

3 February 2009

ASIF Fund Update

The Australian Social Infrastructure Fund (ASIF) provides the following update in relation to its exposure to ABC Learning Centres Limited (Administrators Appointed) (Receivers and Managers Appointed), repayment of the loan ASIF made to Api, ASIF's investment in the school development trusts and ASIF's distributions.

The emergence of the financial crisis and the subsequent negative flow-on effect which included slowing economic activity, declines in asset values and numerous corporate collapses dominated 2008. A number of economic forecasters expect this trend to continue for much of 2009. ASIF has not been immune from the challenges created by the financial crisis.

ABC Receivership

As previously advised ABC the tenant of ASIF's 56 childcare centres was placed in receivership on 6 November 2008. The table below summarises the status of ASIF's childcare centres as at 3 February 2009:

Category	Number of Centres
Retained by Receiver McGrath Nicol - staying open in 2009	42
Continue to operate with Government support until 31 March 2009 – PPB Receiver appointed	7
Closed centres	6
Not identified on lists published by the Receiver	1
Total	56

Centres Retained by the Receiver McGrath Nicol

These 42 centres were part of the 720 profitable centres which have been retained by McGrath Nicol, the Receiver of ABC. McGrath Nicol has indicated that these centres will remain open throughout 2009. Discussions with McGrath Nicol have indicated that they propose to stabilise the operating performance of the centres with the eventual aim of selling the ABC business to a new operator. ASIF has continued to be paid rent for all 42 centres under McGrath Nicol's control.

Centres which will continue to operate with Government support until 31 March 2009

These 7 centres are part of the 241 centres which are under the control of a second receiver PPB with whom we are in regular discussions. The Federal Government has undertaken to support these 241 centres until 31 March 2009.



PPB recently commenced a Public Expression of Interest Campaign (EOI) for the 241 centres which they control, 7 of which are owned by ASIF. PPB's EOI is targeted at potential alternate centre operators and is seeking final binding bids by mid February 2009. Prior to alternate operators identified by PPB becoming tenants of ASIF's 7 centres, ASIF's approval will be required. This approval cannot be unreasonably withheld. ASIF will work closely with PPB to ensure its interests are fully protected and any tenants introduced by PPB are appropriately experienced and have the financial capacity to meet their rental and other obligations under the ASIF leases.

Discussions with PPB have indicated that additional centres may be closed should occupancy levels decline and/or a low level of interest be received from potential alternate centre operators. Rent is currently being received by ASIF for these 7 centres. The closure of additional centres would further reduce ASIF's rental income and increase costs. Greater clarity around possible future closures should be available by 31 March 2009, when the Government's current support for these centres expires and the PPB sales process has been completed.

Closed Centres

Six ASIF centres have been closed by the Receivers of ABC and are vacant. As a result ASIF no longer receives rent from these centres and is now responsible for building outgoing rates, taxes, insurance and maintenance. ASIF will be responsible for these payments until the closed centres are either sold or leased.

The closure of the centres, the non payment of rent and the failure of ABC to meet other obligations under the ASIF leases are breaches of lease. ASIF has the ability to pursue ABC for losses suffered as a result of these breaches, however, any claim is likely to rank as an unsecured creditor of ABC. Although ASIF will pursue its claims, it is unlikely that ASIF will recover a significant portion of its loss.

A good level of enquiry has been received from parties who are interested in either purchasing or leasing several of the closed centres. After reviewing the options available to ASIF, it has been decided to sell or lease the closed centres via a public marketing campaign. The campaign is expected to commence in mid February 2009 and will ensure the best possible price or lease terms are achieved. The net proceeds from the sold centres will be used to reduce ASIF's debt. The 6 closed centres have a book value of approximately \$9 million.

ASIF's Northlakes centre was substantially damaged by fire on 20 October 2008 which resulted in ABC closing the centre. Repair works are currently in progress and the cost of the repairs are being paid by the insurance company. Initially this centre was placed under the control of PPB the Receiver of the Government supported centres. ASIF has subsequently advised that the Receiver proposes to surrender the lease of this property. As a result, once the centre is repaired it will be vacant. A marketing plan for this centre is currently being prepared.

Not Identified on Lists Published by Receiver

There is one childcare centre that has not been included on any of the lists published by the Receivers and the Receiver's intentions regarding this centre are unknown. Clarification of the Receiver's intentions is being sought.



Additional Expenses

ABC being placed in Receivership and the subsequent closure of centres, has resulted in ASIF receiving lower rental income and incurring additional costs. The additional costs include property rates, taxes, insurance and maintenance costs. Additional legal fees are also being incurred to ensure ASIF's interests are protected.

Repayment of the Loan to Api

The \$20 million loan from ASIF to Api was due to be repaid not later than 31 December 2008. Api repaid the loan by 31 December 2008. The loan was repaid via the transfer of all the securities owned by Api to ASIF. Acquiring the securities was deemed the best outcome for ASIF, as the alternative was for ASIF to force Api to sell the securities in the current depressed market. The sale of the securities in the required timeframe would have most likely resulted in ASIF receiving lower net proceeds from Api which would not have been in ASIF's best interest. Acquisition of the securities positions ASIF to benefit from any recovery in the price of the securities acquired. The securities were acquired on a yield of circa 13% which will enhance ASIF's future earnings. Acquisition of the securities by ASIF also provides the advantage of diversifying ASIF's income and asset base.

The prices which the securities were transferred was determined by Grant Thornton acting as an independent expert. Grant Thornton valued all of Api's securities at a total value of \$18 million. As a result, ASIF became entitled to acquire all of the securities owned by Api. As the total value of Api's investments was less than \$20 million owed, ASIF incurred a loss of approximately \$2 million. This loss was partially offset by ASIF becoming entitled to receive estimated distributions of \$630,000 which is payable by the securities acquired by ASIF on 31 December 2008. Further details regarding the repayment of the loan will be contained in ASIF's 31 December 2008 half year accounts which will be completed by mid March 2009.

The table below lists the securities acquired by ASIF from Api.

Property Security	No of Units
ASX Listed	
Australian Education Trust	14,730,980
Becton Convertible Notes	2,742,000
Timbercorp Primary Infrastructure Fund	1,975,000
BSX Listed	
Australian Property Growth Trust	3,886,792
Unlisted	
The Australian Social Infrastructure Fund	1,031,777
ABN Amro Social Infrastructure Trust	5,000,000
Stockland Direct Retail Trust No1	3,000,000

One million units in the ABN AMRO Social Infrastructure Trust have been redeemed and the net proceeds of \$927,000 have been applied towards reducing ASIF's debt. Over the medium term and as the market recovers, it is proposed to undertake the selective sale of certain securities. It is anticipated that the net proceeds from any sale of securities will be applied towards reducing ASIF's debt.



Schools

As previously announced, the Fund acquired a minority interest in three unlisted trusts which were formed to acquire and develop three private schools. The majority of the return from the Fund's investment in the three school trusts was expected to be via capital gains made on the sale of the schools. The ability of the school trusts to maximise proceeds on sale will depend upon many factors, including improvement in economic and capital markets throughout 2009/2010. The initial construction phase of two of the schools, Casey and Melton has been completed and both schools commenced operation. Construction of the third school at Penrith has been delayed and is currently under review.

Despite increasing student enrolments, the current challenging economic conditions have placed increased pressure on the operator's ability to obtain funding during the establishment phase of the two completed schools. As a result, there are currently on going discussions occurring between the school development trusts in which ASIF has invested and the operator of the schools. In particular, these discussions revolve around the operator's ability to meet their rent and other obligations under the respective leases. A further update will be provided when current discussions have been completed.

Distributions

Distributions from ASIF are currently suspended. In our letter to unitholders dated 18 November 2008, we advised management would review ASIF's distribution policy at the end of January 2009. At the time it was believed that there would be greater clarity around the most likely outcome of ABC being placed in Receivership and the subsequent effects on ASIF. Unfortunately there remains a substantial level of uncertainty around ABC including the possibility that additional centres may be closed, the level of demand from potential purchasers of the various components of ABC and the underlying profitability of those centres that remain open.

As a result and with a view to conservatively position ASIF in the current challenging economic times, we believe it is in the best interests of ASIF and its unitholders to continue the suspension of monthly distributions to unitholders until 31 March 2009. ASIF's distribution policy will be reviewed in April 2009 when there is expected to be greater clarity around the future of ABC and ASIF's childcare centres. The decision to suspend distributions will be continuously monitored.

The purpose of the suspension is to retain and build where possible cash reserves to provide against further potential negative events should they occur whilst ABC remains in Receivership. Suspension of the distribution will strengthen ASIF's financial position (assuming rent continues to be paid under the remaining operating centres) and improve ASIF's ability to meet future challenges.

Importantly, the suspension of the distribution should not be interpreted as a cancellation of the distribution. It is a pre-emptive and defensive position by which the longer term interests of the fund and its unitholders are better protected. A reforecast of ASIF's position once greater certainty returns should allow for the resumption of distributions.



31 December 2008 Half Year Accounts and Unitholder Communication

Accounts for the half year ending 31 December 2008 are currently being prepared for ASIF and are expected to be completed by early March 2009. Copies will be available on ASIF's website under Reports & Publications http://www.asifund.com.au/reports__publications.aspx and Net Tangible Asset figures will be available under Investor Relations http://www.asifund.com.au/investor_relations.aspx.

In these challenging times, management has implemented cost-saving measures to minimise the Fund's expenditure where possible. As previously advised, ASIF Fund Updates will be uploaded on ASIF's website and will also be sent to unitholders via email. We are committed to keeping ASIF's investors well informed and update our website as often as possible. I strongly encourage unitholders and advisors who have not provided their email address details to do so by sending your details to llossi@austock.com

Ian Townsing
Fund Manager

For further information contact:
Lula Lioffi
Investor Relations Manager
03 8601 2668