by that fund.*
5. *Interest earned on the Fund's estimated average cash at bank at a rate of 4% per annum. This is the Manager's estimate based on 2001/2002 financial year experience for the Fund's banking arrangements. These banking arrangements have been in place since inception of the Fund in March 2001, the Manager considers the banking arrangements will continue to be made available on these terms from the Fund's existing bankers during the forecast period or would be available from other Australian financial institutions.*
6. *Manager's estimate based on 2001/2002 financial year experience.*
7. *Calculated in accordance with the Fund's Constitution as up to 1% (plus GST) of the Value of Assets. The value of the existing and 2003 Assets is assumed to increase at the assumed inflation rate of 2.5% per annum.*
8. *Calculated in accordance with the Custodian's fee rate.*
9. *Calculated using the rate applying to the Fund's 2002 Facility (refer 7.1) as at 1 August 2002, including margin and line fee (6.41%), plus a contingency of 10% which the Manager believes is appropriate for possible fluctuations in interest rates during the forecast period, bringing the total rate used up to 7.05% per annum.*
10. *Includes miscellaneous operating expenses (Manager's estimate based on 2001/2002 financial year experience is \$30,000 for 2003 financial year, increasing annually at CPI – note 2). While no assurance is given by the Manager that Units will be quoted on a market (refer 4.3), also includes Manager's allowance for estimated costs of a listing (\$30,000 for 2003 financial year) and listing fees in subsequent years (\$20,500 for 2004 financial year, increasing annually at CPI – note 2).*
11. *The Fund distributes income on the 21st day of each month or on the next following business day.*

6.3 Forecast Pre-tax Yield Equivalents after Allowance for Tax Free/Deferred Portions of Distribution

Unitholder's Marginal Tax Rate %	Notes	Year to 30-Jun-03 %	Year to 30-Jun-04 %	Year to 30-Jun-05 %	Year to 30-Jun-06 %
15	(1)	9.85%	10.07%	10.26%	10.46%
18.50	(2)	9.93%	10.15%	10.32%	10.51%
30.00	(3)	10.28%	10.48%	10.59%	10.71%
31.50	(2)	10.33%	10.53%	10.63%	10.74%
34.00	(2)	10.42%	10.62%	10.70%	10.79%
43.50	(2)	10.86%	11.03%	11.03%	11.05%
48.50	(2)	11.15%	11.31%	11.25%	11.22%

Notes:

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

6.4 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 also shows the impact on the forecast average yield if the actual inflation rates for the forecast periods are 0% or 5% per annum.

Annual Change In CPI	Commencement Yield	Forecast Average 4 Year Yield to 30 June 2006
0%	9.55%	9.55%
2.50%	9.55%	9.91%
5%	9.55%	10.29%

6.5 TAX FREE/DEFERRED INCOME

Under present taxation laws a portion of the income distributed by the Fund will be tax free and/or 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 and equipment 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 1	Year to 30-Jun-03 \$	Year to 30-Jun-04 \$	Year to 30-Jun-05 \$	Year to 30-Jun-06 \$
Net Income	2	3,930,239	5,347,278	5,546,367	5,790,196
Deductible Expenditure					
2001 and 2002 ABC acquisitions	3	281,084	281,084	281,084	281,084
CIB Fund	3	218,307	210,744	181,996	160,634
2003 ABC acquisitions	3	239,352	462,634	462,634	462,634
Indexed Income Fund (refer note 4, section 6.2)	3	75,681	383,798	339,476	336,565
Borrowing Expenses	4	76,038	76,038	76,038	76,038
Gross Deductions		890,462	1,414,298	1,341,228	1,316,955
Undistributed income (distribution from capital)		222,393	636,119	715,129	835,583
Net Deductions		668,069	778,180	626,100	481,372
Taxable Income		3,262,170	4,569,098	4,920,267	5,308,824
Forecast Distribution	5	3,736,929	4,711,159	4,831,238	4,954,613
Tax Free/Deferred Component of Distribution	6	17.88%	16.52%	12.96%	9.72%

Notes:

- (1) It is assumed the settlement of the Fund's acquisition of the 2003 Assets, and the 2002 Facility is only 50% (\$2,500,000) drawn down at 30 June 2003.
- (2) Net Income as shown in the "Cashflow and Distribution" schedule (refer 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 equipment 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) The Fund's estimated distributable income shown in Section 6.1.
- (6) The estimated percentage of Unitholders' distributions which will be tax free and/or tax deferred.

6.6 SOURCE AND APPLICATION OF FUNDS 1 JULY 2002 TO 30 JUNE 2003

Source	\$
Capital raised under 2002 Prospectus and 2003 Prospectus	19,990,000
First month's rental 2003 ABC Acquisitions	268,701
2002 Facility (50% of)	2,500,000
2003 Facility	14,019,198
Fund Reserves	642,864
	37,420,763
Application	\$
Purchase Price 2003 ABC Acquisitions	28,038,395
Purchase Price IIF Units	4,488,000
GST on 2003 ABC Acquisitions	2,011,760
ABC Project Management Fees	269,576
Stamp Duty (calculated on land component of 2003 ABC acquisitions only)	490,477
Due Diligence/Legal/Valuation/Accounting	180,000
Asset Acquisition Fees	560,768
Printing, Advertising	80,000
Loan Establishment Fees and Associated Legal Costs	165,192
Miscellaneous Mortgage Registration/Stamp Duty and other Settlement Costs	18,000
Broker to the Issue Fee @1 %	199,900
Brokerage Austock Advisers @ 3%	479,760
Brokerage CFM Advisers @ 3%	176,880
GST on Offer Establishment Costs (excluding properties)	262,055
	37,420,763

6.7 PROFORMA BALANCE SHEET

As at 30 June 2003 – assuming the settlement of the Fund's acquisition of the 2003 Assets and drawdown of fifty percent of 2002 Facility.

Assets	Notes	\$
2001 Assets (Investment Properties)	(1)	24,566,646
2002 Assets (Investment Properties)	(2)	9,442,738
2003 Assets (Investment Properties)	(3)	29,435,781
Units - Indexed Income Fund		4,488,000
Units - CIB Fund		3,667,500
Cash at bank		1,647,604
Prepaid Expenses	(4)	567,345
Receivables	(5)	33,813
Total Assets		73,849,427
Liabilities		
Payables		10,000
Borrowings		29,419,198
Provision for distribution		392,597
Total Liabilities		29,821,795
Net Assets		44,027,633
Number of Units		21,882,178
Net Assets per Unit		2.01
Unitholders' Equity		
Subscribed capital	(6)	45,861,722
Reserves		103,198
Fund establishment costs, issue and capital raising expenses written off	(7)	-2,189,410
Net Unitholders' Equity		43,775,510
The net tangible assets per Unit calculation includes the 2001 Assets, 2002 Assets and 2003 Assets at their carrying value in the accounts of the Fund and the CIB Fund and Indexed Income Fund units at their acquisition/proposed acquisition cost. See notes (1), (2) and (3) below.		
Notes		
		\$
(1) 2001 Assets (including acquisition costs)		24,566,646
(2) 2002 Assets (including acquisition costs)		9,442,738
(3) 2003 Assets (including acquisition costs)		29,557,216
(4) Prepaid expenses - interest, borrowing costs		567,345
(5) Receivables – Distribution Due		33,813
(6) 7,608,520 Units issued at \$2.00		15,217,040
7,573,658 Units issued at \$2.10		15,904,682
6,700,000 Units issued at \$2.20		14,740,000
21,882,178 Units		45,861,722
(7) Capital raising costs – IPO prospectus		726,674
Capital raising costs – 2002 Prospectus		526,196
Capital raising costs – 2003 Prospectus		
Brokerage	856,540	
Printing and advertising	80,000	936,540
		2,189,410

Section 7

Fund Borrowings

7.1 EXISTING BORROWINGS

At the date of the Prospectus the Fund had two borrowing facilities.

2001 Facility – A five-year fixed-interest facility of \$12,900,000, that was used to assist the Fund to acquire the 2001 Assets. This facility was drawn down on 16 March 2001 and the 2001 Assets were mortgaged to the Financier at that time.

2002 Facility – A variable balance and interest rate come and go facility that the Fund uses to smooth its capital flows (Unit Application Monies) and outflows (asset acquisition costs). Five additional ABC leased centres were mortgaged to the Financier when this facility was established.

The gearing rate of the Fund on 30 June 2002 was approximately 35%.

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.

7.2 FUTURE BORROWINGS

At the date of the Prospectus, the gearing level of the Fund is lower than the level preferred by the Manager given the current low inflation/interest rate environment.

It is the Manager's intention therefore to approximately match each dollar of equity raised under the Prospectus and used to acquire ABC leased freeholds (refer 4.2.3.3) with a dollar of additional long term, fixed interest borrowings (2003 Facility).

The Manager's investment forecasts (refer 6) assume that at 30 June 2003:

- the borrowings profile of the Fund will be as follows:

	\$
2001 Facility, 5 year fixed rate	12,900,000
2002 Facility, short term variable rate	2,500,000
2003 Facility, 5 year fixed rate	<u>14,019,198</u>
	<u>29,419,198</u>

- the Value of Assets at that time will be approximately \$70.28 million and that therefore the gearing rate of the Fund will be approximately 42%; and
- the terms of the facility agreement that formalises the 2003 Facility will be similar to the facility agreement that formalises the 2001 Facility.

7.3 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 return on equity; 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 and ultimately its investors.

The opposite will apply if assets decrease in value.

Section 8

The Manager

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 30 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 and is a Fellow of the Australian Property Institute.

William E. Bessemer

Bill 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 is a non-executive director of Timbercorp Limited, Stockford Limited and ABC.

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 commenced employment in stockbroking in 1972.

He joined the Funds Management division of Australian Eagle Insurance in 1976 and soon after was appointed Investment Manager.

In 1980 he returned to broking through McCaughan Dyson, and started their Fixed Interest operations. These activities grew organically, and through merger activity and by the late 1980's Martin was Director of Capital Markets for that company and was responsible for more than one hundred employees that were located 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.

He has a Bachelor of Commerce degree.

Section 9

Risks and Risk Management

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 cover the Fund for loss of income that may result from the damage, or the destruction of, a Fund asset 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 effectively. The Manager has no control over such happenings; and
- the turnover of Units on any market on which they may be listed. An excessive or small trading volume could adversely affect investor sentiment and cause price movements that are unrelated to the values of the Fund's underlying 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 sell 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 current long term borrowings 2001 Facility have a fixed rate of interest for five-years. There is no guarantee that the Manager will be able to refinance that loan or that the interest rate will not increase at the end of the initial five-year period.

Any increase in the interest rate payable on Fund borrowings 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. If there is a default in paying such interest, the Financier may be entitled to enforce its security.

Ongoing borrowings of \$29,419,198 will give the Fund an estimated gearing level of approximately 42% when the acquisition of the 2003 Assets and the draw down of the proposed 2003 facility are 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 3.45 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 their 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 provision of child care, 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 day 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 program that the Manager undertakes when considering the acquisition of assets, the Manager engages, and receives written reports from, in its view, suitably qualified and experience experts (experts) in respect of the following physical characteristics of such assets:

- 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 is 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

10.1 MANAGER'S FEES

The Manager is entitled to receive:

- an acquisition fee of up to 2% (plus GST) of the value of any asset acquired by the Fund;
- a management fee calculated as up to 1/12 of 1% (plus GST) of the Value of Assets payable monthly in arrears;
- 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 its 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 whilst on Fund business;
- 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;
- 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, 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

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 it.

11.1 DISTRIBUTION POLICY

The Constitution requires that (at least) 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 sends 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 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 are 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/Deferred Components of Income

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

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

Tax deferred amounts are attributable to the deductions allowed in respect of the building allowance and the depreciation of plant and equipment that may apply to 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 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 by a like sum.

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

12.1 FINANCIAL INFORMATION

The Fund is created by a constitution deed poll dated 21 September 2000, and settled the acquisition of its seed assets on 16 March 2001.

The 'Statement of Financial Position' and 'Statement of Cashflows' from the Fund's 30 June 2002 Financial Report are as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	2002 \$	2001 \$
Current Assets		
Cash Assets	1,097,499	108,447
Other	438,490	459,790
Total Current Assets	1,535,989	568,237
Non-current Assets		
Investments	37,676,884	28,074,746
Total Non-current Assets	37,676,884	28,074,746
Total Assets	39,212,873	28,642,983
Current Liabilities		
Payables	292,967	96,392
Provisions	216,706	67,233
Total Current Liabilities	509,673	163,625
Non-current Liabilities		
Interest-bearing Liabilities	12,900,000	16,650,000
Total Non-current Liabilities	12,900,000	16,650,000
Total Liabilities	13,409,673	16,813,625
Net Assets	25,803,200	11,829,358
Equity		
Contributed Unit Capital	25,774,117	11,829,358
Distribution Reserve	29,083	–
Total Equity	25,803,200	11,829,358

STATEMENT OF CASHFLOWS AS AT 30 JUNE 2002

	2002 \$	2001 \$
Cashflows from Operating Activities		
Receipts	3,391,865	816,340
Interest received	44,789	22,701
Borrowing costs	(1,182,717)	(777,657)
Payments to suppliers	(329,170)	(34,356)
Net Cash Provided by Operating Activities	1,924,767	27,028
Cashflows from Investing Activities		
Purchase of Investments	(9,527,629)	(28,074,746)
Net Cash used by Investing Activities	(9,527,629)	(28,074,746)
Cashflows from Financing Activities		
Proceeds from borrowings	–	16,650,000
Proceeds from issue of units	13,865,365	11,823,326
Repayment of Borrowings	(3,750,000)	–
Distributions paid to Unit holders	(1,523,451)	(317,161)
Net Cash used by Financing Activities	8,591,914	28,156,165
Net Increase in Cash held	989,052	108,447
Cash at beginning of period	108,447	–
Cash at end of Period	1,097,499	108,447

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 ABC Option Arrangement

The principal terms and conditions of the option arrangement that the Manager has with ABC are summarised in Sections 4.2.1.4.

12.3.2 Leases

The principal provisions of the leases that apply to any ABC leased properties that the Fund owns or may acquire, the CIB Fund's assets and to the proposed IIF assets are summarised in 4.2.1.2, 4.2.2.1 and 4.2.3.2.

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 constitution deed poll dated 21 September 2000. 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, has 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
- 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:

- undertakes the ongoing management and administration of the Fund;
- issues any prospectuses that offer interests in the Fund for issue to investors;
- processes Unit applications and accounts to the Custodian for Application Monies;
- within the parameters of the Fund's Authorised Investments (refer 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 advices, 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 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 trusts (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 the 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 have been adopted by the Manager to enable it to comply 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 Manager's operation of the Fund.

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.

If properly instructed to do so by the Manager, the Custodian is required 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 Monies and Fund income (such as rent), and the maintenance of proper records and the provision of reports to the Manager.

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 in respect of its investment performance. 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 \$2.10. The Constitution also specifies the issue price may be 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.

The price of Units issued under the Prospectus will be \$2.20 and \$2.10 for DRP Units.

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') which was effective from 11 March 2002, has a transition period of two years from that date during which time participants in the financial services sector must comply with most aspects of the Act.

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) such as the Fund and in certain limited situations, such as if an 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.

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 Brisbane Pty Ltd, consents to being named in the form and context in which it is named, and to the inclusion of the valuations of the ABC leased freeholds in 4.2.1.1 in the form and context in which they are included;
- the valuer, Urbis Pty Ltd, consents to being named in the form and context in which it is named, and to the inclusion of the valuations of the CIB Fund assets in 4.2.2 in the form and context in which they are included.

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 in the 2 years prior to 1 September 2002 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 10). The Manager received acquisition fees of \$703,483 (plus GST) and management fees of \$303,124 (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 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 8) and hold Units;

- William E. Bessemer is a director of Austock whose fees are set out in Section 10.3. Austock received (gross) fees of \$853,005 (plus GST).
- The Custodian's entitlement to remuneration and reimbursement of expenses permitted under the Constitution is described in 10.2;
- LandMark White Brisbane Pty Ltd valued the 2001 and 2002 Assets for the Manager and was paid fees of \$56,450 (plus GST); and
- Urbis Pty Ltd valued the properties owned by CIB Fund in May 2001 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 lodgement with ASIC.

Dated this 16th day of September 2002.

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

Applicants may apply for whole or round numbers of units (provided that the sum of Application Monies exceeds \$5,000).

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 person.

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.

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 12.8 – Distribution Reinvestment Plan).

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 14, 45 William Street

MELBOURNE VIC 3000

Telephone: (03) 9611 5600

Facsimile: (03) 9611 5611

Email: ceramic@ceramicfm.com.au

or:

Ceramic Funds Management Limited

Reply Paid 414

COLLINS STREET WEST VIC 8007

Reply paid envelope enclosed

This page has been left blank intentionally.

BROKER STAMP

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 414
COLLINS STREET WEST
VIC 8007

1 Applicant(s)

INVESTOR A

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

INVESTOR B

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

INVESTOR C

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

COMPANY NAME

COMPANY NAME	ACN/ABN
--------------	---------

ACCOUNT NAME

ACCOUNT NAME

ADDRESS

ADDRESS

SUBURB/TOWN	STATE	POSTCODE
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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 \$
-------------------------	------

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

3 Signature(s)

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

- Have read the Prospectus dated 16 September 2002 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 16 September 2002.
- 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 1 October 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.

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:		
	DIRECTOR/SOLE DIRECTOR AND 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)

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

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:

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

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

ARE YOU AN APPOINTED AGENT?

NO

YES

AGENT'S NAME

SIGNATURE

7 Advisers/Brokers (complete if applicable)

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

ADVISER'S GROUP

ADVISER'S GROUP

ADVISER'S NAME

ADVISER'S NAME

ADDRESS

ADDRESS

SUBURB/TOWN

STATE

POSTCODE

TELEPHONE

TELEPHONE

FACSIMILE

FACSIMILE

E-MAIL

E-MAIL

SIGNATURE

SIGNATURE

DATE

OFFICE USE ONLY

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

'Sandhurst Trustees Limited – ASIF'

and forward to:

Ceramic Funds Management Limited
Reply Paid 414
COLLINS STREET WEST
VIC 8007

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 NAME

COMPANY NAME	ACN/ABN
--------------	---------

ACCOUNT NAME

ACCOUNT NAME

ADDRESS

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 \$
-------------------------	------

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

3 Signature(s)

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

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- 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 16 September 2002.
- 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 1 October 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.

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	DIRECTOR/SOLE DIRECTOR AND SOLE SECRETARY	DATE	
	DIRECTOR/SECRETARY	DATE	

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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**
- I receive a **Wife, Carer, Widow, Sole Parent or Special Benefit Pension**
- I am a **Territory resident or non-resident** of Australia
- 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)
-----------------	------------	----------------------------	----------------------------

PARTNERSHIP OR COMPANY			
-------------------------------	--	--	--

TRUST ACCOUNT	
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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

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

ARE YOU AN APPOINTED AGENT?

NO

YES

AGENT'S NAME

SIGNATURE

7 Advisers/Brokers (complete if applicable)

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

ADVISER'S GROUP

ADVISER'S GROUP

ADVISER'S NAME

ADVISER'S NAME

ADDRESS

ADDRESS

SUBURB/TOWN

STATE

POSTCODE

TELEPHONE

TELEPHONE

FACSIMILE

FACSIMILE

E-MAIL

E-MAIL

SIGNATURE

SIGNATURE

DATE

OFFICE USE ONLY

UNIT PRICE

UNIT ISSUED

TRANSACTION NUMBER

ISSUE DATE

INVESTOR NUMBER

INPUT

AUDIT

DATE

Corporate Directory

Manager

Ceramic Funds Management Limited
ABN 29 094 185 092
Registered Office
Level 14, 45 William Street
Melbourne VIC 3000
Tel: (03) 9611 5600
Fax: (03) 9611 5611
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

