

Australian Education Trust

ARSN 102 995 939 ASX Code: AEU

Product Disclosure Statement

The Offer comprises: –

Public Offer to investors to subscribe for 18,750,000 New Units at \$1.60

And

Oversubscription Facility which permits the Fund to accept Applications for up to an additional 6,250,000 New Units at \$1.60

This Offer is not underwritten

Important Information –

This is an important document that should be read in its entirety. If you do not understand it, you should consult your professional advisers.

Issuer and Responsible Entity:

Austock Property Management Limited
ABN 46 111 338 937, AFSL 281544.

Joint Lead Manager:



ABN AMRO Morgans Limited
ABN 49010669726 and



Austock Corporate Finance Limited
ABN 26101074015



Important Notice

This Product Disclosure Statement ("PDS") is dated 7 September 2006.

A copy of this PDS was lodged with the ASIC on 7 September 2006. The ASIC and ASX take no responsibility for the contents of this PDS.

Application will be made by Austock Property Management Limited ABN 46 111 338 937 (Issuer) within seven (7) days after the date of this PDS for permission for the New Units offered by this PDS to be listed for Quotation.

This PDS contains important information however it does not take into account your investment objectives, financial situation or particular needs. Accordingly, before you invest, you should read this PDS carefully in its entirety and, if in any doubt, consult with your professional advisors before deciding whether to apply for New Units. There are risks associated with an investment in Australian Education Trust. The New Units offered under this PDS carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the New Units.

No person named in this PDS, nor any other person, guarantees the performance of the Fund, the repayment of capital or the payment of a return on the Units. No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by the Fund or the Directors.

Certain abbreviations and other defined terms are used throughout this PDS. Defined terms are generally identifiable by

the use of an upper case first letter. Details of the definitions and abbreviations used are set out in section 11 of this PDS.

Continuous Disclosure

The Fund is a disclosing entity and is subject to regular reporting and disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

This PDS does not, and is not required to, include relevant information contained in the Annual Financial Report for the period to 30 June 2006 (Annual Financial Report), the Half Year Financial Report for the six months ended 31 December 2005 (Half Year Financial Report), and the continuous disclosure notices given by the Fund after lodgement of the Annual Financial Report on the basis that the Fund is a disclosing entity and the Units are in a class of securities that have been continuously quoted for a 12 month period.

You are able to obtain a copy of the Annual Financial Report, the Half Year Financial Report and the continuous disclosure notices by contacting the Issuer at its registered office during normal business hours. A copy (free of charge) will be sent to you within five days of receiving your request.

Ongoing Changes to PDS Information

Information contained in this PDS may change from time to time. If the change will be materially adverse, then in accordance with the Corporations Act 2001, the Issuer will issue a supplementary PDS. However, if the change will not be materially adverse to the Offer, then the Issuer will not issue a supplementary PDS. Updated information

will be continually available from the website at www.educationtrust.com.au and upon request the Issuer will provide you with a paper copy of any updated information without charge.

Electronic PDS and Jurisdiction

A copy of this PDS can be downloaded from the website at www.educationtrust.com.au. Any person accessing the electronic version of the PDS within Australia or New Zealand or anywhere outside of Australia or New Zealand should note that this PDS does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the PDS or make the Offer. It is the responsibility of any investor outside Australia or New Zealand to ensure compliance with all laws of any country relevant to their application, and any such applicant should consult their professional advisors as to whether any government or other consents are required or whether any formalities need to be observed to enable them to apply for and be allotted any securities.

The Corporations Act prohibits any person passing on to another person an Application Form unless it is attached to a hard copy of the PDS or it accompanies the complete and unaltered version of this PDS. Any person may obtain a copy of this PDS free of charge by contacting the Issuer.

Photographs

The properties depicted in the photographs in this PDS are properties in which the Fund has or will have an interest unless otherwise stated.

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Key Offer Information

The Issue Price of New Units is \$1.60 per unit, a 2.40% discount to the recent trading price of the Fund's Units, with no brokerage or other costs payable on subscription.

Existing Unitholders and new investors can subscribe for New Units under the Public Offer.

Proceeds from the Offer will be used to fund the acquisition of additional childcare centre properties.

DETAILS OF THE OFFER

Issue Price (per unit)	\$1.60
Number of Units currently on issue	98,208,677
Number of New Units in the Public Offer	18,750,000
Total Units on issue after completion of the Public Offer	116,958,677
Number of Units available in the Oversubscription Facility ¹	6,250,000
Total Units on issue if the Oversubscription Facility is fully subscribed	123,208,677
Market Capitalisation (after the Public Offer) at the Issue Price	\$187,133,883
Market Capitalisation (including the Oversubscription Facility) at the Issue Price	\$197,133,883

Note

¹ - The Oversubscription Facility entitles the Fund to accept applications for up to an additional 6,250,000 Units at the Issue Price of \$1.60 per unit.

KEY DATES¹

PDS Date	Thursday 7th September 2006
Offer Opens	Thursday 7th September 2006
Meeting of Unitholders ²	Wednesday 4th October 2006
Offer Closes	5pm AEST Wednesday 11th October 2006
Allotment of Units	Wednesday 18th October 2006
Listing Date	Monday 23rd October 2006

Notes

¹ - The above dates are indicative only and may vary at the Issuer's discretion, subject to the requirements of the ASX Listing Rules and the Corporations Act. The Issuer reserves the right to vary these dates and times without prior notice, including the right to close the Offer early, to withdraw the Offer or to accept late Application Forms, either generally or, in particular cases, without notifying any recipient of this PDS or any Applicant.

² - The Offer of New Units under the Public Offer and the Oversubscription Facility are subject to approval by Unitholders of a resolution under ASX Listing Rule 7.1 at a meeting of Unitholders.



LETTER BY THE CHAIRMAN

On behalf of the Directors of Austock Property Management Limited, as the Responsible Entity for the Australian Education Trust, I have great pleasure in offering you the opportunity to become a Unitholder or to increase your holding in Australian Education Trust (the "Fund").

The Fund is an ASX listed property trust which is the largest owner of childcare centre property in Australia, investing in childcare and other education properties in Australia and New Zealand. The 2006 financial year represents the Fund's first full year as a property trust and as at the 30th June 2006 the Fund had total assets under management of \$255 million.

Childcare is now considered integral to the economy as a vital component in the maintaining of the workforce participation rate and as a stimulant to economic growth. In Australia, the childcare industry provides services to approximately 750,000 children, employs over 82,000 people and generates turnover estimated at \$3.2 billion.

At the commencement of the current fiscal year, the Fund owned 249 properties and has approximately 140 properties in its acquisition pipeline. All but six of the current properties are subject to long term leases to subsidiaries of A.B.C Learning Centres Limited ("ABC") an S&P/ASX100 company with a market capitalisation of approximately \$2.5 billion.

The ongoing growth of the Fund is secured via an Alliance Agreement with ABC which continues to source acquisitions and development opportunities on behalf of the Fund. ABC's commitment to the Fund is evidenced by its 15% unit holding.

The Fund is offering Units under this PDS to raise \$30.0 million with an oversubscription facility to raise up to an additional \$10.0 million. All of the funds raised will be applied to the acquisition of additional childcare centre properties and the costs of the Offer.

This Offer is subject to Unitholder approval to be considered at a Unitholders' meeting to be held on Wednesday 4th October.

On behalf of the Directors of Austock Property Management Limited, as the Responsible Entity for the Australian Education Trust, I commend this investment to you and look forward to welcoming you as a Unitholder.

Yours sincerely,



MICHAEL JOHNSTONE
Chairman

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1

Investment Overview

1. Investment Overview

This summary is not intended to provide full information on the New Units offered under this PDS. In deciding to apply for New Units, you should read this PDS carefully, in full. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1. Your Questions Answered

Issuer	Austock Property Management Limited as the Responsible Entity of the Australian Education Trust (Fund).	See Section 3.6
Purpose of the Offer	To raise \$30 million to fund the acquisition of additional childcare centre properties.	See Section 2.3
What is the Public Offer?	An offer to existing Unitholders and the public to subscribe for New Units. The Public Offer will seek to raise \$30 million.	See Section 2.1
What is the Oversubscription Facility?	The Oversubscription Facility permits APML to accept applications for up to an additional \$10 million once the Public Offer has been fully subscribed.	See Section 2.1
Unitholder Approval	This Offer is subject to Unitholder approval to be considered at the Unitholders' meeting to be held on Wednesday 4th October. The Issue of the New Units offered under this PDS requires Unitholder approval for the purpose of the ASX Listing Rules and the Corporations Act.	See Section 2.7
Issue Price	The Issue Price under the Offer is \$1.60, a 2.40% discount to the volume weighted average price of Units traded on the ASX over the 5 Business Days prior to 4 September 2006.	See Section 2.1
How many New Units can I apply for?	Existing Unitholders and members of the public can subscribe for New Units under the Offer. The minimum application under the Offer is \$2,000 representing 1,250 New Units. The allocation of New Units under the Offer will be determined by, and at the discretion of, the Issuer in conjunction with the Joint Lead Managers.	
Offer Opens	7th September 2006.	See Section 2.4
Offer Closes	11th October 2006.	See Section 2.4
Is there a cooling off period?	There is a no cooling off period for investors.	
What are the significant benefits of the Offer?	In an announcement to the ASX accompanying the release of its results for the year ended 30 June 2006 the Directors of APML advised that based on the expected increase in centre numbers and the 4% per annum (p.a.) increase in rents on existing properties, the Fund would be in a position to increase distributions per unit by approximately 7% to 9% for the 2007 financial year. This equates to a distribution of 14.6 to 14.9 cents per unit and represents an attractive annual income return of approximately 9.1% to 9.3% on the Issue Price of \$1.60.	See Section 1.3 Section 8.4 Section 3.4
What are the potential significant risks of the Offer?	Distributions of income by the Fund are not guaranteed. The price at which the Units trade on the ASX may rise as well as fall. The Fund may not achieve the increase in distributions per Unit it indicated in the announcement accompanying the release of its results for the year ended 30 June 2006.	See Sections 1.4 and 5
Will the Offer proceed?	The Offer is not underwritten and will not proceed unless applications for New Units with a total value of \$30 million are received by the Closing Date.	

Allotment	The New Units will be allotted and issued as soon as practicable after the Closing Date. The Responsible Entity and the Joint Lead Managers reserve the right to reject any Application for New Units under the Offer and to allot a lesser number of New Units than an Applicant has applied for. Where the number of New Units issued is less than the number of New Units applied for, or no allotment is made, surplus Application Money will be refunded to Applicants without any interest as soon as possible after the Closing Date in accordance with the Corporations Act.					
When can I trade the new Units and when will they be entitled to distributions?	Assuming the Public Offer is fully subscribed all New Units will be allotted on or around 18 October 2006 and trading of New Units on the ASX is expected to commence on or around 23 October 2006. New Units will rank equally with existing Units in all respects and will be entitled to the distribution for the quarter ended 31 December 2006 the record date for which is expected to be 29th December 2006.	See Section 2.4				
What are the significant tax implications?	You are subject to Australian tax on the distributions from the Fund and upon disposal of your Units.	See Sections 1.8 and 7				
Fees & Expenses	There are various fees and expenses which will be paid by the Fund, including fees payable to the Joint Lead Managers in connection with the Offer.	See Sections 6 and 9				
How do I apply?	Completed Application forms and accompanying cheques should be returned to:	See Sections 2.5 and 2.6				
	<table border="0"> <tr> <td style="vertical-align: top;">By mail</td> <td style="vertical-align: top;">Hand Delivery</td> </tr> <tr> <td>Australian Education Trust Offer C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235</td> <td>Australian Education Trust Offer C/- Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000</td> </tr> </table>	By mail	Hand Delivery	Australian Education Trust Offer C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235	Australian Education Trust Offer C/- Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000	
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Australian Education Trust Offer C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235	Australian Education Trust Offer C/- Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000					

1.2. Business Overview

Overview of Australian Education Trust

The Australian Education Trust is an ASX listed property trust which invests in child care and other education properties in Australia and New Zealand. As at the 30th June 2006 the Fund had total assets under management of \$255 million and a market capitalisation of approximately \$157 million (based on a unit price of \$1.60 per unit).

At the 30th June 2006 the Fund owned 249 properties having almost doubled the number of properties in its portfolio over the previous twelve months. It begins the 2007 financial year with approximately 140 properties in its acquisition pipeline. All but 6 of the current properties are leased under long term triple net leases to ABC, which is an S&P/ASX100 company with a market capitalisation of approximately \$2.5 billion.

This growth in centre numbers is secured by an Alliance Agreement with ABC which sources acquisition and development opportunities on behalf of the Fund. ABC's commitment to the Fund is evidenced by its 15% unit holding which resulted from its participation in two placements of new capital during the last year.

The Fund paid a distribution of 13.7 cents per unit in its maiden year as a property trust and expects distribution growth in the 2007 Financial Year.

1.3. Investment Benefits

The Fund offers the following benefits to investors:

- **Investment at a Discount** – The Issue Price of \$1.60 represents an attractive 2.4% discount to the volume weighted average price of Units traded on the ASX over the five Business Days prior to 4th September 2006;
- **Yield for the 2007 Financial Year of 9.1% to 9.3%** – In an announcement to the ASX accompanying the release of its results for the year ended 30 June 2006, the Directors of APMIL advised that based on the expected increase in centre numbers and the 4% p.a. increase in rents on existing properties, the Fund would be in a position to increase distributions per Unit by approximately 7% to 9% for the 2007 financial year. This equates to a distribution of 14.6 to 14.9 cents per Unit and represents an attractive income return of 9.1% or 9.3% on the Issue Price of \$1.60 for the 2007 financial year.

1. Investment Overview (continued)

- **Largest owner of childcare centre property in Australia** – The Fund owned 249 childcare centre properties as at 30 June 2006 and had a further 140 properties in an acquisition pipeline as at 27th July 2006 having settled a further 16 properties since 30 June 2006;
- **Tenant is an S&P/ASX 100 company** – The tenant of all but six of the childcare centre properties as at 30 June 2006 is ABC, the largest listed childcare operator globally with a market capitalisation of approximately \$2.5 billion;
- **Secure and growing income** – The Fund derives nearly all of its income from long-term leases with a Weighted Average Lease Term of 9.76 years as at 30 June 2006. Further 5 year option periods are available with 5 year notification periods. The leases and sub-leases to ABC provide for fixed annual rental increases (see Section 8.4 and Section 8.6);
- **Interest Rates locked in** – The Fund has taken out fixed interest arrangements on most of its long term borrowings at a weighted average rate of 6.53% per annum. Of these borrowings, \$60.1 million have interest rates fixed until 30 June 2008 and a further \$64.0 million is fixed until 30 June 2011 (see Section 3.5);
- **Opportunity for capital growth** – The Fund has reasonable capital growth prospects as a consequence of the fixed annual rent increases for its portfolio of childcare centres which are geographically spread around Australia and New Zealand; and
- **Improved trading liquidity** – The funds raised under the Public Offer and under the Over Subscription Facility will increase the market capitalisation of the Fund to \$187 million or to \$197 million respectively (based on the Issue Price of \$1.60). The increased market capitalisation of the Fund is expected to improve the liquidity of the Units.

The Director's expectation of an increase in distributions is based on the material assumption that the rent for the investment properties will increase by 4% p.a. as provided in the leases (see Section 8), the number of sites owned by the Fund will increase by the number in the pipeline (see Section 3.4), less any disposals and there will be no material change in the current financial climate (including interest rates), government childcare policies or the financial position of ABC.

1.4. Potential Risks

The future performance of the Fund may be influenced by a range of factors outside the control of the Issuer or its directors. The risks are identified in Section 5. These risks include, but are not limited to:

General Investment Risks

- Movements in Australian and international stock markets and changes in economic conditions including interest rates may affect prices at which Units are traded on the ASX;
- Changes to the availability of borrowings and interest rates required by lenders may cause the Fund to borrow at rates higher than current rates or those assumed in terms of future expectations; and
- The assumptions used by the Fund internally to project its future financial performance may not be achieved such that the expected range of distributions cannot be achieved.

Property Specific Risks

- Changes in property markets, especially movements in the valuations of properties in the Fund;
- Tenant default;
- Unforeseen planning, property or environmental issues; and
- Acquisition and divestment risk.

Industry Specific Risks

- Changes in consumer preferences and unforeseen economic issues may affect the profitability of the childcare centres and the ability of the tenants to pay rent; and
- Adverse changes to government funding, regulation and licensing of the childcare sector, may impact on the ability of tenants to pay rent.

These risks may result in the Fund's future income return not being achieved, possible delays in the payment of monies owed to the Fund, and loss of income and principal invested. Refer to Section 5 for further information on the potential risks associated with an investment in the Fund.

1.5. Proceeds of the Offer

The Fund will raise \$30.0 million through the issue of approximately 18.75 million New Units. The proceeds of the Offer will be applied as follows set out in Figure 1:

Figure 1 – Proceeds of Offer

	Offer \$'000 (assuming no Oversubscription)	Offer \$'000 (assuming maximum Oversubscription)
Proceeds from the Offer	30,000	40,000
Application of Funds		
Acquisition of childcare properties	28,865	38,515
Issue Costs – legal, printing and mailing costs	85	85
Issue Costs – capital raising costs	1,050	1,400
Total	30,000	40,000

Note – Proceeds to be used for the acquisition of childcare centre properties are expected to be expended over the next 6 – 9 months as properties in the current acquisition pipeline settle.

1.6. Pro-forma Balance Sheet

Figure 2 provides a pro-forma balance sheet as at 30 June 2006 assuming the allotment of New Units under the Public Offer and also the position assuming the maximum amount of oversubscriptions are applied for and accepted. Both pro-forma positions assume that the proceeds are held as cash initially pending the settlement of childcare centre properties.

Figure 2 – Pro-Forma Balance Sheet

	As at 30th June 2006 (\$'000)	Pro-forma Including Public Offer (\$'000)	Pro-forma With Oversubscription Facility (\$'000)
Current Assets			
Cash and cash equivalents	21,839	50,704	60,354
Trade and other receivables	4,382	4,382	4,382
Other current assets (Note 1)	16,320	16,320	16,320
Total Current Assets	42,541	71,406	81,056
Non-Current Assets			
Investment properties	211,986	211,986	211,986
Other current assets	850	850	850
Total Non-Current Assets	212,836	212,836	212,836
Total Assets	255,377	284,242	293,892
Current Liabilities			
Trade and other payables	5,979	5,979	5,979
Distribution payable	6,149	6,149	6,149
Other current liabilities	190	190	190
Total Current Liabilities	12,318	12,318	12,318
Non-Current Liabilities			
Long Term Borrowings (Note 2)	129,079	129,079	129,079
Total Non-Current Liabilities	129,079	129,079	129,079
Net Assets Attributable to Unitholders	113,980	142,845	152,495
Total Liabilities	255,377	284,242	293,892

Notes:

1 – Includes investment properties to be sold within 12 months of \$12.36 million

2 – Comprises bank bills at face value of \$130.075 million less net unamortised up-front transaction costs of \$0.996 million.

1. Investment Overview (continued)

1.7. Distribution Policy

The Fund has a practice of generally distributing 100% of its distributable income which is calculated as the net accounting profit attributable to Unitholders less unrealised valuation gains. The Fund can give no assurance as to the specific level of distributions, if any, as this depends, among other factors, on the Fund's net earnings from its properties and its ability to raise both debt and equity at an appropriate cost of capital.

1.8. Taxation Considerations

A summary of the Australian taxation consequences of an investment in the Fund is set out in Section 7. As the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of investors to make their own inquiries concerning the taxation consequences of an investment in the Fund. If you are in doubt as to the course you should follow, you should consult your accountant, stockbroker, lawyer or other professional adviser.

1.9. How to Apply for New Units

Details on how to apply for New Units are included in Section 2. If you have any questions about how to invest in the Fund, you should contact your stockbroker, lawyer, accountant or other independent financial adviser.



2

Details of the Offer

2. Details of the Offer

2.1. Description of the Offer

This PDS invites Applications from investors for:

- 18,750,000 New Units under the Public Offer at the Issue Price of \$1.60 per Unit; and
- 6,250,000 New Units under the Oversubscription Facility at the Issue Price of \$1.60 per Unit.

2.2. Unit Terms

A summary of the rights and obligations of the Units is contained in Section 9.

2.3. Purpose of the Offer

The purpose of the Offer is to:

- provide additional capital to the Fund which will allow the Fund to acquire additional childcare centre property; and
- provide working capital.

2.4. Key Dates

A summary of key dates that form part of this offer is as follows:

Figure 3 – Important dates

Prospectus date (lodgement of Prospectus)	Thursday 7th September 2006
Offer opens	Thursday 7th September 2006
Unitholder meeting	Wednesday 4th October 2006
Offer closes	5.00pm (AEST), Wednesday 11th October 2006
Allotment of Units	Wednesday 18th October 2006
Trading of Units on ASX expected to commence	Monday 23rd October 2006

The above dates are indicative only and may vary at the Issuer's discretion, subject to the requirements of the ASX Listing Rules and the Corporations Act. The Issuer reserves the right to vary these dates and times without prior notice, including the right to close the Offer early, to withdraw the Offer or to accept late Application Forms, either generally or, in particular cases, without notifying any recipient of this PDS or any Applicant.

2.5. How to Apply

If you want to apply for New Units under the Public Offer, complete and return the Offer Application Form located at the back of this PDS, together with your cheque for payment, calculated by multiplying the number of new Units you apply for by the Issue Price of \$1.60. An Application Form may only be distributed with a complete and unaltered copy of this PDS.

The Issuer will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete copy of this PDS or it has reason to believe that the Application Form has been altered or tampered with in any way.

If an Application Form has not been completed correctly, the Issuer may either reject the Application Form or amend it as it determines appropriate and treat it as valid. The Issuer's decision as to whether to reject the Application Form or treat it as valid and how to construe, amend or complete such Application Form is final.

The Issuer reserves the right to reject any Application, including Applications that have not been correctly completed or are accompanied by cheques that are dishonoured.

A completed and lodged Application Form, together with payment in full for the number of New Units applied for, cannot be withdrawn and constitutes a binding application for, and acceptance of, the number of New Units specified in the Application Form or such lesser number of New Units taken up or as the Issuer determines. An Application Form does not need to be signed to be binding.

An Application must be made by completing a paper copy of the Application Form and must be accompanied by payment in Australian currency. Detailed instructions on how to complete the Application Form are set out on the reverse of the Application Form.

All payments must be made in Australian currency and cheques must be drawn on an Australian bank account. Cheques should be made payable to "Australian Education Trust Offer" and crossed "not negotiable".

2.6. Where to send your Application Form

Completed Application Forms should be mailed or delivered to one of the following addresses:

Mailed to:

Australian Education Trust Offer
c/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235

Or delivered to:

Australian Education Trust Offer
c/- Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

2.7. Conditions to the Offer

The Offer of New Units pursuant to this PDS is conditional on Unitholders passing the resolutions set out in the Notice of General Meeting dealing with the ratification of the units issued to professional and sophisticated investors since the last Unitholder's meeting and the approval of the issue of New Units to investors under the Offer.

A Notice of General Meeting and Explanatory Memorandum relating to the required Unitholder approvals, has been sent to Unitholders. These documents are available in electronic form via www.educationtrust.com.au. The Unitholder meeting is scheduled for 11.00am on Wednesday, 4th October 2006 at Level 1, 350 Collins Street, Melbourne.

The outcome of the meeting of Unitholders will be notified by an ASX announcement.

2.8. Oversubscriptions, Unit Allocation Policy & Handling of Applications

In respect of the Offer, the Issuer reserves the right to accept over-subscriptions up to an additional 6,250,000 New Units, but will only do so if in the Issuer's opinion there are strong prospects of using the proceeds of any over-subscriptions to acquire additional childcare centre properties within a reasonable period of the date New Units are allotted. The Issuer will only acquire additional childcare centre properties if such additional properties are consistent with the Fund's investment strategy.

If the Issuer receives applications for more than the number of New Units being offered under the Offer, applications for New Units under the Offer may be scaled back at the Issuer's discretion. This means you may not be allocated the Number of New Units you apply for, or any Units at all. To the extent that any application for New Units in the Fund is not satisfied in part, or in whole, Application Monies will be refunded without interest in accordance with the *Corporations Act*. The Issuer reserves the right to withdraw or close the Offer at any time without notice.

2.9. Overseas Applications

The distribution of this PDS within jurisdictions outside Australia may be restricted by law and persons into whose possession this PDS comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

The PDS does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this PDS.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her application. The return of a duly completed Application Form will be taken by the Issuer to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

2.10. Application Monies and Refunds

Application Monies received will be held in trust pending issue of New Units offered under this PDS (or until Application Monies are refunded if the Offer does not proceed). Where no allocation is made or where the number of New Units issued to an Applicant is less than the number applied for, surplus Application Monies will be refunded to the relevant Applicant as soon as practicable and, in any event, within 14 days after the Closing Date. Interest will not be paid on refunded Application Monies.

No brokerage or stamp duty is payable by successful Applicants on the issue of New Units under the Offer.

2. Details of the Offer (continued)

2.11. ASX Quotation

Application for Quotation of the New Units by the ASX will be made by the Fund within seven (7) days of the date of this PDS.

If the ASX does not grant permission for the New Units offered under this PDS to be admitted to Quotation within 3 months after the date of this PDS, or such longer period as permitted under the Corporations Act, none of the New Units offered by this PDS will be allotted and issued. In that circumstance all Applications will be dealt with in accordance with the Corporations Act.

The fact that the New Units may be admitted to Quotation is not to be taken in any way as an indication of the merits of the Fund or the New Units now offered for subscription.

2.12. CHESS & ISSUER SPONSORED STATEMENTS

The Fund participates in the Clearing House Electronic Subregister System ("CHESS") and, in accordance with the ASX Listing Rules, maintains an electronic issuer-sponsored subregister and an electronic CHESS subregister. The two subregisters together make up the Fund's principal register of Units.

The Issuer will not issue certificates to Unitholders. Following the issue of Units to successful Applicants, Unitholders who elect to hold Units on the issuer-sponsored subregister will be provided with a Transaction Confirmation Statement which sets out the number of Units allocated to them in the Offer. Unitholders who elect to hold Units on the CHESS subregister will be provided with an advice that sets out the number of Units allocated to them in the Offer. At the end of the month, ASTC (acting on behalf of the Fund) will provide Unitholders with a holding statement that confirms the number of Units held.

A holding statement (whether issued by ASTC or the Fund) will provide details of a Unitholder's Holder Identification Number (HIN) in the case of a holding on the CHESS subregister or of their Securityholder Reference Number (SRN) in the case of a holding on the issuer-sponsored subregister. Following distribution of these initial statements to all Unitholders, a holding statement will also be provided to a Unitholder at the end of any subsequent month during which the balance of the Unitholder's holding of Units changes.

2.13. Withdrawal of Offer

The Issuer reserves the right not to proceed with the Offer at any time before the issue of New Units to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.



3

Overview of the Fund

3. Overview of the Fund

3.1. History of the Fund

The Fund is a listed property trust specialising in childcare properties and other real estate assets of an educational nature. The Fund listed on the ASX as the Peppercorn Investment Fund ("PIF") on 22nd May 2003 before a significant restructure of both operations and management in December 2004.

Originally configured as a trading trust that included both real estate assets and childcare businesses, the Fund sold the businesses as part of its restructure in December 2004 and converted to a pure property trust vehicle.

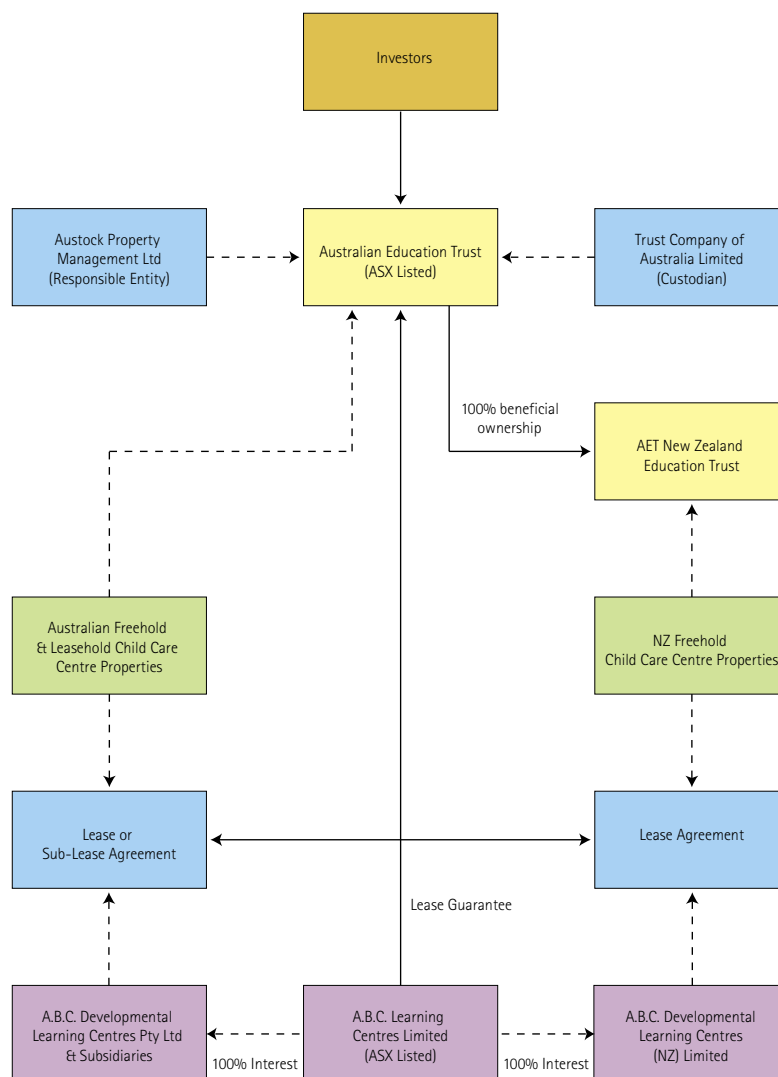
The Fund commenced its new beginning on 22 December 2004 with 115 freehold and leasehold childcare centre properties, with standard ten or twenty year leases to Australia's largest childcare provider, the ASX listed ABC. That portfolio of properties has since grown to 249 properties as at 30 June 2006.

A tax ruling, effective from 1 July 2005 confirmed that the Fund would not be taxed as a company but would be treated as a "flow through" trust enabling it to distribute its taxable income to Unitholders (see Section 7).

3.2. Structure of the Fund

The legal and operational structure of the Fund and its tenants is shown in Figure 4:

Figure 4 - Structure



3.3. Investment Strategy

The Fund's investment strategy is to invest in childcare and other educational property assets that are secured by long term leases to quality tenants in order to provide security of income. The primary objective is to provide secure long term cashflow with minimal risk and exposure of investor's capital.

To achieve the Fund's objectives, the following strategies have been implemented:

- The application of and adherence to a consistent investment discipline in assessing acquisitions and disposals;
- Adding new properties that are expected to add value to the Fund's long term earnings and asset base;
- Ensuring the application of appropriate debt levels that maximise returns, together with hedging policies that minimise volatility in earnings and asset values;
- Adopting appropriate portfolio and risk management policies to maximise returns and operating efficiencies;
- Providing diversification through appropriate asset selection across Australia and New Zealand; and
- Maintaining and strengthening the Fund's alliance with ABC, Australia's largest childcare provider.

The Fund intends to invest in not only childcare centres but also other real property assets that could be classed as social infrastructure, such as assets used for education purposes. The Fund will continue to consider other acquisition opportunities including other funds and individual properties as they arise.

The Fund currently owns childcare assets in both Australia and New Zealand which are sourced through an alliance with ABC. This agreement is a non-exclusive agreement under which ABC endeavours to provide approximately 100 childcare properties per annum for consideration by the Fund. The agreement facilitates the acquisition or development of childcare centre properties. The agreement has an initial fixed period to June 2008 and continues until terminated with a three month notice period.

The Agreement was originally signed in November 2004 and amended in February 2006. ABC agreed to support the Fund with a rental subsidy during the initial years of operation recognising that in the initial period the Trust was under invested.

3.4. Property Portfolio and Pipeline

The Fund is now Australia's largest owner of childcare centre property. The property portfolio as at 30 June 2006 comprised 249 childcare assets that include existing childcare centres and vacant land where the Fund will fund construction of new childcare centres. The Fund invests in both freehold and leasehold assets all of which are secured by long term leases to ABC for a minimum of ten years (freehold) or 20 years (leasehold).

The key attributes of the portfolio as at 30 June 2006 are:

- 97.6% of properties are leased long term to ABC;
- An Alliance Agreement with ABC which underpins growth in the property portfolio;
- No Vacancy - 100% of properties produce income;
- Weighted Average Lease Expiry of approximately 9.76 years;
- Average rental yield on carrying value (including recent revaluations) is 8.95%; and
- Distribution growth based on fixed rental increases and portfolio growth.

3. Overview of the Fund (continued)

Property Profile

Assets held by the Fund are either existing childcare centres or land purchased for development into childcare centres. The Fund has a preference for new purpose built centres with licensed capacity of between 75 and 100 children. The average property value for an existing childcare centre is approximately \$1,050,000.

The profile of a typical existing centre purchase is as set out in Figure 5.

Figure 5 – Typical Existing Centre Purchase



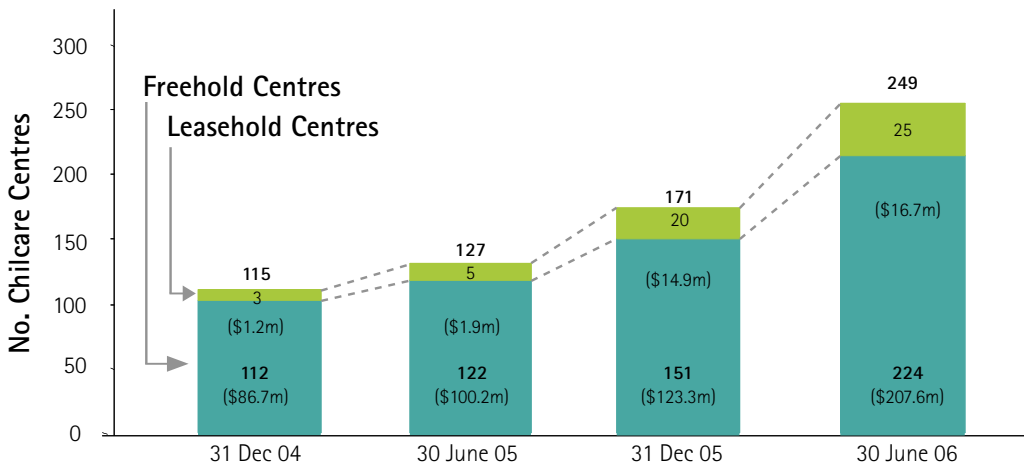
Description	A purpose built childcare facility completed in 2006 and providing long day care accommodation for 75 children. The building has been designed to accommodate children from newborns to 5 years of age. Construction is of brick and concrete block walls, concrete flooring, and a metal clad roof.
Configuration	<p>Internal: Five Children’s Activity Rooms with direct access to external play areas. Feature Entry & Foyer, Central Hallway, toilets for varying ages (15), shower, preparation areas, nursery, kitchen, ancillary staff area, reception, administration area, storage, disabled toilet.</p> <p>External: Shade cloths to sandpits and general play areas, awning covered verandahs adjoining external play areas, grass and rubber matting to external play areas, child proof fencing throughout.</p> <p>Ancillary: 17 on site car parking spaces in marked bays (incl. 1 disabled), security fencing, paving, landscaping, lighting and signage.</p>
Services	All new centres meet with the required legislative requirements regarding building services, Occupational Health & Safety and Childcare licensing requirements in each state.
Location	Typically within established residential and commercial locations featuring high traffic areas, good accessibility and access to public transport.
Building Size (Gross Building Area)	<p>546 square metres – Childcare Centre</p> <p>242 square metres – Covered Verandahs/Porch</p> <p>768 square metres – Total</p> <p>(1,110 square metres – External Play Area)</p>
Land Size	4,099 square metres
Capital Value*	\$1,060,000
Licence Details	75 Children
Underlying Zoning	Residential
Underlying Land Value*	\$650,000
Rental	\$90,000 p.a., net. (\$1,200 per Long Day Care licensed place)
Initial Yield on Capital Value	8.5%
Internal Rate of Return	10 Years – 9.97%

* Valuation August 2006

Centre Profile

The number of properties owned by the Fund has more than doubled from 115 at December 2004 to 249 as at 30th June 2006 of which 224 (or 90%) are freehold interests and 25 (or 10%) are leasehold interests.

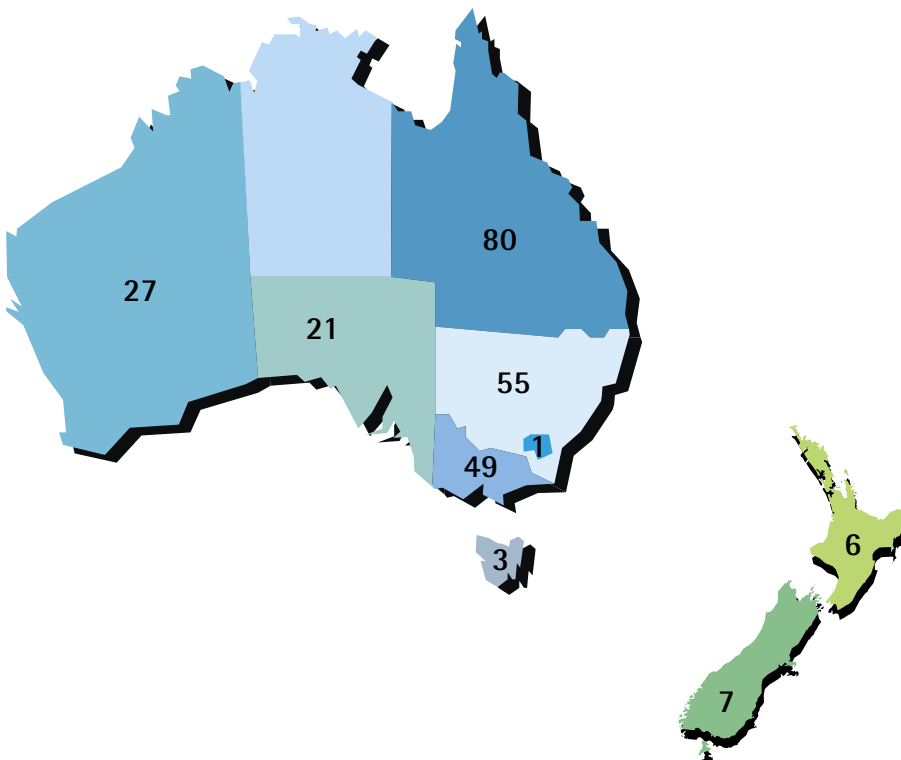
Figure 6 – Centre Numbers



Location

The property portfolio is geographically diversified across Australia and New Zealand with a concentration on the eastern seaboard as follows:

Figure 7 – Centre Location by State



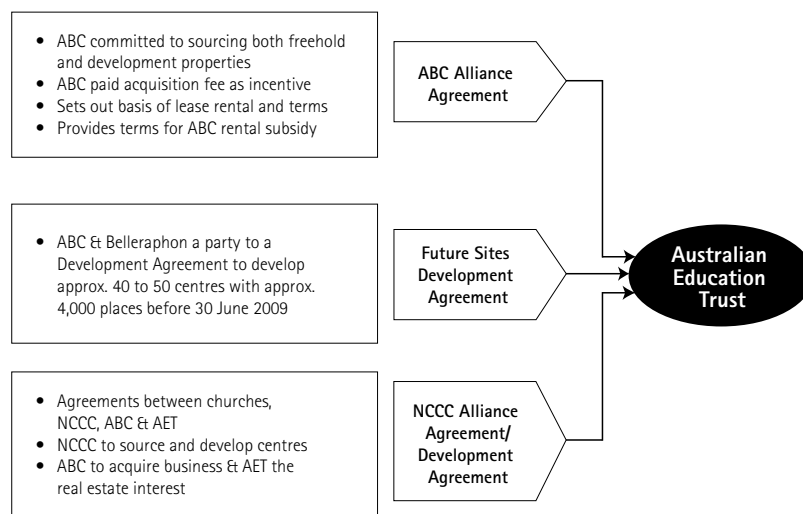
3. Overview of the Fund (continued)

Acquisition Pipeline

The Fund sources childcare centre properties through three primary avenues being an alliance agreement with ABC (see Section 3.3) the Future Sites Development Agreement with Community Infrastructure Development Fund (see Section 8.2) to provide approximately 4,000 childcare places and an agreement with NCCC (see Section 8.5) which sources leasehold assets for the Trust. All three sources are experienced childcare developers with considerable track record in sourcing and construction.

The Fund continues to consider acquisition opportunities of other funds and individual properties as they arise.

Figure 8 – Sources of Real Estate Opportunities



The existing pipeline of opportunities being considered by the Fund is as follows:

Figure 9 – Forecast Pipeline by Type FY2007

As at 27 July 2006	Australia Existing Centres	Australia Development Sites	Australia Leasehold Centres	New Zealand Existing Centres	New Zealand Development Sites	Total
Contracted	25	25	1	0	3	54
Under Negotiation	36	19	12	0	19	86
Total	61	44	13	0	22	140

“Contracted properties” refers to properties that are subject to a purchase contract and are yet to settle. Properties noted as “under negotiation” refers to acquisition opportunities where ABC has provided the Fund with a property advice following preliminary agreement with the vendor for the purchase of the property and where the Fund is progressing those matters toward a contract.

It should be noted that the number of properties in the above pipeline is subject to movement as not all properties will proceed to settlement. In addition the Fund intends to dispose of a small number of properties each year as part of its ongoing portfolio management practice. So far in the current financial year, the Fund has disposed of 12 centres and has contracted to sell a further 4 centres due to settle by the end of 2006.

3.5. Fund Borrowings

Set out below is a summary of the borrowing facilities that the Fund had at 30 June 2006:

Figure 10 – Borrowing Facilities as at 30 June 2006

Bank	Description of Facility	Expiry	Facility Limit \$ million	Drawn Amount \$ million
National Australia Bank	Interest Only Term Debt	30 June 2011	170.0	124.1
National Australia Bank	Standby Facility	Annual Review due 31st January 2007	15.0	6.0
Total			185.0	130.1

The Fund had remaining borrowing capacity of \$54.90 million as at 30 June 2006.

Interest Only Term Debt – 5 year interest-only commercial bill facilities.

Standby Facility – An additional facility with a limit of \$15 million. The facility has been established to enable the Fund to settle on freehold, leasehold and development site properties pending inclusion in the security pool for the Term Debt Facility. The Standby Facility is supported by a short term increase in the loan to valuation ratio under the Term Debt Facility.

The facilities are secured by a first ranking registered mortgage over certain Fund properties and a first ranking fixed and floating charge over the assets and undertakings of the Fund and the AET New Zealand Education Trust.

The Fund has available to it a 65% loan to value ratio for all freehold acquisitions and a 50% loan to value ratio for leasehold acquisitions.

Interest Rate Management

The Fund has a policy of fixing or hedging the majority of its borrowings against interest rate movements to ensure stability of distributions.

At 30 June 2006, the Fund fixed interest costs (inclusive of activation fees) at a weighted average rate of 6.53% p.a. on the following interest bearing liabilities:-

- \$60.1 million fixed until 30 June 2008;
- \$64.0 million fixed for 5 years to 30 June 2011.

3. Overview of the Fund (continued)

3.6. Responsible Entity and Management

The Responsible Entity is Austock Property Management Limited, a subsidiary of Austock Property Funds Management Limited and wholly owned by Austock Group Limited. Austock Property Management Limited is a boutique fund manager with a focus on structuring and managing property related investment products in Australia. In particular, it seeks to manage investments in new asset classes that fall outside the traditional commercial, industrial and retail asset classes including social infrastructure, hospitality, agriculture and other niche commercial property.

Directors of the Issuer

The Board of APML consists of four members who oversee the management team and provide strategic guidance:

Name	Age	Experience
Michael Francis Johnstone (Independent Director and Chairman)	64	Michael was appointed on 22 December 2004. Michael has over 35 year's global experience in real estate finance, investment and development. Michael is currently a non-executive director of the Dennis Family Corporation and DFC China, a non-executive director and chairman of bWired Pty Ltd, non-executive director and chairman of State Equity Group, member of the Lending Committee of MAB Development Fund, a member of the Investment Committee of APN Development Fund, Chairman of the Cairnmillar Institute and a member of the Advisory Board of the Salvation Army. Michael is also a member of the Audit and Risk Management Committee of the Fund.
Michael Edward McFarlane (Independent Director)	57	Michael was appointed in August 2006. Michael is currently a director of Facilitators Pty Ltd, an independent consultant to the investment banking, funds management and property industries. He was an executive director of Macquarie Bank Limited, from which he resigned in 2002 after nearly 17 years. During that period he held a number of senior management and director roles for the bank's property group with a particular focus on property related investment banking and property trust management. Michael was the initiator and a founding director of Macquarie Property Trust in 1987 and also a director or alternate director for many of the Macquarie stable of listed property and early infrastructure trusts.
Victor David Cottren (Independent Director)	64	Vic was appointed on 22 December 2004. Vic has an extensive background in financial planning, life insurance & superannuation and investment management gained with such companies as AMP, Williams Tolhurst, Australian Eagle, Norwich Union, Investors Life Group and National Australia Bank. Vic filled various senior management posts, including chief executive and director positions within those companies and their subsidiaries prior to commencing his consulting business in 1995. He was appointed as a Professorial Fellow at RMIT University in 1993 with responsibility for researching and establishing Australia's first undergraduate degree in financial planning.
Vincent Gerard Harink (Director and Chief Executive Officer)	49	Vin was appointed to the board on 4 August 2005 and as CEO on 12 July 2006. Vin has over 20 years experience in corporate finance and has extensive experience in leading corporate finance transactions. Until May 2002 Vin was a partner at Deloitte Touche Tohmatsu and a director of Deloitte Corporate Finance responsible for leading mergers and acquisition services. His previous experience includes 8 years with KPMG Corporate Finance where he was director responsible for mergers and acquisition services and two years as managing director of a private investment group and a director of an ASX listed food manufacturing company. Vin is also a director of Kidney Health Australia.

Management Team

The team responsible for the management of the Fund includes:

Name	Experience
Vincent Gerard Harink (Chief Executive Officer)	As above
Nicholas Anagnostou (Fund Manager)	Nicholas joined the Fund in 2005. He has over 17 years property industry experience in a number of areas including valuation and consultancy, research, transactions and management with a concentration on institutional grade investment classes, acquisition and disposition of properties as well as the management of investment portfolios. Formerly a Director of Jones Lang LaSalle, Nicholas is a Certified Practising Valuer, Licensed Estate Agent and an Associate member of the Australian Property Institute with representation on a number of boards and committees from time to time.
Peter Barren (Chief Financial Officer)	Peter joined the Fund in March 2006 and has considerable financial and administrative experience in the property and funds management industries. He was the senior financial accountant at County Investment Management, Financial Controller and Company Secretary of Australia Asia Group, including the ASX listed Flinders Industrial Property Trust. He was also Property Financial Controller at Challenger International, with property interests in excess of \$3 billion. Peter is a Chartered Accountant and Chartered Secretary.
Amanda Gawne (Company Secretary)	Amanda was appointed company secretary in December 2004, having joined Austock Group in April 2003. Amanda has over 13 years legal and company secretarial experience gained from working in private legal practice and large private and publicly listed organisations. Amanda is responsible for the company secretarial function for all companies within the Austock Group.

3.7. Childcare Operators

The Fund is aligned with ABC which is the major tenant in all but six of the properties (97.6% of the portfolio) which it owns. The alignment is a non-exclusive arrangement which is documented in the Alliance Agreement (see Section 8.1) between the Fund and ABC.

The purpose of the agreement is to provide a formalised structure relating to the sourcing, purchase and leasing arrangements between ABC and the Fund. The agreement has an initial fixed term to June 2008, which can then be terminated by either party on three months notice. Amongst other matters, it required ABC to provide approximately 100 purchase opportunities per annum for the year to 30 June 2006 for consideration by the Fund. For successive years, the parties are required to meet to determine the number and gross value of centres to be acquired, estimated at the time of the agreement to be similar to the approximate number of centres acquired in the year ended 30 June 2006.

Under the Alliance Agreement, the Fund pays an acquisition fee to ABC (see Section 6.2) to reflect the purchase opportunity that ABC has provided. The fee is payable for properties when the contract settles. The Fund conducts its own due diligence externally from ABC before finally committing to the purchase of a property.

3. Overview of the Fund (continued)

3.8. ABC Learning Centres Limited

Company Overview

ABC is Australia's largest corporate childcare provider. The company was founded in Brisbane in 1988 and ultimately listed on the Australian Stock Exchange (ASX Code: ABS) in March 2001. ABC now occupies a strong position in private childcare services in Australia. As at June 2006, ABC formed part of the S&P/ASX 100 with a market capitalization of approximately \$2.5 billion.

The principal activity of ABC is the operation of its long day care centres. ABC offers childcare for children from six weeks up-to pre-school age. Many of ABC's centres also offer before and after school and vocational care in addition to long day care services. In addition to its childcare business, ABC owns and manages the National Institute of Early Childhood Education which it established in 1995 to provide education and training for childcare staff.

ABC's evolution has been in parallel with the corporate transformation of the childcare industry in Australia. One of the major corporate objectives of ABC is a growth plan through acquisition that will ultimately result in the provision of more childcare centres.

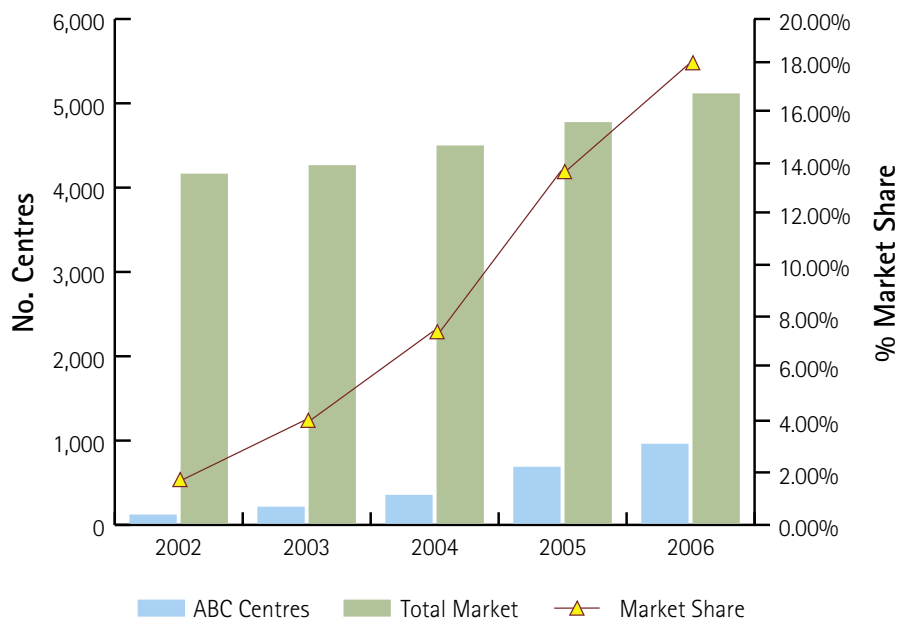
ABC is a major player in the Australian childcare market and intends to replicate its strategy in the US market with its recent acquisition of the American based Learning Care Group Inc. ABC has grown through acquisition and development of childcare centres in Australia and New Zealand, and is estimated to own approximately 18% of the private childcare businesses in Australia as at 30 June 2006.

Number of Centres

As at 30 June 2006, ABC operated 933 childcare centre businesses across Australia and New Zealand, up from 660 in 2005. This is expected to grow to approximately 1,184 centres by June 2007 and toward 1,400 by June 2008.

ABC's market share is set out in Figure 11:

Figure 11 – Total Number Centres, Number ABC Centres, ABC % Market Share



* Accredited LDC Centres receiving CCB Funding. Source: NCAC August 2006, ABC Aug 2006

Key Business Drivers

The following strategies have been identified as some of the key drivers behind ABC's growth and relative success:

- **Growth by acquisition** - ABC's growth has principally been achieved through the acquisition of small groups of privately-owned childcare centres as well as several listed childcare operators as well as through the construction of new centres;
- **Leasing Strategy** - ABC reduces the capital demands of its growth strategy through leasing rather than purchasing childcare centres;
- **Corporate model that delivers high standards** - ABC has implemented standards across all its centres to achieve a level of consistency in service delivery;
- **Training & Retention of Key Staff** - Key issues in the childcare industry are attracting, training and retaining good quality staff and maintaining premises at a level that reduces accidents and injuries, and keeps operating costs low; and
- **Industry drivers favour growth** - Positive government policies result in significant funding that supports the childcare industry. Social change, in the form of increased numbers of working women and high employment participation rates have led to a significant increase in demand for childcare.

Revenues & Profits

Assessed by turnover and market share, ABC is now the largest corporate childcare provider in Australia and the largest listed provider in the world. For the financial year ending June 2006, its revenues grew to in excess of \$630 million. Under AIFRS, operating profit for the 2006 year was \$81.11million up 86% on previous year's equivalent result.

Since 2002, revenues have increased by a compounding rate of over 85% per annum.

Figure 12 – ABC Financial Results 2002– 2006

	2002	2003	2004	2005	2006
Total Revenue	\$12,900,000	\$22,300,000	\$44,000,000	\$177,070,000	\$488,050,000
EBIT	\$4,100,000	\$6,500,000	\$11,400,000	\$32,072,000	\$62,290,000
NPAT	\$6,800,000	\$12,100,000	\$21,400,000	\$43,533,000	\$81,110,000
NPAT Variance		77.9%	76.9%	103.4%	86.3%

Source: ABC Reports & Presentations

In the year to 30 June 2006, ABC's balance sheet showed a 131% increase in net assets, a 4% decrease in borrowings with gearing at 6% of net assets and interest cover at 8.4 times net profit.

3. Overview of the Fund (continued)

Table 13 – ABC Balance Sheet FY 2005 & 2006

	Year to 30th June 2005 \$ million	Year to 30th June 2006 \$ million
Cash	45.6	132.5
Receivables	31.1	114.8
Other	25.2	31.9
Current Assets	101.9	279.2
Property Plant & Equipment	82.7	242.0
Childcare Licences	772.7	1,343.4
Intangibles	175.9	345.2
Other	40.3	113.5
Non Current Assets	1,071.6	2,044.1
TOTAL ASSETS	1,173.5	2,323.3
Accounts Payable	52.2	121.6
Borrowings	4.5	8.1
Other	9.0	24.7
Current Liabilities	65.7	154.4
Borrowings	246.3	234.9
Deferred Tax Liabilities	59.6	77.9
Other	6.6	18.5
Non Current Liabilities	312.5	331.3
TOTAL LIABILITIES	378.2	485.7
NET ASSETS	795.3	1,837.6
Net Gearing % (Net Debt/Net Assets)	26%	6%
Net Profit Interest Cover (x)	7.4	8.4

Source: ABC Reports & Presentations

3.9. ABC Leases and Sub-leases

Freehold Leases

All properties acquired by the Fund are subject to a premises lease or in the case of development sites, an agreement to lease. For all freehold acquisitions, the properties are leased to ABC on the basis of a ten year term with two five year options. Each lease provides fixed rent reviews of 4% per annum. The tenant is required to exercise its option at the end of year five, providing the Fund with either a further ten year term certain, or five years notice as to an impending vacancy. If the tenant exercises the option, the rent review is reduced from 4% per annum to 2% per annum from the commencement of the fifth year.

The lease is an all insuring and maintaining lease, otherwise known as a 'triple net' lease where the tenant is responsible for the payment of all building outgoings, insurances, rates and taxes (other than those prohibited by law), operating costs, repairs and maintenance including those of a capital or structural nature. The lease also requires the tenant to undertake a refurbishment of the centre within every five year period.

Leasehold Leases

The Fund's leasehold interests include a head lease from the underlying land owner and a sub-lease to ABC on terms that mirror the head lease, other than for rent. The rent differential between the two provides the Fund's rental margin.

The leasehold interests are typically for a minimum of 20 year term, with rolling five year options thereafter. In a similar fashion to the freehold lease, the leases are also of a 'triple net' structure (See Section 8.6).

Both lease structures provide the Fund with income certainty and predictability and also reduce exposure to capital repairs and maintenance expenses.

3.10. Development Properties

The Fund also purchases vacant land suitable for the construction of childcare centres. The Fund enters into contracts for the purchase of development sites subject to planning and development approval and to the execution of an Agreement to Lease with ABC. The Fund receives a return on all funds expended equivalent to the ultimate property yield for each site. This includes both the purchase price of the land and all costs incurred thereafter.

In addition, the Fund will also enter into a project management agreement to ensure that each centre is constructed in accordance with the plans and specifications as stipulated in the Agreement for Lease.

The development sites are expected to become an increasing portion of the property pipeline for the Fund. Upon completion, they will represent new and efficient centres, increasing the overall level of quality of the portfolio.

3.11. Income Statement

Figure 14 sets out a summary of the income statement of the Fund for the year ended 30 June 2006. For further details please see the Financial Statements of the Fund lodged with the ASX on 28th July 2006.

Figure 14 – Income Statement for the Fund

	Year to 30th June 2006 (\$'000)
Revenue	18,938
Unrealised Revaluation of Property	5,224
Expenses	(7,500)
Income tax adjustments	(216)
Net Profit attributable to Unit Holders	16,446
Less Unrealised Revaluation	5,224
Distributable Income	11,222
Total Amount Distributed	10,976
Distributions per Unit (cents) for year	13.7

3. Overview of the Fund (continued)

3.12. Balance Sheet

Figure 15 sets out a summary of the balance sheet of the Fund as at 30 June 2006. For further details please see the Financial Statements of the Fund lodged with the ASX on 28th July 2006.

Figure 15 – Balance Sheet of the Fund

	As at 30th June 2006 (\$'000)
Current Assets	
Cash and cash equivalents	21,839
Trade and other receivables	4,382
Other current assets (Note 1)	16,320
Total Current Assets	42,541
Non-Current Assets	
Investment properties	211,896
Other non-current assets	850
Total Non-Current Assets	212,836
Total Assets	255,377
Current Liabilities	
Trade and other payables	5,979
Distribution payable	6,149
Other current liabilities	190
Total Current Liabilities	12,318
Non-Current Liabilities	
Long Term Borrowings (Note 2)	129,079
Total Non-Current Liabilities	129,079
Net Assets Attributable to Unitholders	113,980
Total Liabilities	255,377

Notes:

1 - Includes investment properties to be sold within 12 months of \$12.360 million

2 - Comprises bank bills at face value of \$130.075 million less net unamortised up-front transaction costs of \$0.996 million.



4

Childcare in Australia
and New Zealand

4. Childcare in Australia and New Zealand

4.1. Australian Industry Overview

Childcare in Australia is a rapidly developing industry that has undergone significant growth and structural change over the past decade. Despite this growth, the industry is characterised by a shortage of services through overwhelming consumer demand.

Recognised as a form of social infrastructure in a manner similar to schools, childcare is now integral to the economy as a vital component in maintaining the workforce participation rate and as a stimulant to economic growth. The childcare industry now provides services to approximately 750,000 children, employs over 82,000 people and generates turnover estimated at \$3.2 billion.

The evolution of childcare in the past decade has been in response to overwhelming demand and government policy that has seen the private sector become the primary investor and originator of childcare facilities.

With demand outstripping supply and in an industry where ownership is highly fragmented, childcare is yet to reach maturity. Currently, the key drivers behind Australia's childcare industry are:

- **Social change** - increased numbers of working women, higher education levels and delayed childbirth, all favour women's decision to utilise childcare to reduce time out of the workforce;
- **Significant government funding** for childcare (upwards of \$9.5 billion) to be provided to 2009. This has increased from \$1.646 billion in 2001-02; and
- **Government policy** that allows the private sector to provide the childcare infrastructure with indirect funding through family tax benefits instead of direct subsidies.

Historically low unemployment levels have been the catalyst for the increasing demand since the mid 1990s. This has seen a directional shift in the origination of childcare services which together with the federal government's user funded format has resulted in a movement away from family and community based care which has been unable to adequately meet the capital costs required to build facilities to meet demand.

4.2. Demand

The past decade has seen childcare evolve from the traditional family (informal) and community based (formal) levels to purpose built long day care centres, owned and operated by the private sector as the principal format required by the marketplace.

The Australian Bureau of Statistics Survey of Childcare in 2005 highlighted a shortfall in childcare for approximately 188,400 children for whom parents required additional formal care. This can be apportioned to 106,100 children aged 0-4 years (9% of children in this age group) and 82,300 children aged 5-12 years (4% of children in this age group).

Government policy has seen the private sector have respond with significant investment in new centres Australia wide. Major industry players such as ABC, Hutchisons and Childs Family Kindergartens are significant drivers in the development of new childcare facilities in Australia.

4.3. Growth

Growth and change in childcare can be measured by the number of children in care as well as movement between the respective childcare formats.

Formal childcare is defined as co-ordinated care undertaken away from a child's home. This includes pre-school, long day care, after school care and vacation care. As at August 2006, Australia had approximately 5,088 regulated long day care centres that received the Federal Government's Child Care Benefit funding. This is an increase of approximately 18% from 2004.

The 2004 Census of the childcare industry (due for revision in 2006) highlights the stagnation of community and family based care with private operators providing almost 30,000 new places in the period 2002 to 2004.

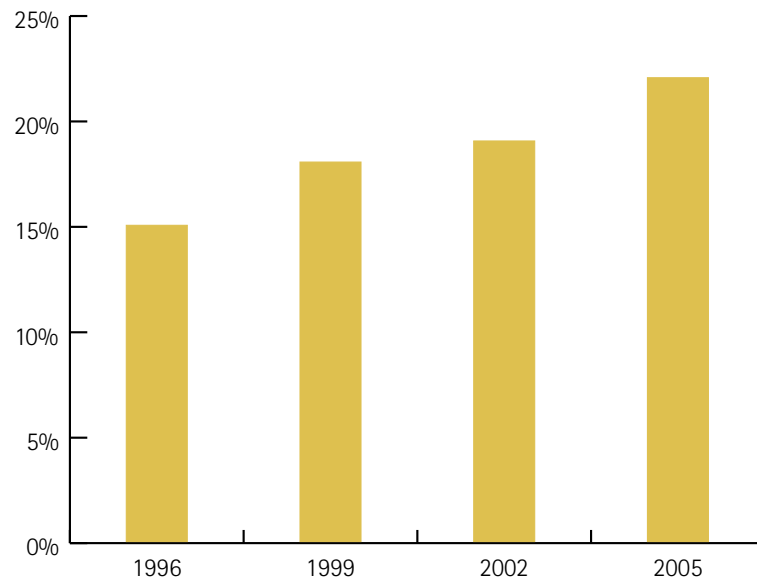
In 2004, more than 752,800 children attended Government approved childcare services across Australia. In 2005, the Child Care Australia Survey (CCAS), undertaken by the Australian Bureau of Statistics (ABS) estimated that approximately 33% of all children between 0-5 years utilised formal day care, with approximately 64% utilising the long day care format.

Between 2002 and 2004, the number of childcare services increased. This growth in the number of services is reflected in an increase of 217 (8%) in the number of private long day care services, as opposed to a 1% increase in community long day care services reflecting a demand shift toward private long day services. The industry employed approximately 82,000 people in 2004 and this is expected to have increased since that date.

Attendance levels at family day care centres declined over the period 2002 to 2004. In 2004, an estimated 89,300 children attended family day care, down from 95,630 in 2002 (-6.6%).

Figure 16 highlights the movement toward formal childcare services since 1996:

Figure 16 Formal Care as a % of Total Childcare 1996–2005



Source: ABS Childcare Survey 2005

Government forecasts are for the provision of up to 700,000 long day care places (in addition to informal and out of hours care) by 2009. This demand is currently being primarily met by private operators who provide long day care places typically through the construction of new childcare facilities.

4. Childcare in Australia and New Zealand (continued)

The preference for long day care and the movement toward this is set out in Table 17:

Table 17 – Childcare Places 1999 – 2004

Childcare Places by Category 1999–2004						
	1999	%	2002	%	2004	%
Private Long Day Care (LDC)						
Services	2617	38.2%	2178	30.6%	2515	33.1%
Children	193,785		200,815		229,263	
Average Children Per Service	74		92		91	
Community Long Day Care						
Services	1016	14.8%	1253	17.6%	1297	17.1%
Children	76,450		107,317		109,404	
Average Children Per Service	75		86		84	
Family Day Care						
Services	313	4.6%	318	4.5%	318	4.2%
Children	81,418		93,450		88,408	
Average Children Per Service	260		294		278	
Outside School Hours Care (OSHC)						
Services	1828	26.7%	2098	29.5%	2137	28.1%
Children	99,902		131,433		142,513	
Average Children Per Service	55		63		67	
Vacation Care						
Services	1080	15.8%	1275	17.9%	1340	17.6%
Children	57,521		82,339		84,543	
Average Children Per Service	53		65		63	
Total Services	6,854	100.0%	7,122	100.0%	7,607	100.0%
Total Children	509,076		615,354		654,131	

Source: Census of Child Care Services 2004

Private long day care centres provide the majority of places in all states other than South Australia, Tasmania, ACT and NT where community based centres are predominant.

As the use of formal childcare has increased, there has been a maturing of the industry from single operator or small business based, into a major service industry generating approximately \$3.2 billion annually in revenue typified by larger corporate organisations with:

- Dedicated branded centres;
- A corporate management structure; and
- Formal staff training and business models.

Formal childcare, in government regulated long day care centres, is the focus of the business operations of ABC. The ownership and leasing of purpose built childcare centres, principally to ABC and subsidiaries is currently the primary focus of the Fund.

4.4. Industry Regulation

The childcare industry is regulated by federal and state governments with the aim to provide services of a consistently high quality, ensuring the care and protection of children.

Commonwealth government regulation ensures minimum standards are met to deliver quality childcare. The National Childcare Accreditation Council (NCAC) has been appointed by the federal government to implement the quality assurance systems for the range of childcare services offered, including long day care. The scheme for long day care centres is the Quality Improvement and Accreditation System (QIAS). In order to receive the Child Care Benefit, centres must meet the requirement of the QIAS.

To achieve accreditation centres must be registered and must complete a self study report and submit to NCAC every two and a half years. The centre must assess the quality of its practice against 35 principles outlined in the NCAC guidelines. The assessment is conducted by surveying staff and parents of children at the centre. Centres must have a Continuing Improvement Plan that is updated with the results of surveys and assessments.

Local government controls the planning and development aspects of childcare centre development. State governments essentially regulate childcare centres on important aspects such as licensing of operators of centres and matters that concern the well being of children. The Commonwealth government is primarily responsible for accreditation issues and the regulation of federal government funding.

4.5. Government Funding

The Commonwealth Government announced in the 2006-07 Budget the most significant changes to childcare funding since the introduction of Child Care Benefit (CCB) in 2000. These changes are aimed at improving the availability of childcare and greater funding to the benefit of families.

As part of the 2006 budget, the government announced:

- Approximately \$9.5 billion would be spent over four years to support parents using childcare; and
- An increase to approximately 700,000 fully funded places.

The significant (and bi-partisan) support for childcare funding reflects the social welfare objectives of the federal government. In addition, the economic benefit has been quantified as follows;

- The total economic benefit of every dollar spent on childcare is estimated to be \$8.11;
- The amount of direct income supported by every dollar spent on childcare is approximately \$5.63; and
- The amount returned to government for every dollar spent on childcare, measured by additional taxation and reduced government outlay is \$1.86.

The primary way the federal government improves access to childcare is through the Child Care Benefit (CCB). The introduction of the 30% Child Care Tax Rebate will cover 30% of out of pocket childcare expenses – that is, fees paid for eligible families less the CCB. The rebate is payable up to a maximum rebate of \$4,000 per child per year. CCB reduces the cost of childcare for eligible families who use approved childcare services or registered carers. Families using approved childcare receive a higher rate of CCB. CCB is paid either directly to service providers on behalf of a family, or as a lump sum paid to the family at the end of the financial year.

4.6. The Role of Government

The Australian childcare sector is financially supported by the Commonwealth Government and regulated by both the commonwealth and states. The relevant Commonwealth department is the Department of Family and Community Services (FACS).

A key objective of the Commonwealth's program is to assist families with dependent children to participate in the workforce and general community by supporting the provision of affordable quality childcare.

In the long day care sector the proportion of work related care has risen from 81% in 1993 to 91% in 2001. The out-of-pocket costs to parents of childcare as a proportion of weekly disposable income are reduced significantly as a result of the government assistance. For a middle income family (earning approximately \$45,000 per annum) with two children such assistance covers around 60% of the average full-time care fee in long day care centres. For a low income family with two children around 72% of the average fee is covered.

4.7. New Zealand Overview

Participation in Early Childhood Education (ECE) in New Zealand is high by international standards. Around 94% of all New Zealand children now take part in ECE. Funding for ECE has more than doubled since 1999, and the number of qualified teachers has increased by 50%.

The total number of enrolments in ECE had increased from 118,400 children in 1990 to 185,528 children in 2005; the increase has been attributed to growing numbers of parents entering the workforce and the increased availability of services that draw on Maori and Pacific cultures.

4. Childcare in Australia and New Zealand (continued)

The main providers of ECE are kindergartens, playcentres, education and care centres, homebased services, correspondence school, Te Kohanga Reo programmes, early childhood development (ECD) funded playgroups, ECD-funded Pacific early childhood groups and parent support and development programmes.

Of the 3,598 licensed services, Education and Care account for 1,754 services; 758 being community owned and 996 being privately owned.

4.8. New Zealand Funding

The 2004 Budget included major new funding for ECE (\$307 million over four years) along with significant changes to the way ECE services are funded by the Ministry of Education. The changes were implemented in April 2005. This funding was the first instalment in delivering Pathways to the Future, a 10 year Strategic Plan for ECE. A further \$162 million investment in ECE over four years was announced in the 2006 Budget.

In addition, the 2004 Budget provided more assistance with childcare costs through the Working for Families package. Since October 2004 more families are eligible for childcare subsidies through Work and Income and subsidy rates have increased significantly.

From 1 July 2007 up to 20 hours free early childhood education for three and four year olds is to be introduced to all teacher-led ECE services.

Equity Funding

Equity Funding has been implemented to reduce the educational disparities between different groups in the community and to reduce the barriers faced by under represented groups. It aims to support ECE services in raising their levels of educational achievement.

Chartered, community-based ECE services that meet certain criteria are eligible to receive equity funding. Private ECE services are not eligible to receive equity funding.

4.9. Enrolments in Early Childhood Education in New Zealand

As at 1 July 2005, there were 185,528 children enrolled in early childhood education, including licensed services and licence-exempt ECE groups, an increase of 0.6 percent (1,015) from July 2004 is shown in Figure 18.

Table 18: Enrolments in Early Childhood Education – Licensed Services and Licence-Exempt Groups (2001 – 2005)

Type of service	2001	2002	2003	2004	2005
Licensed Services					
Kindergarten	45,439	45,169	45,109	45,287	44,920
Playcentre	14,786	14,879	15,200	15,440	15,059
Education and Care services	73,192	76,246	78,967	81,096	83,889
Home based Network	8,546	8,591	9,587	9,922	9,770
Te Kohanga Reo	9,594	10,389	10,319	10,418	10,070
Correspondence School	947	913	991	922	813
Casual Education and Care services
Sub-Total	152,504	156,187	160,173	163,085	164,521
Licence-Exempt ECE Groups					
Playgroups	15,457	15,002	16,250	17,744	18,042
Pacific EC groups	2,545	2,914	2,573	2,392	1,864
Nga Puna Kohungahunga	209	351	408	571	519
Playcentres	404	371	466	530	436
Licence-Exempt Te Kohanga Reo	214	138	130	191	146
Sub-Total	18,829	18,776	19,827	21,428	21,007
TOTAL	171,333	174,963	180,000	184,513	185,528

*Not Applicable as Casual Education and Care services do not have regular enrolments

Licensed Services

As at 1 July 2005, there were 164,521 children enrolled in Licensed ECE services, a 0.9% (1,436) increase from July 2004. Kindergartens, Play centres, Home based Networks, Te Kohanga Reo and the Correspondence Schools all had a decrease in enrolments that year while Education and Care services had a 3.4% (2,793) increase in enrolments.

Of the 83,889 enrolments in Education and Care services 36,487 (43.5%) were in community based services and 47,502 (56.5%) were in privately owned services.



5

Risk Factors

5. Risk Factors

Investors should be aware that an investment in the Fund is subject to risks of various types which have the potential to influence the future performance of the Fund. A number of these risks are able to be mitigated through management actions but a number are essentially external to the Issuer and the Custodian and not subject to their influence. Investors should take into account these risk factors before making a decision to apply for Units in the Fund. Investors with any doubt, having given due consideration to those matters should consult their accountant, stockbroker, financial planner or other professional adviser.

The main factors which may impact on the financial performance of the Fund and on the value of investors' Unitholdings include, but are not limited to, the following general and specific risks.

5.1. General Economic Conditions

Investment returns are affected by a range of economic factors including changes in interest rates, inflation, labour markets, general sharemarket conditions, government policies (including monetary and taxation policies and other laws), fluctuations in general market prices for property and other investment products and the general state of domestic and world economies.

A prolonged downturn in the economy particularly as it impacts on the labour markets and the demand for childcare may adversely affect the operations of the childcare industry and may impact on the tenant's ability to meet its obligations under the lease.

5.2. Share Market Conditions

Fluctuations in the price of Units will be attributable both to macro level conditions (including the performance of other stockmarkets, local and international economic conditions, government policy and actions) and investors' general perceptions of the market, together with sector and stock specific factors. Investors should be aware that the price of Units in the Fund may trade at higher or lower levels than the Issue Price.

5.3. The Regulatory Environment

The childcare industry is subject to a number of regulatory influences. Changes to state government policies on the regulation of childcare and on the structure of the early childhood education system may have a direct impact on the operation of childcare centres and therefore the properties owned by the Fund. A reduction in the Commonwealth government's financial assistance to the sector would reduce the affordability of childcare to parents and hence the financial viability of the lessee and ultimately the profit to the Fund would be adversely affected. The Issuer is not aware of any adverse changes proposed to the regulatory environment.

Other factors may also affect the financial viability for the tenant including matters such as increases in wages or other changes in workplace conditions. These factors may ultimately affect the tenant's ability to meet its obligations under the lease.

5.4. The Early-Years Demographic Structure of the Australian Population

The decline in the 0 – 4 age bracket of the Australian population evident in recent years is expected to continue over the next decade, after which a recovery is expected. As the underlying demand for childcare is driven by the numbers of children in this age bracket, changes in the expected numbers of children in this bracket will have an impact on the sector.

Similarly the labour force participation rate of women with children in this age bracket will be a key determinant of the market for childcare and childcare management services.

5.5. Barriers to Entry and Competition

There are few formal barriers to entry in the childcare industry and increased competition may impact on occupancy and reduce revenue and profit of the tenant and its ability to meet its obligations under the lease.

5.6. Industry Risk

The long day care sector of the Australian childcare industry comprises a large number of childcare centres in a diverse number of locations. It is possible that an event occurring in a centre or a number of centres which may not be owned by the Fund (such as the outbreak of sickness or a labour relations problem), may negatively affect investor perceptions of the industry and the business of the Fund and its tenants.

5.7. Borrowings and Interest Rates

The Fund has interest only borrowing facilities which expire in five years. There is a risk that existing loan facilities may not be renewed at the end of their current terms. Unfavourable movements in interest rates could lead to increased costs. This could result in a reduction to the Fund's distributions, or in extreme circumstances, failure to meet interest obligations. The Fund mitigates this risk by entering into fixed interest arrangements for between 2 – 5 years for most of its borrowings. As long term borrowings are renewed, changes in interest rates may occur.

5.8. Reliance on Lessee

A tenant of the Fund may be unable to honour its obligations. Any default would be likely to result in a reduction in the Fund's distributions, or in extreme circumstances, a failure to meet its obligations under its financing facility. As 97.6% of the investment properties are leased to or guaranteed by ABC, the Fund is reliant on the financial strength of ABC.

If for any reason the childcare licences for more than 5% of all the centres operated by tenants are cancelled or suspended, the Fund's financier would review the Fund's finance arrangements.

5.9. Growth Opportunities

The Fund expects future growth will be derived from both organic and acquisition sources. The success of any future acquisitions of childcare centres will depend on a number of factors including the availability of childcare centres, the terms of the acquisition and the financial position of the Fund. No assurance can be given that the Fund will be able to successfully undertake further acquisitions of childcare centres.

5.10. Property Market

In common with property investment generally, changes in the property market may affect the value of the Fund's properties and hence the Fund's performance.

5.11. Exchange Rates

The value of the Australian dollar has been subject to fluctuations with respect to the New Zealand dollar in the past and may be subject to fluctuations in the future. The Fund is exposed to New Zealand assets and liabilities, the value of which is denominated in NZ dollars. If the Australian dollar appreciates against the NZ dollar the value of the NZ assets in the Fund less NZ dollar liabilities when converted into Australian dollars would decrease.

5.12. Withholding Tax

Distributions from New Zealand to Australia are subject to withholding tax. Any change in the amount of withholding tax may increase or decrease the amount available for distribution in the Australian trust. The Issuer is not aware of any adverse changes proposed to the withholding tax rates in New Zealand.

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6

Fees and Other Costs

6. Fees and Other Costs

Government regulations require us to include the following standard consumer advisory warning as set out below. The information in the consumer advisory warning is standardised across all product disclosure statements and is not specific to information on fees and costs in the Fund.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Investments and Securities Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

Taxation information is set out in Section 7.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

6.1. Fees and Other Costs

Type of Fee or Cost	Amount	How and when paid
Fees or Costs when your money moves in or out of the Trust		
Establishment Fee		
The fee to open your investment	Nil	Not applicable
Contribution Fee		
The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal Fee		
The fee on each amount you take out of your investment.	Nil	Not applicable.
Termination Fee		
The fee to close your investment.	Nil	Not applicable
Investment switching fee		
The fee for changing investment options.	Nil	Not applicable

6.2. Additional Explanation of Fees and Costs

The following fees and costs are paid by the Fund for the provision of various services. Government taxes such as stamp duties and GST will be applied by the Trust as appropriate.

The fees are current as at preparation of this PDS and exclude the effect of GST. This means that fees stated in this PDS represent the fee charged plus applicable GST, less any reduced input tax credits that may be claimed by the Fund, unless stated otherwise.

The Responsible Entity reserves the right to waive, reduce, defer or increase fees and to induce additional fees without investor consent based on commercial negotiations with third parties.

Management Fee

The fees and costs for managing the Fund.	A base management fee of 0.5% of the Total Tangible Assets of the Fund.	Paid quarterly on 31 March, 30 June, 30 September and 31 December.
	An Administration Fee of \$100,000 per annum (indexed by the CPI from 1 July 2003).	Paid quarterly on 31 March, 30 June, 30 September and 31 December.
	Fund Expenses estimated to be 0.10% of the Total Tangible Assets.	Paid when incurred or when reimbursement is claimed.
	Based on Total Tangible Assets of \$100 million, the Fees and expenses would be \$714,000.	

Due Diligence Fee

This is the fee paid to APML to complete due diligence for all centres acquired.	\$5,000 per centre (indexed annually by the CPI from 1 July 2003.)	The fee is payable at the time of settlement of the acquisition of each centre.
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Debt Arrangement Fee

This is the fee paid to APML on the increased bank debt component.	0.5% of all debt funding arranged by APML for the Fund. On a debt funding of \$10,000,000, the fee would be \$50,000.	The fee is payable within 14 days of the drawdown of the facility.
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Custodian Fee

This is the fee paid to Trust Company of Australia Limited for acting as custodian of the Fund.	0.025% of the total value of the assets of the Fund. Based on the current assets of \$100 million, the fee is \$25,000.	Quarterly in arrears.
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Acquisition Fee

This fee is payable to ABC for sourcing childcare centre properties for the Fund.	2.5% of purchase price paid by the Fund for the childcare centre property. On the acquisition of a property valued at \$1 million, the fee would be \$25,000.	The fee is payable on completion of the purchase.
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6. Fees and Other Costs (continued)

6.3. Example of Annual Fees and Costs

This table gives an example of how the fees and costs in the Fund can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	0%	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs	0%	And, for every \$50,000 you have in the fund you will be charged \$0.
EQUALS Cost of fund	0%	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: \$0



7

Taxation Implications

7. Taxation Implications

7.1. Taxation Treatment of the Fund

The Fund is a listed unit trust. Following the restructure of the Fund in December 2004, a Private Binding Ruling was obtained from the Australian Taxation Office which confirmed that from 1 July 2005 the Fund would not be taxed in a similar way to a company under either Division 6B or 6C of the Income Tax Assessment Act 1936. This means that assessable income and other taxation benefits of the Fund will flow through to Unitholders and each Unitholder will be taxed upon their proportional share of the taxable income of the Fund. However, revenue or capital losses incurred by the Fund cannot be distributed to Unitholders.

7.2. Taxation of Unitholders

Distributions in respect of the Units are expected to be made every three months in February, April, August, and October of each income year. The tax treatment of the net income of the Fund will depend upon the nature of the components of the distribution and the individual tax profile of a Unitholder. Distributions from the Fund will be made on a pre-tax basis and may comprise both assessable and tax deferred components.

Unitholders will be required to include in their assessable income for the income year in which a distribution period ends all distributions representing the net income of the Fund for a distribution period. Interim distributions will include an estimate of the tax deferred amount. The final details of the distributions including any tax deferred amounts will be advised in the Annual Taxation Statement.

Unitholders will not be required to include in their assessable income distributions of tax deferred components. On the receipt of a tax deferred payment the Unitholders may be required to reduce the cost base of their Units by the amount of the tax deferred amount. Where the cost base of the Unit is reduced to "nil" as a result of the receipt of tax deferred amounts then any further tax deferred distributions received by a Unitholder in respect of their Unit will result in a capital gain to the Unitholder.

7.3. Disposal of Units

Unitholders may be subject to capital gains tax on the disposal of their Units and the assessable capital gain will be calculated after deducting the cost of the Units. Unitholders who are natural persons and trusts where natural persons are beneficially entitled to the net income may be entitled to a 50% exemption from capital gains tax where the Units have been held for more than 12 months. Superannuation funds receive a one third exemption from capital gains tax where the Units have been held for more than 12 months.

7.4. Non-resident Investors

A Unitholder that quotes an overseas address will be treated as a non-resident for Australian tax purposes. A non-resident Unitholder may be subject to withholding tax and non-resident income tax deductions on a proportion of any distributions received. It is recommended that non-resident Unitholders obtain their own taxation advice relevant to their country of residence.

7.5. Goods and Services Tax (GST)

No GST is payable on either the application for Units, or on the sale of Units.

7.6. Tax File Numbers and Australian Business Numbers

The application form attached to or accompanying this PDS requests that Applicants supply their Tax File number ("TFN"). If a TFN is not supplied, or appropriate TFN exemption information is not provided, income tax is required to be deducted from the Fund distributions at the highest marginal rate plus the Medicare levy (currently 46.5%). In the case of Unitholder applying for Units in the course of carrying on an enterprise, it may be appropriate to quote an Australian Business Number ("ABN") instead of a TFN. Applicants should seek expert advice if this situation applies.

7.7. General

This is a general statement of the position and Applicants are advised to seek their own taxation advice in relation to an investment in the Fund, as taxation treatments may differ according to individual circumstances.



8

Summary of Material Contracts

8. Summary of Material Contracts

This section is a summary of the material legal documents relating to the Fund. These include:

- Alliance Agreement;
- Future Sites Development Agreement;
- Loan Facility;
- Freehold Lease to ABC;
- Leasehold Property;
- Leasehold Sublease to ABC;
- Custody Agreement (Australia);
- Custody Agreement (New Zealand).

These summaries are not intended to be exhaustive.

8.1. Alliance Agreement

The Alliance Agreement is between ABC and APML as Responsible Entity of the Australian Education Trust ABN 58 102 955 939 and APML in its capacity as trustee of the AET New Zealand Education Trust and (as amended) is dated 3 February 2006.

Its purpose is to facilitate the acquisition and development of childcare centre properties by the parties in Australia and New Zealand.

The principal features are:

(i) Term

Its term is until the agreement is terminated by 3 months notice, but notice may not be given before 1 July, 2008. The agreement may also be terminated if:

- A person (other than ABC and related entities) obtains control of the Fund;
- A person (other than ABC and related entities) obtains control of APML;
- The responsible entity of the Fund is replaced without the consent of ABC; or
- The Fund rejects more than 25% of childcare properties proposed for acquisition by ABC to the Fund.

(ii) ABC to Source Properties

ABC must, on a non exclusive basis, source or cause to be sourced childcare properties in Australia and New Zealand for the Fund to acquire or lease. For the year ended 30 June 2006, ABC was required to source 100 centres. For successive years, the parties are required to meet to determine the number and gross value of centres to be acquired, estimated at the time of the agreement to be similar to the approximate number of centres acquired in the year ended 30 June 2006.

The Fund agrees not to acquire centres other than those sourced through ABC, without ABCs consent.

Procedures are specified under which:

- ABC notifies the Fund of centres it considers suitable for acquisition, with particulars;
- The Fund must accept or reject each property so notified; and
- A total acquisition cost is estimated, and due diligence enquiries, contract negotiations and valuations are initiated.

(iii) Acquisition Costs

Procedures are defined for circumstances in which the projected acquisition cost of a centre exceeds valuation, the Fund cannot be compelled to acquire a centre in these circumstances should it wish to decline the acquisition.

Rental yields to the Fund are offered and the maximum contribution to an acquisition by the Fund calculated.

On completion of an acquisition, a childcare licence capital contribution is payable by ABC for the right to obtain or operate a childcare licence at the relevant centre.

In consideration for ABC sourcing and notifying the Fund of the relevant property, the Fund is required to pay to ABC an acquisition fee of 2.5% of the consideration payable by the Fund for acquisition of the centre.

(iv) Lease of Centres

On completion, the Fund is required to lease each centre to ABC or its subsidiary. The rent payable by ABC in Australia is determined by applying a multiple of the number of licensed places in the centre to a dollar rate per place, adjusted by an indexation factor. With respect to New Zealand, adjustments are provided for with respect to currency and the indexation factor.

ABC is required to pay to the Fund a minimum rental subsidy of \$600,000 for the period ending 31 December, 2006, \$400,000 for the period ending 30 June, 2007 and \$200,000 for the period ending 31 December 2007. This rent subsidy may be terminated if:

- A person (other than ABC) obtains control of the Fund;
- A person (other than ABC) obtains control of APML;
- The responsible entity of the Fund is replaced without the consent of ABC; or
- The Alliance Agreement is terminated.

(v) Right of First Refusal

A right of first refusal is granted to ABC by the Fund if the Fund proposes to sell any centre.

(vi) Closure of Centres by Lessee

ABC may not close a centre business without first notifying the Fund.

(vii) Agreement to Lease (Development Sites)

Schedule 4 of the Agreement defines the terms of all agreements to lease to be entered into by the parties. The terms of this document are in the course of negotiation by the parties. Until ABC enters into a lease of a site acquired under the Alliance Agreement, ABC must pay an agreed yield on the capital cost of the site. The parties have agreed that if an agreement for lease is not entered into within an agreed period after demand by the Fund, the Fund may require ABC to acquire the site without cost to the Fund.

8.2. Future Sites Development Agreement – Community Infrastructure Development Fund

The Future Sites Development Agreement is between A.B.C. Developmental Learning Centres Pty Ltd ACN 010 788 502, APML as responsible entity for the Australian Education Trust, Belleraphon Limited ACN 113 025 317 as trustee for the Community Infrastructure Development Fund, Mr Doug Lomas and ABC.

Its purpose is to secure sites for the construction of childcare centres and its principal features are:

(i) Term

The agreement continues until 30 June 2009, or 4,000 proposed licence places are delivered, whichever is the earlier.

(ii) Project Management

ABC engages Belleraphon to project manage the development of childcare centres to a total of 4,000 licensed places. Belleraphon agrees to refrain from providing similar services to any other person throughout Australia and New Zealand, excluding South Australia and the Northern Territory. Doug Lomas covenants not to supply similar services to others within limits defined by place and time.

Belleraphon must provide to ABC proposals for the acquisition of childcare centre sites. If ABC approves the proposal in principle, then Belleraphon must prepare a development proposal for that site and submit it to ABC and the Fund. ABC or the Fund may either accept or reject the proposal. If both accept the proposal, the Fund is required to negotiate with the owner for the acquisition of the freehold by the Fund.

(iii) Acquisition of Centres

Belleraphon may cause the owners of approved sites to enter into purchase contracts with the Custodian on prescribed terms. ABC and the Fund agree to enter into agreements for lease and project management agreements for the approved sites. Developments must comply with ABC specifications.

If a development approval issued by a local authority is inconsistent with a development application, then ABC may elect to proceed, in which case the terms of the agreement continue to apply. If ABC elects not to proceed, the Fund will not be required to proceed with the acquisition. If any building approval cannot be obtained, then ABC will acquire or cause to be acquired the property concerned, and may indemnify the Fund for any costs incurred as a result of the acquisition by the Fund of the property.

8. Summary of Material Contracts (continued)

(iv) Indemnity for the Fund's costs

If a building approval issued by a local authority is inconsistent with a building application, then ABC may elect to proceed, in which case the terms of the agreement continue to apply. If ABC elects not to proceed, then ABC must acquire the property concerned, and indemnify the Fund for any costs incurred as a result of the acquisition by the Fund of the property.

8.3. Loan Facility

A facilities letter dated 28 June 2006 was issued by National Australia Bank Limited in favour of the Issuer as responsible entity of the Fund, and the Issuer as trustee for the AET New Zealand Education Trust.

It provides for three facilities:

Facility 1

- A multi option term debt facility limited to \$170,000,000;
- The facility expires on 30 June 2011.

Facility 2

- A standby facility limited to \$15,000,000;
- The facility is subject to annual review next due on 31 January 2007.

Facility 3

- Guarantee by bank facility;
- The facility is limited to \$250,000 and relates to guarantees of rent obligations of childcare centres;
- The facility is subject to annual review.

Security

AET and AET New Zealand are required to provide a first mortgage debenture over the assets and undertaking of the Fund, and first registered freehold and leasehold mortgages (as appropriate) over all childcare centre assets of the Fund. In addition, the bank requires Negative Pledges, Right to Enter Deeds, Consent to Lease Deeds and Interlocking guarantee and indemnity from the Trusts to the bank.

8.4. Freehold Lease to ABC (Australia and New Zealand)

The Custodian in Australia and in New Zealand (as custodian of the Fund) has entered into leases with:-

- Subsidiaries of ABC; and
- Other non related entities (6 Centres).

ABC guarantees the performance of all its leases.

The leases are on substantially the same terms, with minor differences to reflect the various jurisdictional requirements. The standard terms of the lease are as follows:-

(i) Rent

The commencing rental is based on a net rate of \$1,200 per childcare place (adjusted by an indexation factor) and is varied for specific sites to meet market conditions.

Rental increases are fixed at 4% p.a. up to including the tenth anniversary and there is a fixed increase of 1.5% p.a. during the first and second further terms but if the Lease is to continue for the first further term then the rent for the sixth through to the tenth year will increase by 2% p.a. instead of 4% p.a..

All outgoings, other than those prohibited by law are paid by the lessee. Where payable, land tax is paid by ABC on a single holding basis.

(ii) Term

The term of the lease is for ten years with two options of five years each. The first further term is taken to have been renewed unless the lessee gives notice that it does not require the further term in the last six months of lease year five and the second option is taken to have been exercised unless the lessee gives notice that it does not require the second further term within the last six months of lease year ten of the lease.

(iii) Use

The premises may only be used as a licensed childcare facility. No warranty as to suitability of the premises is given to the lessee.

(iv) Repairs & Maintenance

The lessee is required to repair and maintain the premises in good and substantial repair and condition. The lessee is required to "redecorate" (which includes painting inside and out and replacing window and floor coverings) within three months of request from the lessor but not more than once every five years and during the last three months of the lease term. The lessee is also required to effect structural repairs to the building.

The lessee is required to insure the premises with an insurance company approved by the lessor.

(v) Limitations

While the lessor is a custodian, the lessor's liability is limited to the amount which the custodian can recover from the trust assets except where any default is caused by the custodian's own fault, gross negligence, breach of trust or breach of duty.

The Responsible Entity enters into the lease only in its capacity as a responsible entity of the scheme and its liability is limited to the amount it can recover from the assets of the Trust except where the right of indemnity does not exist as a consequence of the operation of the trust deed or by operation of the law.

(vi) Guarantee

The performance of the lessee is guaranteed by ABC. The guarantee is irrevocable and continuing until all obligations of the lessee to the lessor have been performed.

(vii) Registered Leases

All leases are registered except those in Victoria and New Zealand where registration is not the standard practice and the interest of the Lessee is secured under legislation.

8.5. Leasehold Property

The Fund and the Custodian have entered into lease arrangements with various churches for the lease of land from the churches and the development of childcare centres by NCCC.

The format of the lease between the church and the Fund varies from church to church. Some of the standard terms of these leases are as follows:

(i) Term

Where possible, the leases are for a minimum term of 20 years. In Queensland this is achieved by the parties entering into two successive leases of ten years each.

Most leases contain what is known as a five year rolling option where the Issuer may continue to renew the lease for five year terms into the future if the church proposes to continue to use the premises as a childcare centre and in some sites after a successful review is conducted (using profitability, quality of the performance of the business and the Fund's relationship with the church as measures). In some cases, where the church has not agreed to grant five year rolling options, the church has agreed to a first right of refusal to the Fund.

(ii) Rent

The rent is usually fixed at an agreed amount per childcare place but may vary from site to site. The rent is paid by ABC under the terms of the ABC sub-lease.

Rent increases are usually CPI with an appropriate cap and collar with market rent reviews at the commencement of each option period if the church requires it. The rent reviews vary from site to site.

In some cases, the Fund is also required to pay a turnover rent (usually based on 2% of the turnover for a financial year). Under the terms of the ABC sub-lease, ABC must pay the turnover rent and must furnish its actual turnover figures.

In most cases, outgoings are payable based on the area occupied by the Fund under the leases. These costs, where applicable, are passed on to the tenant under the ABC sub-lease.

8. Summary of Material Contracts (continued)

(iii) Use

The premises may be used as a childcare centre including crèches, kindergarten and pre-school groups, long day care, before and after school care and other ancillary services and facilities offered by ABC as adjuncts to the concept of a childcare centre.

(iv) Limitations

While the tenant is a custodian, the tenant's liability is limited to the amount by which the custodian can recover from the Fund except where any default is caused by the custodian's own fault, negligence, breach of trust or breach of duty.

The Responsible Entity enters into the lease only in its capacity as a responsible entity of the scheme and its liabilities limited to an amount it can recover from the assets of the Trust except for the right of indemnity does not exist as a consequence of the operation of the trust deed or by operation of the law.

(v) Guarantee

There is no requirement for directors' guarantees or security deposit/bank guarantee under the leases.

(vi) Repairs & Maintenance

The tenant must keep, maintain and repair the premises in clean and good and efficient repair and in substantially the same condition the premises were in at the opening date of the centre.

(vii) Other

1. **Church guidelines** - Some churches require the tenant not to conduct the business in a manner which is against, for example, Catholic principles or Anglican considerations or to actively promote certain religious beliefs.
2. **Termination rights** - Most of these leases give the tenant a right to terminate the lease, if after the opening date, it is of the opinion that the business is not capable of operating at a satisfactory profit level. In most cases the tenant will have to give 12 months notice before terminating the lease.
3. **Improvements** - The improvements typically revert to the landowner upon termination of the headlease.

8.6. Leasehold Sublease (ABC)

The leasehold sites are sublet to ABC. The parties enter into a standard form agreement with amendments for site specific issues ("ABC sub-lease").

Some of the major features of the ABC sub-lease are:

(i) Rent

ABC is required to pay the rent payable under the leases as well as a sub-lease rent.

The sub-lease rental increases are as follows:

Initial Term -

- Years 2-5 - fixed rent increase of 4% p.a.;
- Years 6-10 and 12-15 - fixed rent increase of 2% p.a.;
- Year 11 - market rent review (collar of 2% p.a. and cap of 5% p.a.); and
- Year 16-20 - fixed rent review of 1.5% p.a..

Option Term (if applicable) -

- Year 1 - market rent review (collar of 1.5% p.a. and cap of 5% p.a.); and
- Years 2-5 - fixed rent review of 1.5% p.a..

Outgoings under the leases are payable by ABC under the ABC sub-lease. In addition, ABC is to pay all the Fund's out of pocket expenses relating to each site in the nature of outgoings.

(ii) Term

The term of the ABC sub-lease is usually one day less than the term of the head lease. The same five year rolling options are contained in the ABC sub-lease except that ABC is given certain rent concessions (lower cap and collar) if it exercises the option five years ahead of time.

(iii) Use

The premises may be used as a childcare centre including crèches, kindergarten and pre-school groups, long day care, before and after school care and other ancillary services and facilities offered by ABC as adjuncts to the concept of a childcare centre.

(iv) Limitations

While the sub-lessor is a custodian, the sub-lessor's liability is limited to the amount by which the custodian can recover from the Fund except where any default is caused by the custodian's own fault, negligence, breach of trust or breach of duty.

The Responsible Entity enters into the sub-lease only in its capacity as a responsible entity of the scheme and its liabilities limited to an amount it can recover from the assets of the Fund except for the right of indemnity does not exist as a consequence of the operation of the trust deed or by operation of the law.

(v) Repairs & Maintenance

ABC must keep, maintain and repair the premises in clean and good and efficient repair and in substantially the same condition the premises were in at the opening date of the centre. This includes repairs of a structural nature.

(vi) Guarantee

The performance of ABC is guaranteed by A.B.C. Learning Centres Limited. The guarantee is irrevocable and continuing until all obligations of ABC to the Fund have been performed.

(vii) Other

- **Church Principles** – this obligation to comply with the church's specific requirements/guidelines under the headlease is passed onto ABC under the ABC sub-lease.
- **Surrender** – ABC does not have a corresponding right to surrender the sub-lease as the Fund does under the head lease.

8.7. Custody Agreement (Australia)

The Responsible Entity has entered into a Custody Agreement in respect of the Fund with Trust Company of Australia Limited. Its purpose is to vest legal title to assets in the Custodian.

The Custodian is to enter into contracts to purchase and hold assets (including the properties) on the Issuer's behalf. The Custodian's duties also include opening and maintaining bank accounts to hold Application Monies and rent and other income of the Fund, entering into leases of land on behalf of the Issuer and maintaining proper records and making reports to the Issuer.

The Custodian's liability under the Custody Agreement is limited, except in the case of fraud, negligence or breach of the Custody Agreement by the Custodian.

The Custodian is entitled to compensation for expenses incurred in connection with the performance of its duties and the exercise of its powers.

The Custodian is entitled to receive an annual fee of 0.025% of the total value of the gross assets payable quarterly in arrears, but not less than \$20,000 per annum (adjusted annually in accordance with changes in CPI). This fee is exclusive of GST.

The Custodian holds professional indemnity insurance for an amount of \$60 million for any one loss or in the aggregate with cover worldwide (except USA and Canada).

The agreement continues until terminated. Either party may terminate the agreement on 90 days written notice unless a different period is agreed. Either party may terminate the agreement immediately on the occurrence of certain other events, including changes in corporate control, acts of insolvency, and material breaches of the agreement.

8.8. Custody Agreement (New Zealand)

This document defines custody arrangements to apply in New Zealand. In all material terms, it is identical to the Custody Agreement for the Fund. The Custody Agreement for New Zealand requires the Custodian to act as if the investment was a managed investment scheme under the Australian Corporations Act as well as complying with the relevant New Zealand law.

8. Summary of Material Contracts (continued)

8.9. Other Site Acquisition Agreements

The Fund and ABC are parties to an agreement with NCCC and Catholic Resources, and a further agreement with lessees from the State of New South Wales and others. These agreements provide the Fund with the opportunity to acquire future childcare centre sites.

8.10. Inspection of material contracts and consents

Copies of the following documents are available for inspection during usual business hours at the office of the Issuer referred to in the Directory:

- Constitution (Australia);
- Constitution (New Zealand);
- Custody Agreement (Australia);
- Custody Agreement (New Zealand);
- Standard lease documents; and
- The consents to the issue of this PDS.

8.11. Legal Proceedings

The Issuer is not aware of any legal proceedings which have been or may be commenced against the Fund.



9

**Statutory
Information**

9. Statutory Information

9.1. Responsible Entity

A Responsible Entity must be a public company holding an AFSL authorising it to operate a managed investment scheme. The Responsible Entity for the Trust is APML which holds an AFSL authorising it to (among other things) act as a responsible entity. The role of the Responsible Entity includes:

- Holding the Fund's property on trust for the Unitholders in the Trust;
- Managing and investing the Fund's property; and
- Ensuring scheme property is managed and dealt with in accordance with the Fund's Constitution, Compliance Plan and the Corporations Act.

The Responsible Entity may delegate these roles but remains responsible to Unitholders if this is done.

The Responsible Entity at the date of the issue of this PDS is Austock Property Management Limited ABN 46 111 338 937 which holds Australian Financial Services Licence no. 281544.

9.2. The Responsible Entity's Rights and Obligations as Responsible Entity

In relation to the Responsible Entity's powers, duties and liabilities as Responsible Entity of the Trust, the Constitution:

- Allows the Responsible Entity to refuse applications for Units, in whole or in part, at the Responsible Entity's discretion and without giving reasons;
- Allows the Responsible Entity to set a minimum investment to be made in the Trust;
- Provides that, unless the Corporations Act imposes liability, the Responsible Entity is not liable to Unitholders for any loss suffered in any way relating to the Fund;
- Allows the Responsible Entity to change the Constitution, subject to the Corporations Act requirement that Unitholders approve changes which would adversely affect their rights;
- Allows the Responsible Entity to charge fees (described in Section 6) and recover all expenses the Responsible Entity incurs in the proper performance of Responsible Entity's duties in respect of the Fund; and
- Gives the Responsible Entity the right to terminate the Trust by notice to Unitholders and then sell the Fund's investments, pay expenses and pay Unitholders their share of any net proceeds.

9.3. Compliance Plan

The Compliance Plan describes the procedures the Responsible Entity applies in operating the Fund to ensure compliance with the Corporations Act and the Constitution. The Compliance Committee oversees the Responsible Entity's procedures for complying with the Compliance Plan, the Constitution and the Corporations Act.

9.4. Constitution

The relationship between Unitholders and the Responsible Entity is governed by this PDS, the Constitution, the Corporations Act and other laws such as the general law relating to trusts and legislation about the duties of trustees.

When Unitholders want to know their rights, the first place to look is the Constitution. Unitholders can inspect a copy of the Constitution and Compliance Plan at ASIC or the Responsible Entity's head office or request a free copy by calling APML on (03) 8601 2000. This PDS sets out some of the material provisions of the Constitution.

9.5. Unitholder Rights and Obligations

Generally, the Constitution:

- Defines the nature of Units: each Unit confers an equal undivided interest in the assets of the Trust;
- Sets out Unitholder rights with respect to distributions of any income of the Fund;
- Defines when the Trust may be wound up and what a Unitholder is entitled to receive on winding up;
- States that a Unitholder's liability is generally limited to the amount, if any, which remains unpaid on their Units. Higher courts are yet to determine the effectiveness of these types of provisions;
- Sets out provisions relating to Unitholder meetings. Unitholders' rights to requisition, attend and vote at meeting are mainly contained in the Corporations Act; and
- Contains procedures for how the Issuer deals with complaints.

9.6. Summary of Constitution

The Constitution governs the rights attaching to the New Units. The following is a brief overview of the Constitution (as it has been amended by the Supplemental Deeds). All Unitholders must confirm this brief information by referring to the Constitution and the Supplementary Deeds.

The Constitution of the AET New Zealand Education Trust is on substantially the same terms except that it provides for half yearly accounts and distributions.

(i) Term

Term of the Trust is until terminated or 80 years after the date of the deed poll, whichever is earlier.

(ii) Liability

The liability of all Unitholders is limited to any unpaid portion of the issue price on partly paid Units. The owner of fully paid Units has no obligation to make any further contribution to the Fund or payments to the Responsible Entity for the Fund.

(iii) Further Offers

The Responsible Entity may offer further Units for subscription to Unitholders provided the offer is made to all Unitholders and option holders, is made at the same price for all issues and for the same class and the number of Units offered to each Unitholder and option holder is proportionate for the value of that person's interest in the Fund.

"Issue Price" means in the case of initial issue of Units or the redemption of a CDS (Convertible Debt Security), \$1 per Unit or, under a PDS such other sum as the Responsible Entity may determine as fair and reasonable taking into account the interests of existing unitholders and the holders of CDS. Where the Fund is listed, the Units are to be issued on the weighted average of the last sale prices quoted in the ASX for the five business days before the date when the issue price is to be ascertained.

A holder of a Unit must not be divested of that Unit while the Fund is listed except as permitted under law.

(iv) Powers of Responsible Entity

The Responsible Entity is required to manage the Fund. In particular, it is required to use its best endeavours to keep all investments in good repair, and any rights under a mortgage are enforced and insure any investments which are able to be insured.

The Responsible Entity has all the powers over the Fund assets as if it were the absolute and beneficial owner of the Fund. The powers of the Responsible Entity are very wide.

(v) Indemnity

In addition to the remuneration, the Responsible Entity is entitled to be indemnified out of the income of the Fund for costs and expenses properly incurred in the administration of the Fund.

The Responsible Entity has absolute discretion about the exercise of any powers under the Constitution and is not liable for any loss except to the extent that the loss is caused by the Responsible Entity's own act of deceit, neglect or default amounting to a breach of trust by the Responsible Entity.

The Responsible Entity and any director, officer or subsidiary body corporate of the Responsible Entity may be a Unit or option holder in the Fund.

The Responsible Entity has a right to be indemnified and reimbursed out of the Fund for liabilities, costs and expenses reasonably incurred while acting under the Constitution.

(vi) Investment

The primary investment policy for the Fund will be investment in land but a range of authorised investments are permitted. Where the investment is in land, the Responsible Entity must consider a valuation prepared by an approved valuer and a certificate prepared by a lawyer stating that on completion of a contract the Responsible Entity will obtain clear unencumbered title to the land and that the lawyer has undertaken all usual searches and enquiries about the land and that these do not disclose any material matter adverse to or inconsistent with the valuation.

The Responsible Entity is required to prepare half yearly and yearly accounts. Distributions will be made quarterly. The unit holders have a proportionate vested interest in the distributable amount.

9. Statutory Information (continued)

(vii) Meetings

Not less than 50 or one tenth in number of the Unitholders may convene a meeting to propose an ordinary resolution. The requisition for the meeting must state the objects of the meeting and the terms of any ordinary resolution proposed.

At least 21 days notice of a meeting must be given. A quorum for a meeting is at least five Unitholders representing by proxy or attorney at least 10% of the number of issued units. The Chairman is appointed by the Responsible Entity and has a casting vote in the case of an equality of votes. A Unitholder may vote by proxy using the form set out in the Constitution.

(viii) Variation of Constitution

The Responsible Entity may vary the Constitution by supplemental deed.

(ix) Complaints

The Responsible Entity must acknowledge receipt of a complaint within 14 days of receipt. The Responsible Entity must keep a register of complaints noting the date of the receipt of the complaint, name and address of complainant, date of acknowledgement sent to complainant, the date the complaint was referred to the compliance committee and the final response sent to the complainant.

Within fourteen days of receipt of a complaint, the compliance officer must deal with the complaint and consider whether the complaint has merit and warrants further investigation. Within fourteen days after a decision is made in respect of a complaint, a response must be sent to the complainant. The compliance officer must report to the compliance committee quarterly detailing every complaint received, current progress of each complaint and the nature of any decision made in respect of the complaint.

9.7. Interests of the Responsible Entity and its Directors

Except as set out below or elsewhere in this PDS:

- the Responsible Entity does not have, nor has it at any time in the two years prior to lodgement of this PDS with ASIC had, any interest in:
 - The formation or promotion of the Fund;
 - The Offer; or
 - Any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of the Fund.
 - No amounts (whether in cash, Units or otherwise) have been paid or agreed to be paid to the Responsible Entity to procure acquisitions of interests in the Fund, or for services provided under the Constitution;
 - No director of the Responsible Entity has, or has in the two years prior to lodgement of this PDS with ASIC had, any interest in:
 - The formation or promotion of the Fund;
 - The Offer; or
 - Any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of the Fund; and
 - No amounts (whether in cash, Units or otherwise) have been paid or agreed to be paid to any director of the Responsible Entity either to induce him to become, or to qualify him as, a director or otherwise for services rendered by him in connection with the Offer or the promotion or formation of the Fund.
1. The Responsible Entity does not own Units in the Fund.
 2. The Responsible Entity received fees for debt arrangement. The basis of the fee is set out in Section 6.
 3. The Responsible Entity receives a fee of \$5,000 per centre acquired (indexed annually by the CPI from 1 July 2003) to assist with the due diligence of centres acquired.
 4. The Responsible Entity will not receive a fee for its services for the preparation of this PDS, and management of the Issue.
 5. The Responsible Entity receives a fee for the management of the Fund. The basis upon which this fee is calculated is set out in section 6.
 6. Directors of the Responsible Entity receive their ordinary remuneration and other entitlements as a director of the Responsible Entity.
 7. The following directors of the Responsible Entity or their associated entities have an interest in the promotion of this PDS in that each currently owns Units as detailed below:
 - Michael Francis Johnstone holds 50,000 Units; and
 - Victor David Cottren holds 70,000 Units
 8. None of the directors of the Responsible Entity or their associated entities is a beneficial holder of shares in APML.

9.8. Interests of Experts and Other Persons Involved in the Offer

Except as set out below or elsewhere in this PDS, no broker involved in the Offer, nor any person named in this PDS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this PDS has, or has at any time in the two years prior to lodgement of this PDS with ASIC held, any interest in:

- The formation or promotion of the Fund;
- The Offer; or
- Any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of the Fund.

and no amounts, whether in cash, Units or otherwise, have been paid, or are agreed to be paid, in the last two years by any person to any of those persons in connection with:

- The formation or promotion of the Fund;
- The Offer; or
- Any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of the Fund.

1. Trust Company of Australia Limited will receive remuneration and be reimbursed for certain expenses as set out in section 6.
2. Macrossans Lawyers has acted as the legal advisor to the Fund in relation to the Offer under this PDS and is entitled to receive professional fees of up to \$50,000 for these services.

Macrossans Lawyers has acted in relation to the acquisition of the Sites to be acquired by the Fund and will receive payment at an hourly rate of up to \$360.00 per hour for negotiation of each contract.

3. ABN AMRO Morgans and ACF are entitled to receive a joint selling fee of 1.5% and a management fee of 3% of the proceeds of the Issue for their services as Joint Lead Managers to the Issue.

9.9. Expenses of the Issue

The total expenses of the Issue are estimated to be \$85,000 comprising legal costs, ASX fees, ASIC fees and other administrative expenses.

9.10. Privacy

When an Applicant completes and submits the Application Form, the Issuer will be collecting important personal information from the Applicant. The Issuer will not be able to process a submitted Application Form unless the Applicant provides all information required by the Application Form.

The Issuer needs to collect personal information from investors for the primary purpose of processing Applications and issuing Units in the Fund. There are also a number of related purposes for which the personal information will be used and these are to administer Unitholder details and comply with Australian taxation laws and other regulatory requirements.

The information that an Applicant provides to the Issuer may be disclosed to certain organisations. The types of organisations or persons to whom the Issuer may disclose the information provided by Applicants include:

- (i) the Australian Taxation Office, CHESS, ASTC, ASIC, ASX and other government or regulatory bodies as required by law;
- (ii) the Applicant's advisor or advisor dealer group;
- (iii) any third party service provider engaged by the Issuer to provide unit registry, administration, custody, technology, auditing, mailing or printing services.

An Applicant has a right to access their personal information, subject to some exceptions allowed by law. If an Applicant would like to do so, they need to let the Fund know. The Fund reserves the right to charge a fee for searching for and providing access to an Applicant's information.

9.11. Dispute Resolution

If you have a complaint about your investment in the Fund, then you are entitled to have your complaint dealt with in a proper and efficient manner. The Constitution details how complaints can be made and how the Fund must deal with those complaints.

If you have a complaint, you should notify APML in writing at the address set out in the Corporate Directory.

Once a complaint is made, the compliance officer must respond to the complaint in writing within 28 days in an attempt to resolve the issue. The compliance officer must report all complaints to the Compliance Committee quarterly.

9. Statutory Information (continued)

If a satisfactory resolution cannot be reached, then you may lodge your complaint with the Financial Industry Complaints Service (FICS) which is an external complaints resolution service, or take whatever other action you believe is appropriate. The role of FICS is to provide an independent assessment of the complaint. The FICS can be contacted at follows:

PO Box 579
Collins Street West
MELBOURNE VIC 8007
Ph: 03 9629 7050 or 1300 780 808
Fax: 03 9621 2291

9.12. Environmental and Ethical Considerations

While the Issuer intends to conduct the affairs of the Fund in an ethical and sound manner, the investment criteria for the Fund do not include giving additional weight to labour standards, environmental, social or ethical considerations when making or realising an investment in the Fund.

9.13. Consents

The Responsible Entity is the Issuer of this PDS. None of the persons named below has authorised or caused the issue of this PDS.

None of the persons named below has, prior to the lodgement of this PDS with ASIC:

- (a) withdrawn their written consent to be named in this PDS in the form and context in which they are named; or
- (b) withdrawn their written consent to the inclusion in this PDS of the following information in the form and context in which it is included.

Michael Francis Johnstone, Michael Edward McFarlane, Victor David Cottren and Vincent Gerard Harink have given their consents to be named as directors.

Link Market Services Limited has given its consent to being named as the Unit Registry.

Austock Corporate Finance Limited has given its consent to being named as Joint Lead Manager to the Issue.

ABN AMRO Morgans Limited has given its consent to being named as Joint Lead Manager to the Issue.

Macrossans Lawyers has given its consent to be named as lawyer for the Offer.

Trust Company of Australia Limited has given its consent to being named in this PDS as Custodian of the Fund. The Custodian has had no involvement in the preparation of any part of the PDS. The Custodian expressly disclaims and takes no responsibility for any other part of this PDS. It makes no statement in this PDS and has not authorised or caused the issue of it. The Custodian does not guarantee the success of the Fund nor the repayment of capital or any particular rate of capital or income return.



10

Authority

10. Authority

This PDS is issued by the Responsible Entity.

Each director of the Issuer has consented to the lodgement of this PDS with ASIC.

Dated 7 September 2006

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Signed for and on behalf of

AUSTOCK PROPERTY MANAGEMENT LIMITED
ABN 46 111 338 937



11

Glossary

11. Glossary

ABC	A.B.C. Learning Centres Limited ABN 93 079 736 664 and its subsidiaries.
ABN AMRO Morgans	ABN AMRO Morgans Limited ABN 49 010 669 726.
ACF	Austock Corporate Finance Limited ABN 26 101 074 015.
AET	Australian Education Trust ARSN 102 955 939.
AET NZ	AET New Zealand Education Trust.
AEST	Australian Eastern Standard Time
AFSL	Australian Financial Services Licence.
AIFRS	Australian equivalent to International Financial Reporting Standards
Annual Financial Report	The annual financial report of the Fund for the twelve month period to 30 June 2006.
APML	Austock Property Management Limited ABN. 46 111 338 937.
Application Form	The application form enclosed with this PDS.
Applicant	A person who submits an Application.
Application	A valid application to subscribe for New Units.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Clearing Corporation Pty Ltd ABN 49 008 504 532
ASX	Australian Stock Exchange Limited ACN 008 624 691.
Australian Education Trust	Australian Education Trust ARSN 102 955 939.
Board	The board of Directors of APML unless the context indicates otherwise.
Business Day	A day other than a Saturday or Sunday on which banks are open for business in Sydney, Australia.
CHESS	ASX Clearing House Electronic Subregistry System.
Closing Date	The date on which the Offer closes.
Constitution	The constitution of the Fund dated 8 July 2002 as amended by Supplementary Deeds.
Corporations Act	Corporations Act 2001 (Cth).
Custodian	The custodian (being Trust Company of Australia Limited ACN 004 027 749) of the Fund as appointed by the Responsible Entity.
Custodian Fee	The fee paid to Trust Company of Australia Limited.
Directors	Means the directors of the Issuer from time to time.
Dollars or \$	Australian dollars unless otherwise stated.
Fund	Australian Education Trust.
Glossary	This glossary.
Half Year Financial Report	The half year report and accounts for the six months ended 31 December 2005.
HIN	Holder Identification Number.
Initial Yield	The initial return on the investment calculated by dividing the commencing net annual return by the purchase price or capital value.

Issuer	Austock Property Management Limited ABN 46 111 338 937 as the Responsible Entity.
Issue	The issue of New Units pursuant to this PDS.
Joint Lead Managers	ABN AMRO Morgans ABN 490 1066 9726 and Austock Corporate Finance Limited ABN26 101 074 015.
Listing Rules or ASX Listing Rules	The official Listing Rules of ASX.
NCCC	National Child Care Centres Pty Ltd ABN 14 098 497 119
New Unit	A Unit issued on the terms and conditions set out in this PDS.
Offer	The invitation by the Issuer to subscribe for New Units pursuant to this PDS comprising the Public Offer and the Oversubscription Facility.
Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Official List	The Official List of ASX.
Opening Date	The date on which the Offer opens.
Oversubscription Facility	The ability of the Issuer to accept Applications for up to an additional 6,250,000 New Units at the Issue Price of \$1.60.
Product Disclosure Statement or PDS	This Product Disclosure Statement.
Public Offer	The Offer of 18,750,000 New Units at an Issue Price of \$1.60.
Quotation	Quotation of the Units on ASX.
Responsible Entity	The responsible entity of the registered managed investment scheme Australian Education Trust as named in the ASIC records. In terms of the Offer, the Responsible Entity is APML.
SRN	Security Holder Reference Number.
Supplementary Deeds	Deeds varying the Constitution dated 13/12/2002; 8/04/2003; 13/05/2003; 22/12/2004 and 15/8/2006.
Total Tangible Assets	The total of:- <ul style="list-style-type: none"> (a) all cash on hand or at bank; (b) the values shown in the valuation roll of all investments; (c) amounts owing to the Fund by way of debtors but after deducting any bad or doubtful debts; (d) amounts of the issue price of partly paid units which have not been paid; (e) all prepaid expenses; and (f) value of all other assets of the Fund not included above as determined by the Auditor, less any amount transferred to or held in the distribution account pending distribution to Unitholders.
Unitholder	A holder of Units in the Fund.
Unit(s)	A unit or units in the Fund.
Weighted Average Lease Term	The sum of the weighted average lease term remaining for each existing childcare centre calculated using the number of Licensed Day Care Places. This excludes the development sites owned by the Fund and was prepared as at 30 June 2006.

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Your Guide to the Application Form

Please complete all relevant sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Units to which this Application Form relates are Australian Education Trust Units. Further details about the Units are contained in the PDS dated 7 September 2006 issued by Australian Education Trust. The PDS will expire on 11 October 2007. While the PDS is current, Australian Education Trust will send paper copies of the PDS, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant PDS. This Application Form is included in the PDS.

The PDS contains important information about investing in the Units. You should read the PDS before applying for Units.

DECLARATION

This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application money this Applicant hereby:

- (1) applies for the number of Units specified in the Application Form or such lesser number as may be allocated by the Directors;
- (2) agrees to be bound by the Constitution of the Trust;
- (3) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions;
- (4) acknowledges that he/she has received a copy of the PDS attached to this Application Form or a copy of the Application Form before applying for Units; and
- (5) acknowledges that he/she will not provide another person with this Application Form unless it is attached to or accompanied by the PDS.

- A** Insert the number of Units you wish to apply for. The Application must be for a minimum of 1,250 Units. You may be issued all of the Units applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Units applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Units. This must be either your own name or the name of a Trust. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Please enter your postal address for all correspondence. All communications to you from Australian Education Trust and the Unit Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHESS participant or sponsored by a CHESS

- participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Units will be issued to Australian Education Trust's issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- G** Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B. Make your cheque or bank draft payable to "Australian Education Trust Offer" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. Pin (do not staple) your cheque or bank draft to the Application Form where indicated.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEST) on 11 October 2006 at:

Link Market Services Limited
C/- Australian Education Trust Offer
Locked Bag A14
Sydney South NSW 1235

Link Market Services Limited
C/- Australian Education Trust Offer
Level 12, 680 George Street
Sydney NSW 2000
(do not use this address for mailing purposes)

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a Unitholder (including your name, address and details of the Units you hold) to be included in the public register of the entity in which you hold Units. Information is collected to administer your Unitholding and if some or all of the information is not collected then it might not be possible to administer your Unitholding. Your personal information may be disclosed to the entity in which you hold Units. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Units. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Trust Use Trust's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Your Guide to the Application Form

Please complete all relevant sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Units to which this Application Form relates are Australian Education Trust Units. Further details about the Units are contained in the PDS dated 7 September 2006 issued by Australian Education Trust. The PDS will expire on 11 October 2007. While the PDS is current, Australian Education Trust will send paper copies of the PDS, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant PDS. This Application Form is included in the PDS.

The PDS contains important information about investing in the Units. You should read the PDS before applying for Units.

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Corporate Directory

RESPONSIBLE ENTITY

Austock Property Management Limited
(ABN 46 111 338 937)

Level 1 , 350 Collins Street

MELBOURNE VICTORIA 3000

Telephone: (03) 8601 2000

Facsimile: (03) 9670 3174

DIRECTORS OF RESPONSIBLE ENTITY

Mr Michael Francis Johnstone
(Non Executive Chairman)

Mr Victor David Cottren
(Non Executive)

Mr Michael Edward McFarlane
(Non Executive)

Mr Vincent Gerard Harink (CEO)

COMPANY SECRETARY

Ms Amanda Jane Gawne

LAWYERS

Macrossans Lawyers

Level 23, AMP Place

10 Eagle Street

BRISBANE QLD 4000

STOCK EXCHANGE LISTING

Australian Stock Exchange
Code: AEU

JOINT LEAD MANAGERS

ABN AMRO Morgans Limited

Level 27, 367 Collins Street

MELBOURNE VIC 3000

Austock Corporate Finance Limited

Level 1, 350 Collins Street

MELBOURNE VIC 3000

UNIT REGISTRY

Link Market Services Limited

Level 12, 680 George Street

SYDNEY NSW 2000

CUSTODIAN

Trust Company of Australia Limited

213 St Paul's Terrace

BRISBANE QLD 4000

