

# Appendix 4E

## Preliminary Final Report

### For the Year Ending 30 June 2012

#### Results for announcement to the market

Name of entity

**The Australian Social Infrastructure Fund**

ABN

68 718 364 889

#### 1. Details of the reporting period

This report details the results of The Australian Social Infrastructure Fund (the “Fund”) for the year ended 30 June 2012.

#### 2. Results for announcement to the market

					<b>\$A'000</b>
2.1	Revenue from ordinary activities	Down	27%	to	10,835
2.2	Profit (loss) from ordinary activities after tax attributable to unitholders	Down	67%	to	2,411
2.3	Net profit (loss) for the year attributable to unitholders	Down	67%	to	2,411
2.4	Distributions paid or declared by the Fund during the year ending 30 June 2011 are as follows:				
	<b>Period</b>	<b>Paid</b>	<b>Cents per unit</b>		<b>\$'000</b>
	Quarter ending 30 September 2011	20 Oct 2011	3.5		996
	Quarter ending 31 December 2011	20 Jan 2012	3.5		996
	Quarter ending 31 March 2012	20 Apr 2012	3.5		996
	Quarter ending 30 June 2012	20 Jul 2012	4.0		1,137
	<b>Total</b>		<b>14.5</b>		<b>4,125</b>
2.5	Record date for 30 June 2012 distribution – 29 June 2012				
2.6	Brief explanation of the figures reported above:				
	Refer to Directors Report in Annual Financial Report dated 15 August 2012				

#### 3. Income statement and notes

Refer to Annual Financial Report dated 15 August 2012

#### 4. Balance sheet and notes

Refer to Annual Financial Report dated 15 August 2012

**5. Cash flow statement and notes**

Refer to Annual Financial Report dated 15 August 2012

**6. Details of distributions**

Period	Paid	Cents per unit
Quarter ending 30 September 2011	20 October 2011	3.5
Quarter ending 31 December 2011	20 January 2012	3.5
Quarter ending 31 March 2012	20 April 2012	3.5
Quarter ending 30 June 2012	20 July 2012	4.0
Total		14.5

**7. Distribution Reinvestment Plan**

The Distribution Reinvestment Plan ("DRP") was suspended on 31 July 2007.

**8. Statement of retained earnings**

Refer to Annual Financial Report dated 15 August 2012

**9. Net tangible assets per unit**

	2012	2011
Net tangible asset backing per ordinary unit	\$2.26	\$2.28

**10. Details of entities over which control has been gained or lost during the year**

Nil to report.

**11. Details of associates and joint venture entities**

Not applicable.

**12. Other significant information**

Nil to report.

**13. Foreign entities**

Not applicable.

**14. Commentary on the results for the year**

**14.1 Earnings per security**

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012

**14.2 Returns to unitholders including distributions and buybacks**

There were no buybacks during the financial year (2011: nil).

**14.3 Significant features of operating performance**

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012

#### **14.4 Results of segments**

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012

#### **14.5 Discussion of trends in performance**

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012

#### **14.6 Factors which have affected the results in the year or which are likely to affect results in the future, including those where the effect could not be quantified**

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012

#### **15. Audit of financial statements**

The report is based on audited financial statements.

#### **16. Disputes with auditors or qualifications**

Nil

Signed:

A handwritten signature in black ink, appearing to read 'V. Cottren', with a long horizontal stroke extending from the bottom.

**Victor David Cottren**  
Chairman  
Dated: 15 August 2012



# The Australian Social Infrastructure Fund

ASX Announcement

15 August 2012

## ASIF Results for the Year Ended 30 June 2012

The Directors of Austock Funds Management Limited, the responsible entity for The Australian Social Infrastructure Fund ("ASIF or Fund"), today announced the results of the Fund for the year ended 30 June 2012.

### KEY HIGHLIGHTS SUMMARY

- o Distributable income of \$4.1 million, an increase of 17% on the previous corresponding period ("pcp").
- o Statutory profit of \$2.4 million compared to a profit of \$7.4 million in the pcp, primarily due to a net gain on sale of financial assets in the prior period of \$4.0 million.
- o Distribution paid to investors of 14.5 cents per unit, compared to 12.8 cents per unit in the pcp, an increase of 13%.
- o Distribution forecast for the year ending 30 June 2013 of 17 to 18 cents per unit, a forecast distribution increase on the pcp of approximately 20%.
- o Unit price has increased from \$1.40 at 30 June 2011 to \$1.79 at 30 June 2012, an increase of 28%.
- o Net tangible asset ("NTA") per unit of \$2.26.
- o Debt facility with ANZ renewed through to December 2014.
- o Gearing (borrowings / total assets) reduced to 35.6%.
- o Weighted average lease expiry ("WALE") at 30 June 2012 of 8.2 years with 100% occupancy across direct property portfolio.

### FINANCIAL SUMMARY

Financial position as at 30 June 2012 in comparison to the previous corresponding year:

As at 30 June	2012	2011	Variance %
Total revenue	\$10.5m	\$10.7m	stable
Total expenses	\$6.4m	\$7.2m	(12.5%)
Distributable income	\$4.1m	\$3.5m	17.1%
Distribution (cpu)	14.5	12.8	13.3%
Net profit	\$2.4m	\$7.4m	(67.6%)
Total Assets	\$103.0m	\$106.8m	(3.6%)
Investment Property	\$85.2m	\$86.8m	(1.8%)
Securities Portfolio	\$17.4m	\$17.5m	(0.6%)
Borrowings <sup>1</sup>	\$36.6m	\$40.1m	(8.7%)
Net Assets	\$64.4m	\$65.0m	(0.9%)
Gearing <sup>2</sup>	35.6%	37.5%	(1.9%)
NTA per unit	\$2.26	\$2.28	(0.9%)

### PORTFOLIO PERFORMANCE

Key portfolio performance criteria as at 30 June 2012 in comparison to the previous corresponding year:

As at 30 June	2012	2011
Annualised Net Rental Income	\$8.2m	\$8.1m
Property Yield – Early Learning	9.8%	9.5%
Property Yield – Commercial	9.0%	8.7%
Total Property Yield	9.6%	9.4%
Vacancy Rate	0%	0%
WALE (years)	8.2	8.4

<sup>1</sup> Borrowings includes cash overdraft

<sup>2</sup> Gearing is calculated by borrowings / total assets

## PORTFOLIO PERFORMANCE

The key portfolio highlights over the 2011-2012 period included.

- WALE of 8.2 years.
- 100% occupancy across direct property portfolio.
- Average lease rental increase (like for like) of 3.2% over FY12.
- 4% increase in value of 15 properties independently valued off-set by impairments to five properties and the APGF and SDRT1 securities.

## ASSET SUMMARY

ASIF's asset portfolio as at 30 June 2012 is summarised as follows:

As at 30 June 2012	No of Properties	Carrying Value \$m's	% of Total Portfolio	Current Rent (pa) \$m's	Passing Yield (%)
Early Learning Properties	49	68.5	67%	6.7	9.8%
Commercial Properties	2	16.7	16%	1.5	9.0%
<b>Total Properties</b>	<b>51</b>	<b>85.2</b>	<b>83%</b>	<b>8.2</b>	<b>9.6%</b>
		Carrying Value \$m's	% of Total Portfolio	Income (pa) \$m's <sup>3</sup>	Yield (%)
<b>Securities Portfolio</b>		<b>17.4</b>	<b>17%</b>	<b>1.0</b>	<b>6.0%</b>

The tenants of the Fund's early learning properties are: Goodstart Early Learning ("Goodstart") a consortium of the major not-for-profit groups which leases 42 of the properties; Leading Childcare; G8 Education (ASX:GEM); and Bright Horizons Australia Childcare. The commercial properties are tenanted by Guardian Storage and Primary Health (ASX: PRY). The leases are triple net, with strong covenants and with bank guarantees typically provided by the tenants for 6 months gross rent (total value of bank guarantees held is \$4.5 million).

Goodstart have elected to terminate 3 out of the 4 leases that were part of the early termination agreement effective December 2012. We are looking at finding the best possible solution; ie sale/lease of these 3 centres over the next 12 months.

## DEBT FUNDING

### Debt

During the year, the Fund renewed its existing debt facility with the Australia and New Zealand Banking Group Limited (ANZ). The renewed facility is for 3 years plus an option for a further one year period. The key commercial terms of the facility are as follows:

Facility Limit	\$35.65 million (fully drawn)
Facility Term	3 years from December 2011
Facility Maturity	December 2014, with an option for 1 further year exercisable at ASIF's election
Loan to Value Ratio	40.3% v covenant of 52.5% (value based on 100% of secured property values and 50% value of Australian Education Trust units)
Interest Cover Ratio	2.6 times v covenant of 1.60 times (EBITDA) measured on a yearly basis
Amortisation	No mandatory amortisation requirement whilst the LVR remains below 50%

As at 30 June 2012, the Fund complied with all of its debt covenant ratios and obligations.

<sup>3</sup> Based on FY12 distributions



During the year, the Fund entered into an overdraft facility with ANZ in order to more efficiently manage its working capital position. Key commercial terms of the facility are as follows:

Facility Limit	\$2 million
Drawn Amount	\$1 million as at 30 June 2012
Maturity Date	December 2014 with an option for 1 further year, exercisable at ASIF's election
Covenants	Same as debt facility

Debt reduced from \$40.1 million to \$35.7 million due to the sale of an investment property and more efficient cash management.

### Hedging Arrangements

The Fund hedges a proportion of its debt against movements in interest rates. The hedging is undertaken pursuant to an interest rate hedging policy approved by ASIF's Board and ANZ. The policy aims to provide an appropriate balance between limiting the affect of adverse interest rate movements and providing some flexibility to capture competitive rates. Hence, a staggered periodic approach to hedging has been adopted with an emphasis on reducing volatility in short term forecast earnings. Management has progressively increased the amount hedged during the last year subsequent to September 2012. The hedging position of the Fund as at 30 June 2012 is:

Period	Hedged Amount ('000)	Hedged Rate (pa)	% Hedged
<b>FY13</b>			
<i>July 2012 - September 2012</i>	<i>35,000</i>	<i>5.70%</i>	<i>98%</i>
<i>September 2012 - June 2013</i>	<i>20,000</i>	<i>3.86%</i>	<i>56%</i>
July 2012 - June 2013 (weighted average)	23,750	4.54%	67%
<b>FY14</b>			
July 2013 - June 2014	10,000	3.98%	28%
<b>FY15</b>			
July 2014 - June 2015	5,000	3.99%	14%

### Cost of Debt

The current all in cost of debt is 7.9% pa, based on existing swap arrangements, bank margins and amortisation of establishment fees.

Due to the continued low interest rate environment, a decrease in borrowing costs is forecast for FY12 following the \$35 million swap maturing in September 2012. With the forward starting hedges and based on an assumed market interest rate of 4.0% pa, the all-in borrowing costs from September 2012 would reduce to 6.2% pa. This should result in an interest saving for the remainder of FY13 of \$0.5 million.

## FINANCIAL SUMMARY

The table below provides a comparison of the results for the year ended 30 June 2012 and the previous corresponding year:

Year Ended 30 June \$000	Notes	2012	2011
<b>Revenue</b>			
Property income	1	8,103	7,920
Property outgoing	2	1,321	1,384
Distributions & dividends received	3	1,060	1,257
Interest income		44	72
Other income		7	19
		10,535	10,652
<b>Expenses</b>			
Finance costs	4	3,292	3,834
Responsible Entity's remuneration		1,219	1,174
Direct property expenses	2	1,558	1,710
Other expenses	5	314	483
		6,383	7,201
<b>Distributable income</b>		4,152	3,451
Net loss on sale of investment property		(97)	(6)
Net loss on sale of financial assets		-	3,977
Change in fair value of derivative instruments	6	(138)	(310)
Amortisation of lease incentive asset & liability		(85)	(67)
Net revaluation increment / (decrement) of investment properties	7	(163)	347
Impairment of available-for-sale financial assets	8	(1,643)	(4)
Reinvestment of distribution income (CIB)	3	385	-
<b>Profit for the Year</b>		<b>2,411</b>	<b>7,388</b>

### Notes

1. Lease income has increased by \$0.2 million to \$8.1 million for the year ended 30 June 2012 compared with the prior year. During the year, rental increases of \$0.3 million were offset by reduced rent on the closed flooded properties of \$0.1 million. Across the portfolio, the annual CPI rent increase ranged between 1.6%- 3.6% with an average increase of 3.2%.
2. ASIF receives property outgoing from its tenants on a monthly basis which is used for paying all of the property outgoing in relation to these properties. The property outgoing revenue of \$1.3 million is fully offset by a corresponding expense of \$1.3 million. Property expenses also incurred by ASIF include non-recoverable land tax and property management fees paid to Colliers International.
3. During the year ended 30 June 2012, ASIF received distributions from its security investments totaling \$1.4 million. Please note that the non-cash distribution of \$0.4 million from CIB, has been excluded from distributable income.

ASIF Distribution Analysis As at 30 June	2012 (\$m's)	2011 (\$m's)	Variance	Comments
AET distribution	0.8	0.6	0.2	Re-commenced distributions in January 2011: Sold 7m units in May 2011
APGF distribution	0.1	0.1	-	
SDRT1 distribution	0.1	0.1	-	FY12 June distribution of \$0.4m was reinvested for capex requirements
CIB distribution	0.4	0.4	-	

4. Finance costs decreased to \$3.3 million for the year ended 30 June 2012 compared with \$3.8 million in the prior year. This comprises both interest expense of \$3.0 million and amortisation of borrowing costs of \$0.3 million. Interest expense decreased by \$0.6 million due to lower levels of borrowings in this year (weighted average balance of \$38.4 million compared with \$47.4 million in the previous year) due largely to the sale of securities in April/May 2011.  
  
Amortisation of borrowing costs of \$0.3 million includes \$0.2 million of accelerated amortisation which would have been amortised through to September 2012, in line with the length of the facility. However as the facility was extended prior to December 2011, these capitalised costs were all written off.
5. Other expenses of \$0.3 million include such items as registry maintenance, custodian fees, legal fees, valuation fees and consultant fees. This has reduced by \$0.2 million primarily due to non-recurring listing costs being incurred in the previous period.
6. ASIF has hedging arrangements in place to protect against adverse interest rate movements. As at 30 June 2012, due to a lower interest rate yield curve than when the arrangements were entered into, the fair value of the hedging arrangements were out of the money by \$0.4 million. This is a negative movement of \$0.1 million from the position as at 30 June 2011.

7. During the year ended 30 June 2012, independent valuations were conducted for 15 properties. The result of these valuations was an increase of \$0.8 million or 4%.

As at 30 June 2011, revaluation decrements were made to two properties which had been significantly damaged by flood. The re-building of these properties has been completed and the centres are operational with the tenants recommencing rent payments. As a result at 30 June 2012, these properties have been revalued to a going concern valuation resulting in an increment of \$0.8 million

As at 30 June 2012, the fair value of five properties has been reduced by \$1.9 million, where there is evidence of impairment and that using the last external valuation would not be appropriate. The impairment primarily relates to the three early learning properties where the tenant, Goodstart, has exercised its right to vacate those centres effective from December 2012. Management is assessing options for the sale or re-lease of these properties.

8. As at 30 June 2012, two of ASIF's security portfolio (APGF & Stockland Direct Retail Trust No.1) have been impaired in total by \$1.6 million to reflect the updated fair value for these investments based on their current status.

## BALANCE SHEET

The table below provides a comparison of the Balance Sheet:

As at 30 June	2012 \$'000	2011 \$'000
Investment properties	85,225	86,772
Securities	17,371	17,506
Cash	17	2,237
Other assets	337	315
<b>Total Gross Assets</b>	<b>102,950</b>	<b>106,830</b>
Borrowings	36,443	39,849
Provision for distribution	1,131	981
Derivative financial instruments	448	310
Trade and other payables	529	700
<b>Net Assets</b>	<b>64,398</b>	<b>64,990</b>
Number of units on issue ('000)	28,450	28,450
Per unit NTA (\$)	\$2.26	\$2.28

## DISTRIBUTIONS

Distribution forecast for the year ending 30 June 2013 is 17 to 18 cents per unit. The increase in forecast distribution is due to both increased rental income and a decrease in finance costs. Part of this distribution is expected to be on a tax deferred basis. This forecast assumes a market interest rate throughout FY13 of 4.0% pa.

The Fund will continue to pay distributions on a quarterly basis.



## KEY OPERATIONAL UPDATE

- NTA decreased by \$0.02 at \$2.26 (\$2.28 as at 30 June 2011), following a 4% increase in valuations across 15 properties offset by impairments to five properties and the APGF and SDRT1 securities
- Occupancy maintained at 100%, with leases for three properties extended and one property sold during the year
- Renewal and extension of ASIF's debt facility during the year with ANZ for a 3 year term plus an option for a further 1 year on market competitive terms
- ASIF's gearing reduced to 35.6% as at 30 June 2012. This has been achieved primarily through debt reduction as a result of an investment property sale and improved cash management
- Unit price increase from \$1.40 at 30 June 2011 to \$1.79 at 30 June 2012, an increase of 28%
- Reduction in discount to NTA from 38% to 21% as at 30 June 2012

## 12 MONTH OUTLOOK

- Distribution forecast for FY13 of 17 to 18 cpu, which is a forecast increase in distribution on the prior year of approximately 20%
- Current low cash rate environment will continue to highlight the relative attraction of ASIF's distribution yield
- CPI increases to rent will drive earnings growth from the property portfolio. Current, relatively low inflation rate may be offset by carbon tax effect (if any)
- Seek the best possible outcome for the three Goodstart early learning properties with leases due to expire December 2012
- Continue to pursue a suitable liquidity event with respect to the Fund's investments in the APGF and SDRT1 securities
- Current discount to NTA provides opportunity for capital growth in ASIF's units

## MANAGEMENT FOCUS

Management will focus on the following strategies to enhance unitholder value:

- Reducing the trading price discount to NTA remains a key driver of the Fund's strategy
- Maintain current discipline with regard to conservative gearing, maximising distributable income through decreasing non-recoverable expenses, growing rental income and other capital management initiatives that increase value
- Continue to promote the Fund to institutions and research houses with a view to building further demand for the units
- Continue to investigate and evaluate opportunities to encourage an increase in liquidity of the fund's listed units and facilitate further earnings growth. This includes exploring suitable opportunities for growth in the social infrastructure sector with a focus on quality real estate and backed by well capitalised tenants that add long term unitholder value
- Ensure that ASIF's NTA reflects the underlying fair value of each of the properties and securities
- Maintain a business model which is based on transparency and high corporate governance standards
- Ensure ASIF's activities remain 'true to the label' and reflect investors expectations



## CORPORATE GOVERNANCE

Management employs a model that separates the power and decision making of the Corporate Entity from the roles and decision making of the Responsible Entity. It is the Responsible Entity that deals with all matters relating to the Fund, via a Board of Directors that is dominated by independent, non-executive Directors. Management believes that this separation of powers is a differentiating factor in the management of the Fund which should provide additional reassurance to investors, in comparison to competitors.

The Board of Directors is supported and assisted by an independent Audit and Compliance Committee that monitors Compliance with Accounting and Regulatory Standards, risk management and appointment of Auditors and complaints amongst other things. All members of the committee are independent of the Corporate Entity. The Committee oversees all of the financial reporting including the annual audit and half year review and prepares annual compliance statements for the Board and regulators such as the Australian Securities and Investments Commission. In addition, the Compliance function is audited externally by auditor, PricewaterhouseCoopers.

Management believes that it has a sound structure but most importantly, an appropriate Corporate Governance culture that ensures unitholder interests are maintained to the highest standard.

## INVESTOR RELATIONS

Unitholders are invited to contact the Fund's Investor Relations Manager, Lula Liossi with any queries regarding the management of the Fund. Boardroom Pty Limited is the Fund's registry and can be contacted on 1300 737 760 with respect to any queries in relation to investors' unitholdings. All of the Trust's publications are available on its website [www.asifund.com.au](http://www.asifund.com.au), including the Fund Profile that periodically summarises the Fund's overall financial position and asset base, under the website heading of "Reports & Publications/Other Reports".

*(The documents attached to this release comprise the information required by ASX Listing Rule 4.3A and should be read in conjunction with the most recent annual financial report)*

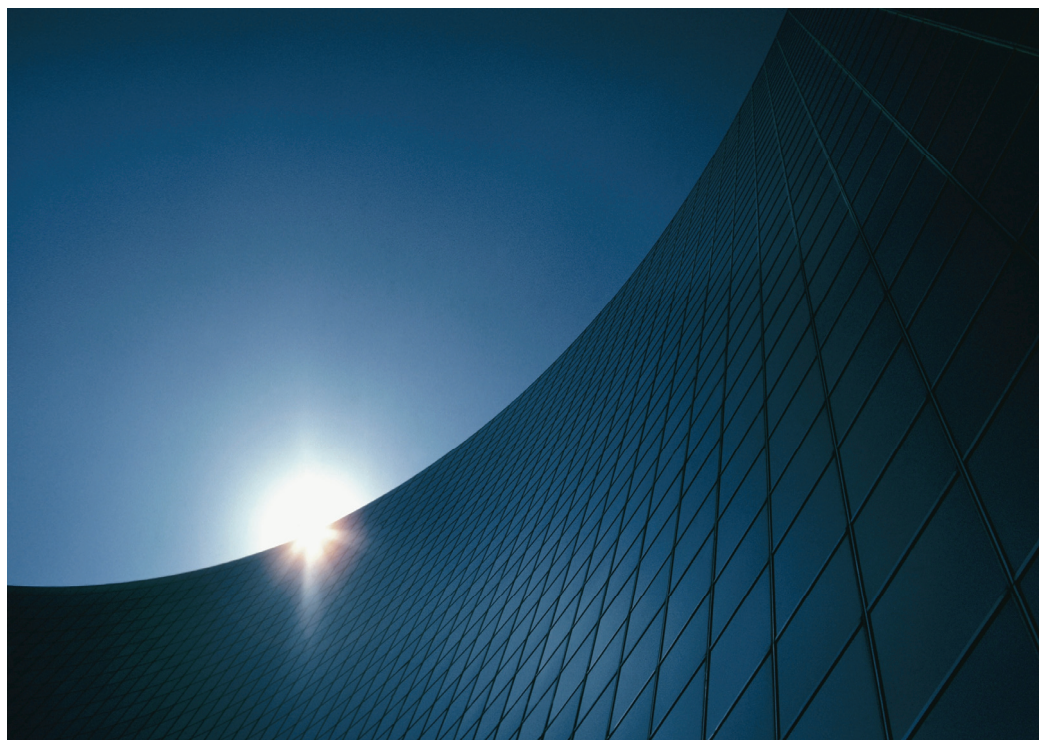
Mark Stewien  
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The Australian Social  
Infrastructure Fund  
ARSN 094 614 874



## The Australian Social Infrastructure Fund

ABN 68 718 364 889 ARSN 094 614 874

# ANNUAL FINANCIAL REPORT

## 30 June 2012



Responsible Entity  
Austock Funds Management Limited  
ABN 29 094 185 092

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## CORPORATE GOVERNANCE STATEMENT

The Australian Social Infrastructure Fund ("Fund") is a managed investment scheme that is registered under the *Corporations Act 2001*. Austock Funds Management Limited ("Responsible Entity") was appointed the Responsible Entity of the Fund on 12 October 2000. The Responsible Entity is a wholly-owned subsidiary of Austock Group Limited.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which the Fund has sought to comply with the recommendations for each.

### Principle 1: Lay solid foundations for management and oversight

The Principle requires the Fund to establish and disclose the respective roles and responsibilities of both the Board and Management.

ASX recommendation/disclosure obligation		Fund's response
1.1	Establish functions reserved to Board and those delegated to senior executives	<p>The business of the Fund is managed under the direction of the Board of Directors of the Responsible Entity ("Board") with management of day to day operations delegated to Mr Nick Anagnostou, Chief Operating Officer and Mr Mark Stewien, Fund Manager.</p> <p>The conduct of the Board is governed by the Constitutions of the Fund and Responsible Entity and the <i>Corporations Act 2001</i>. The Board meets on a regular basis and is required to discuss pertinent business developments and issues and review the operations and performance of the Fund.</p>
1.2	Disclose process for evaluating performance of senior executives	<p>There are four components to evaluating the performance of senior executives. Prior to the commencement of the financial year, a budget/strategy session is held involving an Austock Group representative, the Chief Operating Officer, Fund Manager and Chief Financial Officer and a business plan is agreed for the forthcoming year. An annual performance appraisal of the Chief Operating Officer and Fund Manager is conducted by Austock Group in July and KPIs that have been agreed are filtered down to individual team members. Biannual reviews are conducted to provide formal feedback to the Chief Operating Officer and Fund Manager regarding their individual and team's performance and to plan for the next six months. Performance is regularly reviewed at monthly meetings between an Austock Group representative, the Chief Operating Officer and Fund Manager.</p> <p>Adopting this process, the performance of senior executives was evaluated during the financial year.</p>
1.3	Availability of information	<p>A copy of the Constitution of the Responsible Entity and Fund is available on the Fund's website.</p>

### Principle 2: Structure the Board to add value

The Principle requires the Fund to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

It is the objective that the Board comprises directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to supervise the operations of the Fund with excellence.

## CORPORATE GOVERNANCE STATEMENT (continued)

ASX recommendation/disclosure obligation	Fund's response
2.1 Majority of Board should be independent directors	The current Board comprises three directors, all of whom are independent.
2.2 Chair should be an independent director	Mr Cottren has been Chairman of the Board since 4 August 2008 and is regarded as independent.
2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual	The roles of Chairman and Chief Executive Officer are not held by the same individual. The role of Chief Executive Officer is presently vacant, however the most senior executive role is held by Mr Anagnostou, Chief Operating Officer.
2.4 Establish a Nomination Committee	Due to the small size of the Board it is not intended that a Nomination Committee be established. Responsibility for selecting, appointing, evaluating and removing directors is a matter for the full Board and Austock Group.
2.5 Process for performance evaluation of Board, its committees and individual directors	The Fund does not have in place formal evaluation measures and processes for the Board, its committees and individual directors as the nature and size of the business to date has justified an informal process. A formal performance evaluation of the Board, its committees and individual directors was not undertaken during the year.
2.6.1 Information on directors	<p>Details of each Directors relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors Report. The numbers of meetings held and attended during the year are also set out in the Directors Report.</p> <p>In determining the independence of directors, the Board has adopted the criteria set out in box 2.1 of the Corporate Governance Principles and Recommendations.</p>
2.6.2 Independent professional advice	Under the terms of the Fund's Constitution, the directors and non-executive committee members of the Responsible Entity have the right to seek independent professional advice at the Fund's expense.
2.6.3 Desired mix of skills and diversity in board membership	With the input of Austock Group, the Board seeks to evolve its membership by appointing non-executive directors with diverse and complementary skills, experience and perspectives.
2.6.4 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors	<p>The Board does not have in place a formal policy for the nomination and appointment of directors as responsibility for selecting and appointing directors is maintained by Austock Group.</p> <p>Nevertheless, the Austock Group Board regularly reviews the composition of the Board in view of the business and strategic needs of the business and provides feedback in relation thereto to Austock Group. If it is deemed necessary to recruit additional directors, the Board will assist Austock Group in determining the skills and experience required by the additional directors. A search process is undertaken following which the Chairman and directors will interview the selected candidate(s). If a suitable candidate is found an appointment will be made.</p> <p>Neither the Responsible Entity's Constitution nor the ASX Listing Rules require newly appointed directors to seek election or incumbent directors to seek re-election.</p>
2.6.5 Availability of information	A summary of the procedure for the selection and appointment of new directors is available on the Fund's website.



## CORPORATE GOVERNANCE STATEMENT (continued)

### Principle 3: Promote ethical and responsible decision making

The Principle requires that the Board should actively promote ethical and responsible decision-making.

ASX recommendation/disclosure obligation		Fund's response												
3.1	Establish a Code of Conduct	Directors and employees of the Responsible Entity are subject to a Code of Conduct which has been adopted by Austock Group. The Board is committed to ensuring that all directors and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.												
3.2	Establish a Diversity Policy	Directors and employees of the Responsible Entity are subject to a Diversity Policy which was adopted by Austock Group on 30 May 2011.												
3.3	Disclose measurable objectives for achieving gender diversity and progress towards achieving them	Austock Group has not set any measurable objectives for achieving gender diversity. As part of its focus on returning the Austock Group to profitability and restoring shareholder wealth, the number of employees within the group has reduced significantly and are expected to remain stable. The directors of Austock Group do not consider it necessary or appropriate to set measurable objectives for achieving gender diversity while employee numbers remain low. However, as Board and employee vacancies are filled, attention will be given to identifying opportunities for improving gender diversity across the group.												
3.4	Disclose proportion of women employed in whole organisation, in senior executive positions and on the board	<p>The Fund provides the following information in relation to the proportion of women employed within the Austock Group and Austock Property division:</p> <table border="1"> <thead> <tr> <th></th><th>Austock Group</th><th>Austock Property division</th></tr> </thead> <tbody> <tr> <td>Women in organisation:</td><td>38%</td><td>54%</td></tr> <tr> <td>Women in senior executive positions:</td><td>17%</td><td>0</td></tr> <tr> <td>Women on the board:</td><td>0</td><td>0</td></tr> </tbody> </table>		Austock Group	Austock Property division	Women in organisation:	38%	54%	Women in senior executive positions:	17%	0	Women on the board:	0	0
	Austock Group	Austock Property division												
Women in organisation:	38%	54%												
Women in senior executive positions:	17%	0												
Women on the board:	0	0												
3.5	Availability of information	A copy of the Austock Group Code of Conduct and Diversity Policy are available on the Fund's website.												

### Principle 4: Safeguard integrity in financial reporting

This Principle requires that the Fund have a structure in place to independently verify and safeguard the integrity of its financial reporting.

ASX recommendation/disclosure obligation		Fund's response
4.1	Establish an Audit Committee	<p>The Board has established an Audit and Compliance Committee whose responsibilities include monitoring the Responsibility Entity and the Fund's compliance with the <i>Corporations Act 2001</i>, the Fund's Constitution and Compliance Plan. This is notwithstanding that a separate compliance committee is not required under s.601JA of the <i>Corporations Act 2001</i>.</p> <p>The current members of the Committee are Mr Warner Bastian (Chairman), Mr Michael Johnstone and Mr David Penman, all of whom are considered independent. Mr Penman is not a member of the Board but possesses a level of technical expertise appropriate for audit committee membership.</p>

## CORPORATE GOVERNANCE STATEMENT (continued)

ASX recommendation/disclosure obligation		Fund's response
4.2	Structure of Audit Committee	<p>The Board notes that as the Fund was not included in the S&amp;P / All Ordinaries Index or S&amp;P / ASX 300 Index at the beginning of the financial year it is not required under the ASX Listing Rules to have an audit committee which complies with the recommendations in relation to composition, operation and responsibility.</p> <p>During the year the Committee had, at all times, three members who were independent. However, not all members were non-executive directors. Mr Penman is member of the Committee but is not a director of the Responsible Entity. Mr Penman was appointed to the Committee when there was an insufficient number of independent directors on the Board to constitute a fully independent committee.</p>
4.3	Formal Charter	The Audit and Compliance Committee has a formal charter which sets out its responsibilities.
4.4.1	Information on Audit Committee members	The names and qualifications of the Audit and Compliance Committee members and details of meetings held and attended during the year are set out in the Directors Report.
4.4.2	Selection and appointment of external auditor and for rotation of external audit engagement partners	<p>The Board is responsible for appointing the external auditor.</p> <p>The Audit and Compliance Committee is directly responsible for making recommendations to the Board on the appointment, termination and oversight of the external auditor. In selecting an auditor, the Committee implements a selection process and makes a recommendation to the Board based on their assessment of the potential external auditor. The assessment takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost.</p> <p>The Audit and Compliance Committee is required to annually review the external auditor's performance and independence.</p> <p>In line with current professional standards, the external auditor is required to rotate the Fund's audit and review partners at least once every five years.</p>
4.4.3	Availability of information	A copy of the Audit and Compliance Committee Charter and a summary of the procedure for the selection and appointment of the external auditor and for the rotation of the external audit engagement partners is available on the Fund's website.

## Principle 5: Make timely and balanced disclosure

The Principle requires the Fund to promote timely and balanced disclosure of all material aspects concerning the Fund.

ASX recommendation/disclosure obligation		Fund's response
5.1	Establish a Continuous Disclosure Policy	A Continuous Disclosure Policy has been adopted by the Board. This policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of the Fund's securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the <i>Corporations Act 2001</i> and ASX Listing Rules.
5.2	Availability of information	A copy of the Continuous Disclosure Policy is available on the Fund's website.



## CORPORATE GOVERNANCE STATEMENT (continued)

### Principle 6: Respect the rights of shareholders

The Principle requires the Fund to respect the rights of unitholders and facilitate the exercise of those rights.

ASX recommendation/disclosure obligation		Fund's response
6.1	<b>Design a Communications Policy</b>	<p>A Communications Policy has been adopted by the Board, reflecting its policy that unitholders be informed of all significant developments affecting the Fund's affairs.</p> <p>Information is communicated by:</p> <ul style="list-style-type: none"> <li>• dispatching annual reports to unitholders who request to receive it;</li> <li>• dispatching Distribution Statements to all unitholders which include details of distributions paid and the components of the distribution; and</li> <li>• maintaining a dedicated investor relations section on the Fund's website to which it posts copies of all ASX announcements, Annual Reports, Half Yearly Reports, details of corporate governance practices, presentations to unitholders and other information of interest to investors.</li> </ul> <p>As a managed investment scheme, the Fund is not required to hold an annual general meeting. From time to time, however, the Fund has held unitholders' meetings at which the auditor (at the request of the Responsible Entity) has been in attendance. In the interests of containing costs, a unitholders' meeting was not held during the financial year. In deciding not to hold a unitholders' meeting at which the auditor was present and available to answer questions, the Fund has not met the aims of section 250RA of the <i>Corporations Act 2001</i> (which requires an auditor of a listed entity to attend the annual general meeting and answer questions on the audit).</p>
6.2	<b>Availability of information</b>	A copy of the Communications Policy is available on the Fund's website.

### Principle 7: Recognise and manage risk

This Principle requires the Fund to establish a sound system of risk oversight and management and internal control.

ASX recommendation/disclosure obligation		Fund's response
7.1	<b>Establish policies for the oversight and management of material business risks</b>	The Responsible Entity has recently upgraded its Risk Management Program to comply with the requirements of the new Australian Standard on Risk Management (AS/NZ ISO 31000) and implemented a Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806).

## CORPORATE GOVERNANCE STATEMENT (continued)

ASX recommendation/disclosure obligation		Fund's response
7.2	Design and implement a risk management and internal control system to manage material business risks and report thereon to Board	Day to day responsibility for risk management has been delegated to Management, with review occurring at both Responsible Entity Board level and Austock Group Board level. In accordance with the Risk Management Program, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. Management's risk management process is reviewed by an external consultant every two years, with the last review having been undertaken in 2010.  Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Fund's management of its material business risks.
7.3	Assurance from Fund Manager and Chief Financial Officer	The Fund Manager and Chief Financial Officer have certified in writing to the Board that the declaration provided in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4	Availability of information	A summary of the Risk Management Program is available on the Fund's website.

## Principle 8: Remunerate fairly and responsibly

This Principle requires that the Fund ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

ASX recommendation/disclosure obligation		Fund's response
8.1	Establish a Remuneration Committee	Remuneration of the Responsible Entity is dealt with comprehensively in the Fund's Constitution. Accordingly, it is considered unnecessary to maintain a Remuneration Committee.
8.2	Structure of Remuneration Committee	N/A

## CORPORATE GOVERNANCE STATEMENT (continued)

ASX recommendation/disclosure obligation		Fund's response
8.3	<b>Distinction between structure of non-executive Directors remuneration and remuneration of directors and senior executives</b>	<p>Remuneration of directors and senior executives is a matter for the Board and Austock Group. Directors and senior executives are paid either directly by the Responsible Entity or by entities associated with the Responsible Entity or Austock Group. Directors and employees are not directly provided with any remuneration by the Fund itself.</p> <p>A distinction is made between the structure of non-executive Directors remuneration and that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash and superannuation contributions. Executive Directors and senior executives' packages generally comprise fixed, performance-based and equity-based remuneration components (the equity component being equity in Austock Group, not the Fund itself). Neither directors nor senior executives are entitled to equity interests in the Fund or any rights to or options for equity interests in the Fund as a result of remuneration provided by the Responsible Entity.</p> <p>A Remuneration Report, which sets out information about the remuneration of the Responsible Entity for the financial year is included in the Directors Report. The Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation to the Fund or in performing its obligations under the Constitution and property acquisition and disposal fees.</p>
8.4.1	<b>Information on Remuneration Committee members</b>	N/A
8.4.2	<b>Schemes for retirement benefits</b>	The Responsible Entity does not pay retirement benefits, other than superannuation, for its non-executive directors.
8.4.3	<b>Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes</b>	Directors and employees are not remunerated by the Fund and do not receive equity in the Fund as a form of remuneration. Accordingly, it is considered unnecessary to have a policy which prohibits transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes.
8.4.4	<b>Availability of information</b>	A copy of the Constitution is available on the Fund's website.

## DIRECTORS' REPORT

The Directors of Austock Funds Management Limited ("the Responsible Entity"), the Responsible Entity of The Australian Social Infrastructure Fund ("the Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2012.

### THE RESPONSIBLE ENTITY

The registered office and principal place of business of the Responsible Entity and the Fund is Level 12, 15 William Street, Melbourne, Victoria 3000.

#### Structure of Fund/Responsible Entity

##### Directors of the Responsible Entity

The Directors of the Responsible Entity during the financial year and to the date of this report comprise:

Name	Period of Directorship
Mr Victor (Vic) David Cottren	Appointed 2 March 2007
Mr Michael Francis Johnstone	Appointed 2 March 2007
Mr Warner Kenneth Bastian	Appointed 1 March 2009

##### Company Secretary's Qualifications and Experience

The Fund has Joint Company Secretaries with details as follows:

- Amanda Gawne, BCom, LLB (Melbourne University), Grad Dip CSP, ACIS - Appointed 22 December 2004. Amanda has extensive company secretarial experience in large private and publicly listed organisations.
- Adrian Hill, BSc, LLB (Monash University) - Appointed 15 May 2009. Adrian joined Austock Group Limited in 1998 as General Counsel. Austock Group is the parent of Austock Funds Management Limited, the Responsible Entity of The Australian Social Infrastructure Fund. During his time at Austock, Adrian has served on boards and compliance committees for funds management businesses.

##### Remuneration of the Responsible Entity

During the financial year the Responsible Entity received fees totalling \$1.2 million (2011: \$1.2 million) from the Fund. Refer to Note 16 for further information.

### PRINCIPAL ACTIVITIES

The principal activity of the Fund during the financial year was investment in income producing social infrastructure assets. As at 30 June 2012 the Fund owned 49 childcare centres, a self storage facility, a medical centre and has investments in a number of property securities.

## DIRECTORS' REPORT (continued)

Details of the Fund's portfolio are as follows:

	Notes	2012 \$'000	2011 \$'000
Investment Properties	9	85,225	86,772
Securities	8	17,371	17,506
Cash	5	17	2,237
Other Assets		337	315
<b>Total Gross Assets</b>		<b>102,950</b>	<b>106,830</b>
Cash overdraft		961	-
Borrowings	12	35,482	39,849
Other Liabilities		2,109	1,991
<b>Net Assets</b>		<b>64,398</b>	<b>64,990</b>
Number of Units on Issue (000's)		28,450	28,450
Per Unit NTA (\$)		2.26	2.28

As at 30 June 2012 the Fund owned the following properties:

	No of Properties	Carrying Value \$000	Carrying Value %	Current Rent (p.a) \$000	Current Rent %
Early Learning Properties					
Tenanted by Goodstart	42	60,070	70%	5,846	72%
Other Tenants	7	8,415	10%	839	10%
Total Childcare	49	68,485	80%	6,685	82%
Commercial Properties	2	16,740	20%	1,504	18%
<b>Total Properties</b>	<b>51</b>	<b>85,225</b>	<b>100%</b>	<b>8,189</b>	<b>100%</b>

The not-for-profit group Goodstart Early Learning Limited ("Goodstart") is the tenant of 42 of the Fund's properties. Goodstart is a consortium of the major not-for-profit groups Mission Australia, the Benevolent Society, Social Ventures Australia and the Brotherhood of St Laurence.

The remaining 7 early learning properties are leased by four other appropriately qualified tenants. These tenants continue to comply with their lease obligations.

## REVIEW AND RESULTS OF OPERATIONS

A summary of the key results during the half year are as follows:

- Distributable income\* of \$4.1 million, an increase of 17% on the previous corresponding period ("pcp").
- Statutory profit of \$2.4 million compared to a profit of \$7.4 million in the pcp, primarily due to a net gain on sale of financial assets in the prior period of \$4.0 million.
- Distribution paid to investors of 14.5 cents per unit, compared to 12.8 cents per unit in the pcp.
- Unit price has increased from \$1.40 at 30 June 2011 to \$1.79 at 30 June 2012, an increase of 28%.
- Debt facility with ANZ renewed through to December 2014.
- Gearing (Borrowings and Cash Overdraft / Total Assets) reduced to 35.6%.
- Weighted average lease expiry at 30 June 2012 of 8.2 years.

\* Distributable income is not a statutory measure of profit.

## DIRECTORS' REPORT (continued)

	2012 \$m	2011 \$m
<b>Revenue</b>		
Lease income	8.1	7.9
Property outgoings recoverable	1.3	1.4
Distributions & dividends received	1.1	1.3
Interest income	-	0.1
	10.5	10.7
<b>Expenses</b>		
Finance costs	3.3	3.8
Responsible entity's remuneration	1.2	1.2
Direct property expenses	1.6	1.7
Other expenses	0.3	0.5
	6.4	7.2
<b>Distributable income *</b>	<b>4.1</b>	<b>3.5</b>
Change in fair value of derivative instruments	(0.1)	(0.4)
Net gain/(loss) on sale of financial assets	-	4.0
Net revaluation (decrement)/increment of investment properties	(0.2)	0.3
Reinvestment of distribution income (CIB)	0.4	-
Impairment of available-for-sale financial assets	(1.6)	-
Amortisation of lease incentive asset liability (lease income)	(0.1)	-
Net gain/(loss) on sale of investment property	(0.1)	-
<b>Net Profit attributable to Unitholders</b>	<b>2.4</b>	<b>7.4</b>

\* Distributable income is not a statutory measure of profit.

## DISTRIBUTIONS

Distributions paid for the financial year to 30 June 2012 totalled 14.5 cents per unit (2011: 12.8 cents per unit) as detailed below.

Period	Paid/Payable	2012	
		Cents per unit	Amount \$'000
Quarter ending 30 September 2011	20 October 2011	3.5	996
Quarter ending 31 December 2011	20 January 2012	3.5	996
Quarter ending 31 March 2012	20 April 2012	3.5	996
Quarter ending 30 June 2012	20 July 2012	4.0	1,137
<b>Total</b>		<b>14.5</b>	<b>4,125</b>

## STATE OF AFFAIRS

### Funding

As at 30 June 2012 the Fund had total assets of \$103.0 million, borrowings of \$36.6 million and net assets of \$64.4 million. As at 30 June 2012, the Fund complied with all of its debt covenant ratios and obligations with its LVR being 40.3% and ICR being 2.6 times.

During the year, the Fund renewed its existing debt facility with the Australia and New Zealand Banking Corporation Limited (ANZ). The renewed facility is for 3 years plus an option for a further one year period which provides for secure financing through to December 2015.

## DIRECTORS' REPORT (continued)

The key commercial terms of the facility are as follows:

<b>Facility Limit</b>	\$35.65 million (fully drawn)
<b>Facility Term</b>	3 years from December 2011 with an option for 1 further year exercisable at ASIF's election
<b>Maximum Loan to Value Ratio ("LVR")</b>	52.5% (Value based on 100% of secured property values and 50% value of Australian Education Trust units)
<b>Interest Cover Ratio ("ICR")</b>	Not to be less than 1.60 times (EBITDA) measured on a yearly basis
<b>Amortisation</b>	No mandatory amortisation requirement whilst the LVR remains below 50%

As at 30 June 2012, the Fund complied with all of its debt covenant ratios and obligations.

During the year, the Fund entered into an overdraft facility with ANZ in order to more efficiently manage its working capital position.

Key commercial terms of the facility are as follows:

<b>Facility Limit</b>	\$2 million
<b>Drawn Amount</b>	\$1 million as at 30 June 2012
<b>Maturity Date</b>	December 2014 with an option for 1 further year, exercisable at ASIF's election
<b>Purpose</b>	Working capital requirements
<b>Covenants</b>	Same as debt facility

## Hedging Arrangements

In accordance with the Funds policy to hedge a proportion of its debt it has the following interest rate swaps in place:

Period	Hedged Amount \$'000	Hedged Rate %	% Hedged
<b>FY13</b>			
July 2012 - September 2012	35,000	5.70	98%
September 2012 - June 2013	20,000	3.86	56%
July 2012 - June 2013 (weighted average)	23,750	4.54	67%
<b>FY14</b>			
July 2013 - June 2014	10,000	3.98	28%
<b>FY15</b>			
July 2014 - June 2015	5,000	3.99	14%

## Distribution Reinvestment Plan

The Distribution Reinvestment Plan (DRP) was suspended on 31 July 2007.

## ENVIRONMENTAL REGULATION

The Fund is not subject to any significant environmental regulations under Commonwealth, State or Territory legislation other than those relevant to the specific assets held by the Fund. The Directors believe that the Fund has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Fund.

## DIRECTORS' REPORT (continued)

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 9 July 2012, Austock Group Limited announced that it had entered into an agreement with Folkestone Limited to sell the Austock Property business which includes Austock Funds Management Limited, the Responsible Entity of Australian Social Infrastructure Fund. The sale is subject to a number of conditions precedent including approval by Austock Group Limited shareholders.

An announcement was made to Unitholders on 9 July 2012, outlining the transaction and benefits to Unitholders. The transaction is subject to a vote of Austock Group shareholders on 12 September 2012.

The sale is not expected to have an effect on Unitholders and no changes in respect to the strategy and focus of the Fund. the move to Folkestone will not result in any costs allocated to the Fund or its Unitholders.

Subsequent to year end, there are no events that have occurred which the Directors believe significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund.

### INTERESTS OF THE RESPONSIBLE ENTITY

Any interests of both the Responsible Entity and the Directors of the Fund are disclosed in Note 16 to the Financial Statements.

### UNITS ON ISSUE

The number of units on issue in the Fund as at the end of the financial year is 28,449,729 fully paid ordinary units (2011: 28,449,729 units). No options have been granted over any unissued units in the Fund.

### LIKELY DEVELOPMENTS

The Fund's performance this financial year is consistent with a property trust whose sole purpose is to maintain its property portfolio, manage its financial and capital management position, minimise its costs and pay all of its distributable income to its Unitholders.

### INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The Directors of the Responsible Entity at the time of this report are:

Name and qualifications	Age	Experience and special responsibilities
<b>Mr Victor (Vic) David Cottren</b> Independent Director Bachelor of Commerce (Melbourne) Fellow of Australian Insurance Institute Fellow of the Australian Society of Certified Practising Accountants Fellow of the Australian Institute of Company Directors	70	Vic was appointed on 2 March 2007. Vic has over 50 years industry experience, with an extensive background in share broking, financial planning, life insurance, superannuation and investment management gained with AMP, Australian Eagle Insurance Company, Norwich Union, The Investors Life Group and National Australia Bank. He held various senior posts including Chief Executive and Director within these companies and their subsidiaries. Since 1995, Vic has worked as a consultant to financial service companies in relation to investment, superannuation and financial planning. Vic was also appointed as a Professorial Fellow at RMIT University in 1993 with responsibility for researching and establishing Australia's first undergraduate degree in financial planning. Vic is also a Director of Austock Life Ltd.



## DIRECTORS' REPORT (continued)

Name and qualifications	Age	Experience and special responsibilities
<b>Mr Michael Francis Johnstone</b> Independent Director Bachelor of Town & Regional Planning Licensed Land Surveyor Advanced Management Program (Harvard)	70	Michael was appointed on 2 March 2007. Michael has almost 40 years of global business experience in Chief Executive and General Management roles and more recently in non executive Directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialized in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. Michael is currently a Non Executive Director of a number of companies in both listed and private environments, including board appointments in the not for profit sector.
<b>Mr Warner Kenneth Bastian</b> Independent Director Fellow of Australian Institute of Company Directors	76	Warner was appointed on 1 March 2009. Warner is a former Managing Director of the Pharmacy Guild of Australia's insurance and financial services subsidiaries with over 50 years experience in insurance and financial services. Warner is Chairman of the Audit and Compliance Committee of the Fund. He is also a Director of Austock Life Limited.

The Fund's Constitution does not require Directors to retire and seek re-election.

## DIRECTORS' MEETINGS

The number of Directors meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Responsible Entity during the year were:

	Board Meetings	
	A	B
Mr Victor David Cottren (Non-Executive Chairman)	11	11
Mr Michael Francis Johnstone (Non-Executive Director)	11	11
Mr Warner Kenneth Bastian (Non-Executive Director)	11	10

*A - Number of meetings held during the time the Director held office during the year.*

*B - Number of meetings attended.*

## AUDIT AND COMPLIANCE COMMITTEE MEETINGS

The members of the Audit and Compliance Committee are:

- Mr Warner Kenneth Bastian (Independent Chairman)
- Mr David Penman (Independent Member)
- Mr Michael Francis Johnstone (Independent Member)

Mr Penman is not a Director of the Responsible Entity.

## DIRECTORS' REPORT (continued)

Details of meetings held during the year and member's attendance are as follows:

	Audit & Compliance Committee Meetings	
	A	B
Mr Michael Francis Johnstone (Independent Member)	5	5
Mr Warner Kenneth Bastian (Independent Chairman)	5	3
Mr David Penman (Independent Member)	5	4

A - Number of meetings held during the time the Member held office during the year.

B - Number of meetings attended.

The experience of the Audit and Compliance Committee is set out below:

Name and qualification	Experience
Mr Warner Kenneth Bastian	See Information on Directors.
Mr Michael Francis Johnstone	See Information on Directors.
Mr David Penman	Mr Penman is a Chartered Accountant, of D Penman and Co, advising on taxation and superannuation matters with over 30 years experience in chartered accounting.

## REMUNERATION REPORT

### Remuneration of Directors of the Responsible Entity

The Responsible Entity does not have a Remuneration Committee, as the Fund's Constitution prescribes the Fund's remuneration arrangement with the Responsible Entity. In relation to remuneration of the Directors of the Responsible Entity, this is a matter for the Board and the ultimate parent entity of the Responsibility Entity.

It is the objective that the Board comprises Directors with an appropriate mix of skills, experience and personal attributes that allow the Directors individually and the Board collectively to supervise the operations of the Fund with excellence. All fees and expenses of the Responsible Entity are approved by the Board and remuneration of the Responsible Entity is dealt with comprehensively in the Fund's Constitution.

Remuneration of the Directors is paid either directly by the Responsible Entity or by entities associated with the shareholders of the Responsible Entity. The Directors are not provided with any remuneration by the Fund itself. Directors are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the Responsible Entity.

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives.

### Loans to Directors of the Responsible Entity

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the Directors of their personally-related entities at any time during the reporting period.

## DETAILS OF UNITHOLDINGS IN THE FUND

The interests of the Directors of the Responsible Entity in units of the Fund during the year are set out below:

Name	VD Cottren	MF Johnstone	WK Bastian
Opening balance of units held	162,500	-	-
Acquisitions of units	-	-	-
Disposals of units	-	-	-
Closing balance of units held	162,500	-	-

Refer to Note 17 of the financial statements for further details.

## DIRECTORS' REPORT (continued)

### INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

#### Indemnification

Under the Fund's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by the Responsible Entity in properly performing or exercising any of its powers, duties or rights in relation the Fund.

The Fund has not indemnified any Auditor of the Fund.

#### Insurance Premiums

The Responsible Entity has paid or agreed to pay in respect of the Fund, insurance premiums for insurance of its officers for liability and legal expenses for the year ending 30 June 2012.

Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included, as such disclosure is prohibited under the terms of the contracts.

### PROCEEDINGS ON BEHALF OF RESPONSIBLE ENTITY

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Responsible Entity, or intervene in any proceedings to which the Responsible Entity is a party, for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Responsible Entity with leave of the Court under section 237 of the *Corporations Act 2001*.

### NON-AUDIT SERVICES

Details of non-audit services provided to the Fund by the independent Auditor during the year ended 30 June 2012 are contained in Note 19 to the financial statements.

### ROUNDING

The Fund is an entity of a kind referred to in Class order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors Report. Amounts in the Directors Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity:



**Victor David Cottren**  
Chairman  
Austock Funds Management Limited  
Melbourne, 15 August 2012

## AUDITORS' INDEPENDENCE DECLARATION



### Auditor's Independence Declaration

As lead auditor for the audit of The Australian Social Infrastructure Fund for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Australian Social Infrastructure Fund during the period.



Charles Christie  
Partner  
PricewaterhouseCoopers

15 August 2012

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## STATEMENT OF COMPREHENSIVE INCOME

	Note	2012 \$'000	2011 \$'000
<b>Revenue</b>			
Lease income		8,018	7,853
Property outgoing recoveries		1,321	1,384
Distributions and dividends	2(a)	1,445	1,257
Interest income	2(b)	44	72
Net property revaluation increment	9(b)	-	347
Net gain on sale of available-for-sale financial assets		-	3,977
Other income		7	19
<b>Total revenue</b>		<b>10,835</b>	<b>14,909</b>
<b>Expenses</b>			
Finance costs	2(c)	3,292	3,834
Property outgoing		1,558	1,710
Responsible entity's remuneration		1,219	1,174
Other expenses	2(d)	314	483
Net property revaluation decrement	9(b)	163	-
Net loss on sale of investment properties		97	6
Changes in fair value of derivative financial instruments		138	310
Impairment of available-for-sale financial assets	8(b)	1,643	4
<b>Total expenses</b>		<b>8,424</b>	<b>7,521</b>
<b>Profit attributable to unitholders</b>		<b>2,411</b>	<b>7,388</b>
<b>Other comprehensive income</b>			
Gain on revaluation of available-for-sale financial assets		1,124	2,053
Transfer to comprehensive income (realised)		-	(2,100)
Net gain on sale of financial assets		-	753
<b>Other comprehensive income</b>		<b>1,124</b>	<b>706</b>
<b>Total comprehensive income attributable to unitholders</b>		<b>3,535</b>	<b>8,094</b>
<b>Earnings per unit</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per unit	4	8.47	25.97
Diluted earnings per unit	4	8.47	25.97

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## BALANCE SHEET

	Note	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	17	2,237
Trade and other receivables	6	302	290
Other current assets	7	1,612	110
<b>Total current assets</b>		<b>1,931</b>	<b>2,637</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	8	15,894	17,506
Investment properties - Straight line rental account	9	346	446
Investment properties	9	84,779	86,241
<b>Total non-current assets</b>		<b>101,019</b>	<b>104,193</b>
<b>Total assets</b>		<b>102,950</b>	<b>106,830</b>
<b>Current liabilities</b>			
Borrowings	12(a)	961	-
Trade and other payables	10	530	700
Distribution payable	11	1,131	981
Derivative financial instruments	13(a)	318	298
<b>Total current liabilities</b>		<b>2,940</b>	<b>1,979</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	13(b)	130	12
Borrowings	12(b)	35,482	39,849
<b>Total non-current liabilities</b>		<b>35,612</b>	<b>39,861</b>
<b>Total liabilities</b>		<b>38,552</b>	<b>41,840</b>
<b>Net assets</b>		<b>64,398</b>	<b>64,990</b>
<b>Equity</b>			
Contributed equity	14	58,273	58,273
Distribution reserve		(401)	1,315
Available-for-sale financial assets reserve		6,526	5,402
<b>Total equity</b>		<b>64,398</b>	<b>64,990</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

	Units on Issue	Available-for- sale financial assets reserve	Distribution Reserve	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2010</b>	57,420	5,449	(3,184)	59,685
Profit attributable to Unitholders	-	-	7,388	7,388
Distribution paid or provided for	-	-	(3,642)	(3,642)
Gain on revaluation of available-for-sale financial assets	-	2,053	-	2,053
Transfer to comprehensive income (realised)	-	(2,100)	-	(2,100)
Net gain on sale of financial assets	853	-	753	1,606
<b>Balance at 30 June 2011</b>	<b>58,273</b>	<b>5,402</b>	<b>1,315</b>	<b>64,990</b>
<b>Balance at 1 July 2011</b>	58,273	5,402	1,315	64,990
Profit attributable to Unitholders	-	-	2,411	2,411
Distribution paid or provided for	-	-	(4,127)	(4,127)
Gain on revaluation of available-for-sale financial assets	-	1,124	-	1,124
<b>Balance as at 30 June 2012</b>	<b>58,273</b>	<b>6,526</b>	<b>(401)</b>	<b>64,398</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## CASH FLOW STATEMENT

	Note	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations (inclusive of GST)		10,121	9,552
Cash payments in the course of operations (inclusive of GST)		(4,222)	(4,278)
Distributions and dividends received		1,081	1,199
Interest received		44	72
Finance costs paid		(3,025)	(3,629)
<b>Net cash provided from operating activities</b>	<b>5(b)</b>	<b>3,999</b>	<b>2,916</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment properties		1,388	761
Proceeds from sale of securities		-	9,091
Payments for construction of investment properties damaged by flood		(440)	-
Insurance proceeds from construction of investment properties damaged by flood		338	-
<b>Net cash provided from investing activities</b>		<b>1,286</b>	<b>9,852</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(4,490)	(9,743)
Proceeds from borrowings		961	-
Distributions paid		(3,976)	(4,852)
<b>Net cash (outflow) from financing activities</b>		<b>(7,505)</b>	<b>(14,595)</b>
<b>Net (decrease) / increase in cash held</b>		<b>(2,220)</b>	<b>(1,827)</b>
<b>Cash at the beginning of the financial year</b>		<b>2,237</b>	<b>4,064</b>
<b>Cash at the end of the financial year</b>	<b>5(a)</b>	<b>17</b>	<b>2,237</b>

The above cash flow statement should be read in conjunction with the accompanying notes.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the entity, The Australian Social Infrastructure Fund ("Fund"). The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the Directors on 15 August 2012. The Directors have the power to amend and reissue the financial statements.

#### a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the *Corporations Act 2001* and the requirements of the Fund Constitution.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property and investment property.

#### Compliance With International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### New and amended standards adopted by the Fund

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

#### Early adoption of standards

The Fund has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

#### Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(t).

#### b) Revenue and Expenditure Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the entity's activities as described below. The entity bases its estimates on historical results, taking of transaction and the specifics of each arrangement.

Expenses including rates, taxes and other outgoings are brought to account on an accruals basis and any related payables are carried at cost.

All income and expenditure are stated net of the amount of goods and services tax (GST).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### b) Revenue and Expenditure Recognition (continued)

Revenue is recognised for the major business activities as follows:

#### Lease Income:

Rental income due but not received at balance date is reflected in the Balance Sheet as a receivable.

Rental income from operating leases is recognised as income on a straight-line basis over the lease term, where a lease has fixed annual increases. This results in more income being recognised early in the lease term compared to the lease conditions. The difference between the lease income recognised and actual lease payments received is included in non-current receivables.

For leases where the revenue is determined with reference to market reviews, inflationary measures or other variables, revenue is not straight-lined and is recognised in accordance with the lease terms applicable for the period.

#### Distribution and Dividend Income:

Distribution and dividend income is recognised when the right to receive the income has been established.

#### Interest Income:

Interest income is recognised in the income statement on a time proportion basis using the effective interest rate method when earned and if not received at balance date, is reflected in the Balance Sheet as a receivable.

#### Responsible Entity's Remuneration:

Under the Fund's Constitution, the Responsible Entity is entitled to a management fee amounting to 1.0% p.a. of the value of assets of the Fund.

### c) Investment Properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Property interests held under operating lease are deemed investment property.

Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the financial statements.

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed/redeveloped internally include the costs of materials and direct labour. Directly attributable overheads and other incidental costs including interest costs incurred during construction are also capitalised to the asset.

#### Valuations:

After initial recognition, investment properties are measured at fair value and revalued with sufficient regularity to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date. The Fund's Constitution requires the Responsible Entity to have the Fund's property investments independently valued at regular intervals. An independent valuation of a property is carried out at least once every three years. These valuations are considered by the Directors of the Responsible Entity when determining fair value. When assessing fair value, the Directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### c) Investment Properties (continued)

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- a willing, but not anxious, buyer and seller on an arm's length basis;
- a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and
- it only takes into account instructions given by the Responsible Entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Responsible Entity.

All investment properties are considered one class of asset. Under *AASB 140: Investment Property*, adjustments to fair value are to be recognised directly in the statement of comprehensive income.

### d) Income Tax

Under current income tax legislation, the Fund is not liable for Australian income tax, provided Unitholders are presently entitled to all of the Fund's taxable income at 30 June each year and any capital gain derived from the sale of assets is fully distributed to Unitholders. Tax allowances for building, plant and equipment depreciation are distributed to Unitholders in the form of tax deferred components of distributions.

### e) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

### f) Provisions

Provisions for legal claims and make good obligations are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### g) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### h) Financial Assets and Liabilities

#### Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through comprehensive income, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

The Fund's investments are classified both at fair value through comprehensive income and available-for-sale financial assets. They comprise:

- Financial instruments designated at fair value through either comprehensive income upon initial recognition. These include financial assets and financial liabilities that are not held for trading purposes and commercial paper.
- Available-for-sale financial assets.

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium or long term.

#### Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value plus transaction costs for all financial assets not carried at fair value through comprehensive income. Financial assets carried at fair value through comprehensive income are initially recognised at fair value and transaction costs are expensed in comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

#### Measurement

##### *Financial Assets and Liabilities Held at Fair Value Through Profit and Loss*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in comprehensive income to reflect a change in factors, including time that market participants would consider in setting a price.

##### *Available-for-sale Financial Assets*

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. When securities increase at fair value, the increments are recognised directly in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of comprehensive income as gains and losses. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue when the Fund's right to receive payments is established.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### h) Financial Assets and Liabilities (continued)

#### *Loans & Receivables*

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through comprehensive income.

#### *Offsetting Financial Instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### i) Trade and Other Receivables

Trade receivables are recognised at fair value, less provision for impairment. Trade receivables are due as specified within the individual's property's lease or in accordance with distribution payment dates.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in comprehensive income.

### j) Trade and Other Payables

These amounts represent liabilities for goods or services provided to the Fund prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to Unitholders as at the end of each reporting period is recognised separately in the balance sheet when Unitholders are presently entitled to the distributable income under the Fund Constitution.

### k) Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### l) Borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing debt is stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in comprehensive income as finance costs.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Fund's derivatives do not qualify for hedge accounting and therefore changes in the fair value of any derivative instrument are recognised immediately in the Statement of Comprehensive Income.

### n) Distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting date.

### o) Impairment of Assets

At each reporting date, the Fund reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets' fair value less costs to sell and value in use, is compared to the assets' carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### p) Contributed Equity

Ordinary units are classified as equity.

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

### q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables to the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### r) Earnings per Unit (EPU)

#### Basic earnings per unit

Basic earnings per unit is calculated by dividing:

- the profit attributable to the Unitholders, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary units outstanding during the financial year.

#### Diluted Earnings per Unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units; and
- the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

### s) Rounding of Amounts

The Fund is of a kind referred to in ASIC Class order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### t) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based upon current trends and economic data, obtained both externally and within the Fund.

#### Key Estimates - Valuation of Investment Properties

Independent valuations for 15 properties of the 51 properties owned by the Fund were conducted this financial year. The independent valuations were prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards. Refer to Note 10 for further information.

#### Key Judgements - Impairment of Available-for-sale Financial Assets:

The Fund follows the guidance in AASB 139 *Financial Instruments: Recognition and Measurement* on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Directors of the Responsible Entity evaluate, among other things, the duration and extent to which the fair value of the investment is less than cost and the financial health of and near term business outlook for the investee. Refer to Note 8 for further information.

#### Key Judgements - Valuation of Unlisted Securities:

The fair value of unlisted securities not traded in an active market is determined by the Board by reference to the underlying net assets of the respective entities, along with any other relevant available information. Refer to Note 8 for further information.

### u) Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of business activities, through the realisation of assets and settlement of liabilities in the normal course of business.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### u) Going Concern (continued)

The going concern basis is appropriate for the Fund based on the renegotiation of the debt facility with a maturity date of December 2014 with an option for one further year at the Fund's election. The Fund is in full compliance with its undertaking under its debt facilities.

### v) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Directors assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

- I. AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB9 (December 2010)* (effective from 1 January 2013).

AASB 9 *Financial Instruments* addresses the classification and measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Fund has not yet decided when to adopt AASB 9.

- II. AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 1128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards* (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principal that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The Fund does not expect the new standard to have any impact on its composition.

AASB11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint venture will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance that participates in joint arrangements but do not share joint control. As the Fund has no joint arrangements, management does not expect this to have any impact on the Fund's financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB10 and AASB11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Fund will not affect any of the amounts recognised in the financial statements.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### v) New Accounting Standards and Interpretations (continued)

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Fund does not expect these amendments to have any impact on the financial statements.

The Fund does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

### III. AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB13* (effective 1 January 2013).

AASB13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Fund has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard may impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

### IV. Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australia Accounting Standards arising from AASB119 (September 2011)* and AASB 2011-11 *Amendments to AASB119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013).

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Fund does not expect these amendments to have any impact on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on the foreseeable future transactions.

## 2. INCOME STATEMENT ITEMS

	2012 \$'000	2011 \$'000
Revenue includes:		
<b>(a) Distributions and dividends from:</b>		
Other schemes managed by the Responsible Entity or its affiliates	1,188	930
External parties	257	327
	1,445	1,257
<b>(b) Interest from:</b>		
External parties	44	72
	44	72
Expenses include:		
<b>(c) Finance costs payable to:</b>		
External parties	3,292	3,834
<b>(d) Other Expenses:</b>		
ASX fees	28	75
Consultant fees	34	64
Custodian fees	54	57
Legal fees	62	69
Registry fees	41	69
Sundry expenses	3	13
Valuation fees	44	89

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 3. DISTRIBUTIONS

Distributions were payable during the financial year as follows:

Period	Paid/Payable	2012		2011	
		Cents per unit	Amount \$'000	Cents per unit	Amount \$'000
Quarter ending 30 September	20 October 2011	3.5	996	3.0	854
Quarter ending 31 December	20 January 2012	3.5	996	3.0	854
Quarter ending 31 March	20 April 2012	3.5	996	3.4	967
Quarter ending 30 June	20 July 2012	4.0	1,137	3.4	967
<b>Total</b>		<b>14.5</b>	<b>4,125</b>	<b>12.8</b>	<b>3,642</b>

### 4. EARNINGS PER UNIT ("EPU")

	2012 cents	2011 cents
Basic EPU	8.47	25.97
Diluted EPU	8.47	25.97

The following information reflects the income and security numbers used in the calculations of basic and diluted EPU:

	Number of Units '000	Number of Units '000
Weighted average number of ordinary units used in calculating basic earnings per unit	28,450	28,450
Adjusted weighted average number of ordinary units used in calculating diluted earnings per unit	28,450	28,450
	<b>\$'000</b>	<b>\$'000</b>
Earnings used in calculating basic earnings per unit	2,411	7,388
Earnings used in calculating diluted earnings per unit	2,411	7,388

There have been no conversions to, calls of, or subscriptions for ordinary units or issues of potential ordinary units since the reporting date and before the completion of this report.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 5. CASH AND CASH EQUIVALENTS

	2012 \$'000	2011 \$'000
<b>(a) Components of cash and cash equivalents</b>		
Cash	17	2,237
Total cash and cash equivalents	17	2,237
<b>(b) Reconciliation of profit after income tax to net cash flows provided by operating activities.</b>		
Profit for the year	2,411	7,388
Net loss/(gain) on disposal of investment properties	97	6
Net (gain)/loss on disposal of financial assets	-	(3,977)
Net revaluation (increment)/decrement of investment properties	163	(347)
Impairment of available-for-sale financial assets	1,643	4
Change in fair value of derivative financial instruments	138	310
(Increase)/decrease in receivables	(12)	195
(Decrease)/Increase in payables	(441)	(663)
<b>Net cash flows provided by operating activities</b>	<b>3,999</b>	<b>2,916</b>
<b>(c) Financing facilities</b>		
Committed financing facilities available to the Fund:		
Loan facility	35,650	40,140
Amounts utilised	35,650	40,140
Available financing facilities	-	-
Overdraft facility	2,000	-
Amounts utilised	961	-
Available financing facilities	1,039	-
Cash	17	2,237
<b>Financing resources available at the end of the year</b>	<b>1,056</b>	<b>2,237</b>
<b>Maturity profile of financing facilities:</b>		
Due within one year	-	-
Due between one year and five years	37,650	40,140
Due after five years	-	-

Refer to Note 12 for details on the conditions of the financing facilities.

During the year ending 30 June 2012, the Fund reinvested \$385,088 in the CIB Fund through a Distribution Reinvestment Plan in lieu of a cash distribution.

### 6. TRADE AND OTHER RECEIVABLES

	2012	2011
Other schemes managed by the Responsible Entity and its affiliates	205	192
Other entities	97	98
	<b>302</b>	<b>290</b>

Trade receivables are recognised at fair value less any provision for impairment. Trade receivables are due as specified within the individual property's lease or in accordance with distribution payment dates.

The \$204,870 receivable from other schemes managed by the Responsible Entity and its affiliates relates to a quarterly distribution payable from the Australian Education Trust. Refer Note 16 for further details.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 6. TRADE AND OTHER RECEIVABLES (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. Provision of impairment of trade receivables is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted off the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in the Statement of Comprehensive Income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

#### Trade receivables that are past due but not impaired:

As at 30 June 2012, there were no trade receivables which were past due but not impaired. The ageing analysis of receivables is as follows:

	31-60 days	61-90 days	90+ days
2012	-	-	-
2011	-	-	7

#### Allowance for impairment loss:

No receivables are considered to be impaired. The majority of these amounts are expected to be received in the near future.

#### Related party receivables:

For terms and conditions of related party receivables, refer to Note 16.

#### Fair value and credit risk:

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Fund's policy to transfer (on-sell) receivables to special purpose entities.

### 7. OTHER CURRENT ASSETS

	2012 \$'000	2011 \$'000
Investment properties - straight line rental account	100	85
Prepayments	35	25
Available-for-sale financial assets to be sold within 12 months	1,477	-
	<b>1,612</b>	<b>110</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 8. AVAILABLE-FOR- SALE FINANCIAL ASSETS

	2012 \$'000	2011 \$'000
<b>Available-for-Sale Financial Assets</b>		
<b>(a) Represented by:</b>		
Units in listed property trusts - at market valuation	7,808	6,185
Units in listed property trusts - at Directors' valuation	1,477	2,639
Units in unlisted property trusts - at Directors' valuation	8,086	8,682
<b>Total available-for-sale financial assets</b>	<b>17,371</b>	<b>17,506</b>
Less: available-for-sale financial assets to be sold within 12 months (refer Note 7)	(1,477)	-
<b>Carrying amount at the end of the year</b>	<b>15,894</b>	<b>17,506</b>
<b>(b) Movements in available-for-sale financial assets:</b>		
Opening balance	17,506	12,066
Acquisition (Distribution Re-investment Plan - CIB)	385	-
Disposals	-	(5,608)
Impairment of available-for-sale financial assets	(1,643)	(4)
Movement in available-for-sale financial assets to be sold within 12 months	(1,477)	8,999
Movement in available-for-sale financial assets reserve	1,123	2,053
<b>Carrying amount at the end of the year</b>	<b>15,894</b>	<b>17,506</b>

Listed securities are valued at the closing bid price on the last business day of the financial year.

Whilst Australian Property Growth Fund is listed, the security has not traded since August 2009. Therefore in assessing the fair value of this security it is treated as an unlisted property trust.

In assessing the fair value of investments held in unlisted property trusts initially, the unit price is determined by the entity's net assets, as disclosed in Note 1.

As at 30 June 2012, when assessing the fair value of the Australian Property Growth Fund and Stockland Direct Retail Trust No. 1 investments, it was evident that the last reported net asset positions were not an appropriate valuation for these securities. As a result, alternate valuation methodologies have been utilised to calculate an appropriate fair value.

As at 30 June 2012, the Fund continued to hold investments in the unlisted securities Timbercorp Primary Infrastructure Fund, Austock Education Development Trust (Casey), Austock Education Development Trust (Penrith) and Austock Education Development Trust (Melton). These investments have nil value (2011 : nil).

As at the date of this report, the Austock Education Development Trust (Casey), Austock Education Development Trust (Penrith) and Austock Education Development Trust (Melton) have been wound up.

### Reconciliation of Available-for-Sale Financial Assets

#### Listed Securities

Name of Security 2012	Exchange	No of Shares/Units No'000	Market Valuation \$'000	Directors' Valuation \$'000	Total \$'000
Australian Education Trust	ASX	7,731	7,808	-	7,808
Australian Property Growth Fund	NSX	3,887	-	1,477	1,477
<b>Total Listed Securities</b>			<b>7,808</b>	<b>1,477</b>	<b>9,285</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### Reconciliation of Available-for-Sale Financial Assets (continued)

#### Unlisted Securities

Name of Security 2012	No of Shares/Units No'000	Market Valuation \$'000	Directors' Valuation \$'000	Total \$'000
CIB Fund	3,873	-	6,856	6,856
Stockland Direct Retail Trust No.1	3,000	-	1,230	1,230
<b>Total Unlisted Securities</b>		-	<b>8,086</b>	<b>8,086</b>
<b>Total Available-for-Sale Financial Assets</b>		<b>7,808</b>	<b>9,563</b>	<b>17,371</b>

#### Listed Securities

Name of Security 2011	Exchange	No of Shares/Units No'000	Market Valuation \$'000	Directors' Valuation \$'000	Total \$'000
Australian Education Trust	ASX	7,731	6,185	-	6,185
Australian Property Growth Fund	NSX	3,887	-	2,639	2,639
<b>Total Listed Securities</b>			<b>6,185</b>	<b>2,639</b>	<b>8,824</b>

#### Unlisted Securities

Name of Security 2011	No of Shares/Units No'000	Market Valuation \$'000	Directors' Valuation \$'000	Total \$'000
CIB Fund	3,668	-	6,822	6,822
Stockland Direct Retail Trust No. 1	3,000	-	1,860	1,860
<b>Total Unlisted Securities</b>		-	<b>8,682</b>	<b>8,682</b>
<b>Total Available-for-Sale Financial Assets</b>		<b>6,185</b>	<b>11,321</b>	<b>17,506</b>

## 9. INVESTMENT PROPERTIES

	2012 \$'000	2011 \$'000
<b>(a) Investment properties - at valuation</b>		
Total property investments	85,225	86,772
Less: straight line rental account - current	(100)	(85)
Less: straight line rental account - non current	(346)	(446)
<b>Carrying amount at the end of the year</b>	<b>84,779</b>	<b>86,241</b>
<b>(b) Movement in investment properties:</b>		
Balance at the beginning of the year - at valuation	86,241	85,894
Net construction costs of investment properties damaged by flood	102	-
Disposal of properties	(1,401)	(700)
Net revaluation increment / (decrement)	(163)	347
Less: investment properties to be sold within 12 months	-	700
<b>Carrying amount at the end of the year</b>	<b>84,779</b>	<b>86,241</b>

Investment properties are carried at fair value. The determination of fair value is based on independent valuations.

An independent valuation of a property is carried out at least once every three years. Independent valuations are prepared using both the capitalisation of net income method and the discounting of future net cash flows to their present value. Capital expenditure since valuation includes purchases of sundry properties (and associated expenses such as stamp duty, legal fees etc) and capital expenditure in respect of completed projects which has taken place since or was not included in the latest valuation of the properties.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 9. INVESTMENT PROPERTIES (continued)

Independent valuations for 15 of the 51 properties owned by the Fund were conducted this financial year. The independent valuations were prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards. The net result of the valuations was an increase of \$0.8 million or 4% for the properties valued.

As at 30 June 2011, revaluation decrements were made to two properties which had been significantly damaged by flood. The re-building of these properties has been completed and the centres are operational with the tenants recommencing rent payments. As a result at 30 June 2012, these properties have been revalued to a going concern valuation resulting in an increment of \$0.8 million.

As at 30 June 2012, the Directors have reduced the fair value on five properties by \$1.9 million, where there was evidence of impairment and that using the last external valuation would not be appropriate.

Net revaluation decrement is partially offset by an increment due to straight line rental adjustment of \$0.1 million with a corresponding decrease in straight line rental asset.

### 10. TRADE AND OTHER PAYABLES

	2012 \$'000	2011 \$'000
Trade creditors	111	115
Prepaid rent	-	26
GST payable	199	190
Accruals	220	369
	<b>530</b>	<b>700</b>

#### Fair Value and Credit Risk

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

#### Financial Guarantees

There are no financial guarantees in place.

#### Interest Rate and Liquidity Risk:

Detail regarding interest rate and liquidity risk exposure is disclosed in Note 16.

### 11. DISTRIBUTION PAYABLE

	2012 \$'000	2011 \$'000
Distribution payable	1,131	981
	<b>1,131</b>	<b>981</b>

### 12. BORROWINGS

	2012 \$'000	2011 \$'000
<b>(a) Current</b>		
Bank overdraft	961	-
	<b>961</b>	<b>-</b>
<b>(b) Non current</b>		
Secured liabilities		
Bank Loans at face value - secured	35,650	40,140
Less: unamortised up front transaction costs	(168)	(291)
	<b>35,482</b>	<b>39,849</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 12. BORROWINGS (continued)

During the year, the Fund renewed its existing debt facility with the Australia and New Zealand Banking Corporation Limited (ANZ). The renewed facility is for 3 years plus an option for a further one year period. The key commercial terms of the facility are as follows:

<b>Facility Limit</b>	\$35.65 million (fully drawn)
<b>Facility Term</b>	3 years from December 2011 with an option for 1 further year exercisable at ASIF's election
<b>Maximum Loan to Value Ratio ("LVR")</b>	52.5% (Value based on 100% of secured property values and 50% value of Australian Education Trust units)
<b>Interest Cover Ratio</b>	Not to be less than 1.60 times (EBITDA) measured on a yearly basis
<b>Amortisation</b>	No mandatory amortisation requirement whilst the LVR remains below 50%

During the year, the Fund entered into an overdraft facility with ANZ in order to more efficiently manage its working capital position.

Key commercial terms of the facility are as follows:

<b>Facility Limit</b>	\$2 million
<b>Drawn Amount</b>	\$1 million as at 30 June 2012
<b>Maturity Date</b>	December 2014 with an option for 1 further year, exercisable at ASIF's election
<b>Purpose</b>	Working capital requirements
<b>Covenants</b>	Same as debt facility

### Hedging Arrangements

In accordance with the Funds policy to hedge a proportion of its debt it has the following interest rate swaps in place:

Period	Hedged Amount \$'000	Hedged Rate %	% Hedged
<b>FY13</b>			
July 2012 - September 2012	35,000	5.70	98%
September 2012 - June 2013	20,000	3.86	56%
July 2012 - June 2013 (weighted average)	23,750	4.54	67%
<b>FY14</b>			
July 2013 - June 2014	10,000	3.98	28%
<b>FY15</b>			
July 2014 - June 2015	5,000	3.99	14%

### Interest Rate and Liquidity Risk

Refer to Note 16 for information on interest rate and liquidity risk.

### Fair Values

The carrying amounts of the Fund's interest-bearing liabilities approximate their fair value.

### Unused Financing Facilities

Refer to Note 5(c) for details of unused financing facilities.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 12. BORROWINGS (continued)

#### Assets Pledged as Security

	2012 \$'000	2011 \$'000
Collateral that has been pledged for secured liabilities is as follows:		
i) Financial assets pledged		
Cash and cash equivalents	17	2,237
Trade and other receivables	337	315
Available-for-sale financial assets	17,371	17,506
ii) Other assets pledged		
Investment properties	85,225	86,772
<b>Total assets pledged</b>	<b>102,950</b>	<b>106,830</b>

Under the current ANZ facility, the principal terms and conditions with respect to the assets pledged are:

- not to materially change the nature of the Fund, without ANZ consent;
- not to make return of capital to any unitholder, including the retained amount, without consent of ANZ;
- if the LVR is above 50%, the Fund must immediately, on receipt of funds, repay debt by sale proceeds in relation to settlement of any Contract of Sale for any Security Property or any Security.
- not dispose of any asset, without ANZ consent, except in the ordinary course of business (a disposal of securities is not in the ordinary course of business, from the Lender's perspective).
- ANZ is to be notified within 30 days of any leases being terminated or not renewed; and
- the Fund is not to enter into any further financial debt.

#### Covenants

The main covenants of the Fund's debt facility are that the Fund maintains a Loan to Value Ratio (LVR) not greater than 52.5% and a minimum interest cover ratio of 1.6 times. The Fund is in compliance with the relevant covenants.

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 \$'000	2011 \$'000
<b>(a) Current</b>		
Derivative financial instruments - interest rate swaps	318	298
	<b>318</b>	<b>298</b>
<b>(a) Non Current</b>		
Derivative financial instruments - interest rate swaps	130	12
	<b>130</b>	<b>12</b>

The Fund uses derivative financial instruments (comprising of interest rate swaps) to swap its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value.

Refer to Note 12 for further information on these contracts.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 14. CONTRIBUTED EQUITY

	Units on Issue No '000	Units on Issue \$'000
Balance at 1 July 2010	28,450	57,420
Disposal of own units in Fund	-	853
<b>Balance at 30 June 2011</b>	<b>28,450</b>	<b>58,273</b>
Balance at 1 July 2011	28,450	58,273
Units issued during the period	-	-
<b>Balance at 30 June 2012</b>	<b>28,450</b>	<b>58,273</b>

During the year ending 30 June 2012, there were no units issued (2011: there were no units issued).

All units on issue rank equally for the purpose of distributions and on termination of the Fund. All units entitle the holders to one vote, either in person or by proxy, at a meeting of the Fund.

#### Capital Management

The Responsible Entity's strategy when assessing capital management is to ensure the Fund continues as a going concern as well as to maintain optimal returns to Unitholders and benefits for other stakeholders. The Responsible Entity also aims to maintain a capital structure that ensures the lowest cost of capital available to the Fund.

The Responsible Entity has no plans at this stage to issue any further units in the Fund.

### 15. FINANCIAL RISK MANAGEMENT

#### (a) Financial Risk Management Policies

The Fund's financial instruments consist of deposits with banks, accounts receivable and payable, loans from banks, loans to related entities and derivatives.

The Responsible Entity manages the Fund's exposure to key financial risks in accordance with its Risk Management Plan. The objective of the plan is to support the delivery of the Fund's financial targets, whilst protecting future financial security.

During the year, the Board updated the Risk Management Program to comply with the requirements of the Australian Standard on Risk Management (AS/NZ ISO 31000). A Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806) was also implemented. The updated Programs reflect the Board's commitment to identify, monitoring and mitigating risks as well as capturing opportunities. Day to day responsibility for risk management has been delegated to executive management, with review at Board level.

The Responsible Entity reviews and implements policies for managing each risk as summarised below.

#### (b) Risk Exposures and Responses

##### Market Risk

The Fund is exposed to interest rate, price and liquidity risks. Details are provided in the following paragraphs. There are no known exposures to other risks that are material to the financial statements.

##### Interest Rate Risk

The exposure of interest rate risk for the Fund is primarily due to debt obligations.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 15. FINANCIAL RISK MANAGEMENT (continued)

The Fund has the following classes of financial assets and financial liabilities that are exposed to interest rate risk:

	2012 \$'000	2011 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	17	2,237
	<b>17</b>	<b>2,237</b>
<b>Financial liabilities</b>		
Interest-bearing liabilities	36,611	40,140
	<b>36,611</b>	<b>40,140</b>
<b>Net exposure</b>	<b>(36,594)</b>	<b>(37,903)</b>

The weighted average interest rates relating to the above financial assets and financial liabilities were as follows:

	2012 \$'000	2011 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	2.80%	4.00%
<b>Financial liabilities</b>		
Interest-bearing liabilities	7.71%	8.13%

Financial assets are not hedged and are exposed to variable interest rate risk. The Responsible Entity believes that this exposure is relatively low and does not pose a material risk to the Fund.

It is the current policy of the Responsible Entity to use a mixture of variable interest rate and interest rate swaps to manage the Fund's exposure to interest rates on interest bearing liabilities. As at 30 June 2012, interest on borrowings of \$35.7 million was at a weighted average interest rate of 7.7% (excluding transaction costs). Refer to Note 12 for further information on this debt.

The Responsible Entity constantly analyses the Fund's interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures on interest-bearing liabilities in existence at the reporting date.

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit and equity would have been affected as follows:

	Net profit Increase / (Decrease)		Equity Increase / (Decrease)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Judgements of reasonably possible movements:				
Increase in variable interest rates of 1.00 %	282	403	282	403
Decrease in variable interest rates of 0.50%	(141)	(202)	(141)	(202)

The movements in net profit are due to the net impact of higher/lower interest costs from variable rate debt and cash balances and the movements in the fair value of derivative instruments. Due to the hedging arrangements in place at 30 June 2012, with the majority of the Fund's debt hedged, increases in interest rates increase profit due to increases in the fair value of derivative financial instruments exceeding the higher interest cost on the unhedged portion. Such movements are reflected in the Statement of Comprehensive Income and Equity.

#### Foreign Currency Risk

The Fund has no exposure to foreign currency movements as it does not transact or hold assets in foreign currency.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 15. FINANCIAL RISK MANAGEMENT (continued)

#### Price Risk

The Fund is exposed to movements in the market values of property securities held, both listed and unlisted. These movements may be significant from one year to the next. A variety of factors may cause movements, such as activity in general financial markets and the state of the property market and the economy generally. The Fund has no form of hedging in place to mitigate such movements.

The following sensitivity analysis is based on the price risk exposures on securities held at the reporting date.

At 30 June 2012, if prices had moved, as illustrated in the table below, with all other variables held constant, profit and other comprehensive income would have been affected as follows:

		Net profit		Equity	
		Increase / (decrease)		Increase / (Decrease)	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Judgements of reasonably possible movements:					
Increase in property security prices	15.00%	2,606	2,626	2,606	2,626
Decrease in property security prices	15.00%	(2,606)	(2,626)	(2,606)	(2,626)

Changes in fair value are recognised directly in equity, when there is an expected long term increment in the value of the security. Where there is an expected long term decrement in the value of the security, changes in fair value are recognised directly in the Statement of Comprehensive Income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses. For the purposes of this analysis it has been assumed that all movements are adjusted through the Statement of Comprehensive Income.

#### Liquidity Risk

Liquidity risk is managed by adhering to restrictions under the Fund's investment strategy from entering into contractual arrangements that produce an exposure not covered by sufficient liquid assets or a total investment exposure in excess of total Unitholders' funds. Further, the Responsible Entity ensures that sufficient cash and cash equivalents are maintained to meet the needs of the Fund through cash flow monitoring and forecasting.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2012. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Market value is not materially different from the break value. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing as at 30 June 2012.

The remaining contractual maturities of the Fund's financial liabilities are:

	2012	2011
	\$'000	\$'000
6 months or sooner	1,893	1,821
6 to 12 months	85	158
1 to 5 years	36,740	40,140
Later than 5 years	-	-
	<b>38,718</b>	<b>42,119</b>

The following table reflects a maturity analysis of financial assets and financial liabilities based on management's expectations. Apparent shortfalls in cash are due to the maturity of debt facilities at various points in time. Prior to the maturity of these facilities, the Fund will either negotiate to extend the term of these facilities or arrange new facilities on terms appropriate at that time.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 15. FINANCIAL RISK MANAGEMENT (continued)

	6 months or sooner \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Later than 5 years \$'000	Total \$'000
<b>2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	17	-	-	-	17
Receivables and prepayments	337	-	-	-	337
Available-for-sale financial assets	-	1,477	15,894	-	17,371
	<b>354</b>	<b>1,477</b>	<b>15,894</b>	<b>-</b>	<b>17,725</b>
<b>Financial liabilities</b>					
Payables	1,661	-	-	-	1,661
Derivative financial instruments	233	85	130	-	448
Interest-bearing liabilities	-	-	36,611	-	36,611
	<b>1,894</b>	<b>85</b>	<b>36,741</b>	<b>-</b>	<b>38,720</b>
<b>Net exposure</b>	<b>(1,540)</b>	<b>1,392</b>	<b>(20,847)</b>	<b>-</b>	<b>(20,995)</b>
<b>2011</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2,237	-	-	-	2,237
Receivables	315	-	-	-	315
Available-for-sale financial assets	-	-	17,506	-	17,506
	<b>2,552</b>	<b>-</b>	<b>17,506</b>	<b>-</b>	<b>20,058</b>
<b>Financial liabilities</b>					
Payables	1,681	-	-	-	1,681
Derivative financial instruments	140	158	12	-	310
Interest-bearing liabilities	-	-	40,140	-	40,140
	<b>1,821</b>	<b>158</b>	<b>40,152</b>	<b>-</b>	<b>42,131</b>
<b>Net exposure</b>	<b>731</b>	<b>(158)</b>	<b>(22,646)</b>	<b>-</b>	<b>(22,073)</b>

#### Credit Risk

Credit risk arises from the financial assets of the Fund, which comprise cash and cash equivalents, trade and other receivables, loans receivable and available for sale financial assets. The Fund's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable Note.

Receivables are generally received within 30 days. The Fund does not hold any credit derivatives to offset its credit exposure.

#### Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 15. FINANCIAL RISK MANAGEMENT (continued)

The following table present the Fund's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2012</b>				
<b>Assets</b>				
Available-for-sale financial assets	7,808	9,563	-	17,371
<b>Total assets</b>	<b>7,808</b>	<b>9,563</b>	<b>-</b>	<b>17,371</b>
<b>Liabilities</b>				
Derivatives used for hedging purposes	-	448	-	448
<b>Total liabilities</b>	<b>-</b>	<b>448</b>	<b>-</b>	<b>448</b>
<b>2011</b>				
<b>Assets</b>				
Available-for-sale financial assets	6,185	11,321	-	17,506
<b>Total assets</b>	<b>6,185</b>	<b>11,321</b>	<b>-</b>	<b>17,506</b>
<b>Liabilities</b>				
Derivatives used for hedging purposes	-	310	-	310
<b>Total liabilities</b>	<b>-</b>	<b>310</b>	<b>-</b>	<b>310</b>

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using initially the latest Net Tangible Asset value of the investment. If this is not an appropriate assessment of fair value, other valuation techniques are utilised. The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows. The Fund uses the latest information available to the market. These instruments are included in level 2.

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. When securities are increased in fair value, the increments are recognised directly in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains and losses.

The carrying amounts of bank deposits, receivables, other debtors, accounts payable, bank loans, lease liabilities and distributions payable approximate net fair value.

### 16. RELATED PARTY DISCLOSURES

#### Responsible Entity

The Responsible Entity of the Fund is Austock Funds Management Limited.

In accordance with the Fund's Constitution and other agreements the Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation with the Fund or in performing its obligations under the Constitution.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 16. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions that have been entered into with the Responsible Entity for the relevant financial year:

	2012 \$'000	2011 \$'000
<b>Amounts paid or payable during the year</b>		
Responsible Entity asset management fees	1,084	1,120
Responsible Entity cost recoveries	135	54
	1,219	1,174
<b>Amounts included in accruals or payables at balance date</b>	<b>111</b>	<b>170</b>

The names of each person holding the position of Director of the Responsible Entity during the financial year were Messrs Victor David Cottren (Chairman), Michael Francis Johnstone and Warner Kenneth Bastian. No Director of the Responsible Entity received or became entitled to receive any benefit because of a contract made by the Fund with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

The relevant interests of each Director of the Responsible Entity (including Director related entities) acquired on the market in the unit capital of the Fund are set out under the section Key Management Personnel of the Responsible Entity.

#### Custodian

The Custodian of the Fund's assets is The Trust Company Ltd (formerly named Trust Company of Australia Ltd). The Custodian is entitled to fees for its services.

	2012 \$'000	2011 \$'000
<b>Amounts paid or payable during the year</b>		
Amounts paid or payable during the year		
Custodian fees	54	57
<b>Amounts included in accruals or payables at balance date</b>	<b>15</b>	<b>15</b>

#### Investments

The fund held investments in the following schemes managed by the Responsible Entity or its affiliates:

##### Listed Investments:

	2012	2011
Australian Education Trust		
Number of units held	7,730,980	7,730,980
Interest % held	4.4%	4.4%
Number of units disposed during the year	-	7,000,000
Value of units disposed during the year	-	3,780,000
Distributions received / receivable by the fund	\$773,097	\$577,764
Net fair value of investment	\$7,808,290	\$6,184,784

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 16. RELATED PARTY DISCLOSURES (continued)

	2012	2011
<b>Unlisted Investments:</b>		
CIB Fund		
Number of units held	3,873,429	3,667,500
Interest % held	15.0%	15.0%
Number of units acquired during the year	205,929	-
Value of units acquired during the year	\$385,088	-
Distributions received / receivable by the fund	\$414,428	\$352,080
Net fair value of investment	\$6,855,969	\$6,821,550
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Receivable</b>		
Distribution from the CIB Fund	-	29
Distribution from Australian Education Trust	205	162
	205	191

As at 30 June 2012, the Fund continued to hold investments, Austock Education Development Trust (Casey), Austock Education Development Trust (Penrith) and Austock Education Development Trust (Melton). These investments have nil value (2011 : nil).

As at the date of this report, the Austock Education Development Trust (Casey), Austock Education Development Trust (Penrith) and Austock Education Development Trust (Melton) have been wound up.

#### Terms and conditions of transactions with related parties

All transactions between related parties were made on normal commercial terms and conditions.

#### Key Management Personnel of the Responsible Entity

##### Names:

The Directors of the Responsible Entity are considered to be Key Management Personnel (KMP).

<b>Chairman - Non-executive</b>	Vic Cottren	Appointed 2 March 2007
<b>Non-Executive Directors</b>	Michael Johnstone	Appointed 2 March 2007
	Warner Bastian	Appointed 1 March 2009
<b>Other KMP</b>	Mark Stewien	Fund Manager (Appointed 18 November 2011)
	Travis Butcher	Chief Financial Officer (Appointed 1 October 2008)
	Nicholas Anagnostou	Chief Operating Officer (Appointed 4 August 2008)

#### Remuneration:

No KMP were remunerated directly by the Fund. The KMP of the Responsible Entity receive remuneration in their capacity as Directors and senior management of the Responsible Entity and these amounts are paid from an entity related to the Responsible Entity.

#### Units Held in the Fund by Directors of the RE:

The numbers of units in the Fund held during the financial year by each Director and other KMP of the Responsible Entity, including their personally related parties, are set out on the following page. There were no units granted during the reporting period as compensation.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 16. RELATED PARTY DISCLOSURES (continued)

	Balance at the start of the year units	Acquisitions during the year units	Disposals during the year units	Balance at the end of the year units
<b>2012</b>				
Directors				
Vic D Cottren				
- Lesley Ruth French	17,500	-	-	17,500
- Kimslead Holdings Pty	145,000	-	-	145,000
<b>Total</b>	<b>162,500</b>	<b>-</b>	<b>-</b>	<b>162,500</b>
<b>2011</b>				
Directors				
Vic D Cottren				
- Lesley Ruth French	7,500	10,000	-	17,500
- Kimslead Holdings Pty	105,000	40,000	-	145,000
<b>Total</b>	<b>112,500</b>	<b>50,000</b>	<b>-</b>	<b>162,500</b>

### 17. SEGMENT REPORTING

The Fund operates wholly within Australia and operates predominantly in the one business segment of property investment, including direct property ownership and units in other property schemes.

### 18. LEASE REVENUE COMMITMENTS

Investment properties are leased to tenants under long-term operating leases with rentals generally payable monthly. Future minimum lease payments receivable on leases of investment properties are as follows:

	2012 \$'000	2011 \$'000
Not later than 1 year	8,061	7,896
Between 1 years and 5 years	32,296	18,599
Greater than 5 years	37,772	18,007
	<b>78,129</b>	<b>44,502</b>

### 19. AUDITORS REMUNERATION

	2012 \$	2011 \$
<b>Remuneration of the auditor for:</b>		
Audit and other assurance service		
Audit or review of financial report – PricewaterhouseCoopers, Australian firm	41,000	35,007
Audit of compliance plan – PricewaterhouseCoopers, Australian firm	4,000	4,200
Taxation services		
Taxation – PricewaterhouseCoopers, Australian firm	16,662	16,662
<b>Total auditor remuneration</b>	<b>61,662</b>	<b>55,869</b>

### 20. NET TANGIBLE ASSETS

	2012	2011
Net tangible assets (\$'000)	64,398	64,990
Units used (No'000)	28,450	28,450
Net tangible assets at carrying value per unit (\$)	2.26	2.28

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

### 21. CONTINGENT LIABILITIES

No contingent liabilities to the Fund exist of which the Responsible Entity is aware.

### 22. SUBSEQUENT EVENTS

On 9 July 2012, Austock Group Limited announced that it had entered into an agreement with Folkestone Limited to sell the Austock Property business which includes Austock Funds Management Limited, the Responsible Entity of Australian Social Infrastructure Fund. The sale is subject to a number of conditions precedent including approval by Austock Group Limited shareholders.

An announcement was made to Unitholders on 9 July 2012, outlining the transaction and benefits to Unitholders. The transaction is subject to a vote of Austock Group shareholders on 12 September 2012.

The sale is not expected to have an effect on Unitholders and no changes in respect to the strategy and focus of the Fund. the move to Folkestone will not result in any costs allocated to the Fund or its Unitholders.

The financial report was authorised on 15 August 2012 by the Board of Directors of the Responsible Entity.

There have been no other significant events since 30 June 2012 that have or may significantly affect the results and operations of the Fund.

### 23. FUND DETAILS

The registered office and principal place of business of the Fund is Level 12, 15 William Street, Melbourne, Victoria 3000 and the principal activity being an investor in direct property and property securities. The domicile of the Fund is Australia.

## DIRECTORS' DECLARATION

In the opinion of the Directors of Austock Funds Management Limited, the Responsible Entity of The Australian Social Infrastructure Fund ("the Fund"):

- the financial statements and notes, set out on pages 19 to 48 are in accordance with the *Corporations Act 2001*, including:
  - complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - giving a true and fair view of the Fund's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- the Fund has operated during the year ended 30 June 2012 in accordance with the provisions of the Fund Constitution (as amended).

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Fund Manager and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors of Austock Funds Management Limited.



**Victor David Cottren**  
Chairman  
Austock Funds Management Limited  
Melbourne, 15<sup>th</sup> August 2012

# INDEPENDENT AUDIT REPORT



## **Independent auditor's report to the members of The Australian Social Infrastructure Fund**

### ***Report on the financial report***

We have audited the accompanying financial report of The Australian Social Infrastructure Fund (the Fund), which comprises the balance sheet as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the financial report***

The directors of the company Austock Funds Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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T +61 3 8603 1000, F +61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)  
Liability limited by a scheme approved under Professional Standards Legislation.

## INDEPENDENT AUDIT REPORT (CONTINUED)



### *Auditor's opinion*

In our opinion:

- (a) the financial report of The Australian Social Infrastructure Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the Fund's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### *Report on the Remuneration Report*

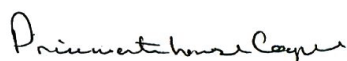
We have audited the remuneration report included on page 16 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of The Australian Social Infrastructure Fund for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

### *Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report and remuneration report of The Australian Social Infrastructure Fund (the Fund) for the year ended 30 June 2012 included on The Australian Social Infrastructure Fund's web site. The directors of Austock Funds Management Limited, the Responsible Entity of the Fund, are responsible for the integrity of The Australian Social Infrastructure Fund's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Charles Christie  
Partner

Melbourne  
15 August 2012

## ADDITIONAL STOCK EXCHANGE INFORMATION

### AS AT 3<sup>RD</sup> AUGUST 2012

#### Number of Holders of Ordinary Units and Voting Rights

There were 28,449,729 fully paid ordinary units on issue, held by 1,360 Unitholders.

The voting rights attaching to the ordinary units, set out in section 253C of the *Corporations Act 2001*, are:

- on a show of hands every person present who is a Unitholder has one vote; and
- on a poll each Unitholder present in person or by proxy or attorney has one vote for each dollar of value of the total interests they have in the Fund.

#### Distribution of Unitholders

Number of Units Held	Number of Unitholders
1 - 1,000	19
1,001 - 5,000	324
5,001 - 10,000	329
10,001 - 100,000	659
100,001 and over	29
<b>Total</b>	<b>1,360</b>
Holdings less than a marketable parcel	5

#### Substantial Unitholders

Name of Substantial Unitholder	Number
LUCRF Pty Ltd	1,500,000

#### Twenty Largest Unitholders

Name	Number	Fully paid percentage
J P Morgan Nominees Australia Limited	1,727,000	6.070
Jayrab Pty Ltd	467,089	1.642
Sandhurst Trustees Ltd	420,000	1.476
Redbrook Nominees Pty Ltd	382,304	1.344
First Transnational Investment Corporation Pty Ltd	361,981	1.272
Acres Holdings Pty Ltd	301,696	1.060
Mcarthur Fibreglass Pty Ltd	290,132	1.020
National Nominees Limited	275,128	0.967
Stormclassic Pty Ltd	267,418	0.940
Horrie Pty Ltd	250,000	0.879
Remon Investments Pty Ltd	200,000	0.703
F S Hespe & Partners Pty Limited	180,000	0.633
Tudor Vale Holdings Pty Ltd	177,587	0.624
Mr Claudio Zito & Mrs Joaquinita Zito	165,681	0.582
Ms Alison Maisie Law	155,300	0.546
Kimslead Holdings Pty Ltd	145,000	0.510
Mr Warren George Trotman & Mrs Carmel Mynetta Trotman	143,324	0.504
Mr Noel Edward Kagi & Mrs Michelle Leonie Kagi	137,000	0.482
Mr Lee Ernest Harris & Mrs Joan Elaine Harris	136,363	0.479
Farallon Capital Pty Ltd	125,000	0.439
	<b>6,308,003</b>	<b>22.172</b>

#### On market buy back

There is no current on-market buy back

## DIRECTORY

<b>Responsible Entity and principal place of business of the Fund</b>	<b>Austock Funds Management Limited</b> Level 12, 15 William Street Melbourne VIC 3000
<b>Directors of the Responsible Entity</b>	Victor David Cottren (Chairman) Michael Francis Johnstone Warner Kenneth Bastian
<b>Solicitors</b>	<b>Macrossans Lawyers</b> Level 23, AMP Place 10 Eagle Street Brisbane Qld 4000
<b>Auditors/Taxation Advisors</b>	<b>PricewaterhouseCoopers</b> Freshwater Place 2 Southbank Boulevard Southbank Vic 3000
<b>Bank</b>	<b>Australia &amp; New Zealand Banking Group Limited</b> Level 29, 100 Queen Street Melbourne Vic 3000
<b>Custodian</b>	<b>The Trust Company Ltd</b> Level 15, 20 Bond Street Sydney NSW 2000
<b>Secretary of the Responsible Entity</b>	<b>Amanda Jane Gawne</b> Level 12, 15 William Street Melbourne VIC 3000  <b>Adrian Seamus Hill</b> Level 12, 15 William Street Melbourne VIC 3000
<b>Unit Registry</b>	<b>Boardroom Pty Limited</b> Level 7, 207 Kent Street Sydney NSW 2000

