Australian Education Trust

Financial Results to 31 December 2010

18 February 2011

Austock Property

AGENDA

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- Overview
- Financial Results
- Capital Management
- Portfolio Performance
- Geographic Distribution
- Lease Structure & Vacancy Profile
- Outlook

Overview – Key Metrics & Achievements

Return to Positive Operating Conditions

- **Trust Operating Performance**
  - Upgraded FY11 Net Operating Profit forecast of $9.5-$10.25m
  - 1H11 Net Operating Profit of $4.2 million up 68% compared to pcp
  - New finance facility reduces the all-in-cost of debt from 10.7% to 8.9%
  - Commencement of distributions for quarter ending 31 March 2011
  - Saving of $1.7m in interest from early repayment of US Noteholders
  - Upgraded distribution guidance of 4.3 cpu for the 6 months to 30 June
  - Reduced gearing to 49.3% through repayment of borrowings

- **Business Conditions Improving**
  - New 3 year banking facility to top tier domestic banks
  - Prospect of strengthening property valuations
  - Industry, but importantly GoodStart's financial performance on track & encouraging
  - Recognition of social infrastructure by wider financial community as a resilient and specialist field

Overview – Key Metrics & Market Conditions

Return to Positive Operating Conditions

- **Industry Conditions**
  - Childcare/Early Learning industry continues to strengthen
  - Industry occupancy level 76%
  - Clear evidence of a rebound in business profitability & business values
  - Government policy on growing employment expected to be a stimulus for childcare/early learning
  - Government support remains strong for sector
  - Total spend on pre-school learning including childcare as a % of GDP, Australia ranks 24th.

- **Value Focus**
  - Unit price recovery, a validation of the de-risking program and improved confidence in AET
  - Increasing new investor activity, including institutional investor interest
  - Management focus on enhancing Unitholder value

Overview – Portfolio Summary

- 193 leases to GoodStart – Industry First 'pooled' bank guarantee of approx $12.9 million extending to 2035
- Spread of risk – 26 tenants
- Proven book values based on recent valuations
- WALE of 10.3 years
- Vacancy of 1.2% (excluding development sites)
- Operating properties includes 31 leasehold properties with a value of $19.3 million

Table 1: Portfolio Summary

	No of Properties	Carrying Value $m's	Current Rent (pa) $m's
Operating Properties			
GoodStart	193	219.3	21.2
ABC New Zealand (not in administration)	56	40.8	3.4[1]
Other Tenants	77	82.5	8.5
	326	**342.5**	**33.1**
Development Sites – Available for sale			
Australia	3	1.6	-
New Zealand	1	0.1	-
Closed Properties			
Available for Sale/Lease	4	1.9	-
Operating Properties			
Contracted/Settled subsequent to 31 December 2010	1	1.0	-
Total Properties as at 31 December 2010	**335**	**347.1**	**33.1**

[1:] *New Zealand dollar values are translated using the 31 December 2011 exchange rate of 1.32*

Financial Results – Profit & Loss

- Net operating income increased by $1.7 million to $4.2 million
- Improvement in performance driven through reduction in operating expenditure as fund returns to normal operations
- Reduction in finance costs reflects lower level of borrowings although this was offset by higher cost to Dec 2010
- No significant legal expense compared with $1.0 million in prior period

Table 2: Consolidated Income Statement

Half year ending 31 Dec ($m's)	2010	2009
Revenue		
Lease income	16.5	16.6
Property outgoings recoverable	2.5	2.2
Other income	0.4	0.3
	19.4	**19.1**
Expenses		
Finance costs	9.9	10.3
Property expenses	3.8	3.5
Responsible entity's remuneration	0.9	1.2
Legal expenses	0.1	1.0
Other expenses	0.5	0.6
	15.2	**16.6**
Net Operating Income	**4.2**	**2.5**

Financial Results – Profit & Loss (Continued)

- Revaluations of 6 Australian and 14 New Zealand properties related in a $1.4 million decrement largely driven by New Zealand currency movements

- Refinancing of foreign currency borrowings resulted in realised foreign exchange losses of $2.7 million and realised losses on termination of derivative contracts of $1.5m million. Only $0.7 million was a cash loss

Table 3: Consolidated Income Statement

Half year ending 31 Dec ($m's)	2010	2009
Net operating income	**4.2**	**2.5**
Realised gains / (losses) on sale of investment properties	(0.2)	(0.4)
Net revaluation decrement of investment properties	(1.4)	(6.1)
Waiver / Consent Fee on Debt Refinancing	-	(2.6)
Change in fair value of financial derivatives	-	(4.9)
Realised / unrealised foreign exchange gains / (losses)	(2.7)	11.1
Realised losses on early termination of derivative contracts	(1.5)	(5.5)
Lease incentive / straight line rental adjustments	-	1.0
Other	-	(0.1)
Net profit / (loss) attributable to Unitholders	**(1.6)**	**(5.0)**

Financial Results

- Stability returning to the balance sheet with no further debt amortisation targets
- Total assets decreased by $15.5 million due to reduction in cash and sale of 5 properties
- Cash balance reduced as cash was used for debt repayments and re-financing payments
- Gearing reduced to 49%

Table 4: Financial Comparison June 2010-December 2010

	Dec 2010	June 2010	Variance
Total Assets	$353.5m	$369.0m	(4.0%)
Investment Property	$347.1m	$352.3m	(1.3%)
Borrowings	$171.0m	$179.4m[1]	(1.9%)
Net Assets	$180.8m	$183.3m	(1.0%)
Number of Properties	335	340	(1.5%)
Gearing[2]	49.3%	50.9%	(1.6%)
Units on Issue as at End of Period	134.9m	134.9m	No Change
NTA per unit	$1.34	$1.36	(1.5%)

[1] Based on conversion of foreign currency borrowings at hedged exchange rates
[2] Gearing is calculated by borrowings / investment properties.

Capital Management

The key commercial terms of AET's facility are as follows:

Table 5: Debt Facility Key Commercial Terms

Facility Limit	$180 million (reducible at AET's option)
Drawn Amount	$171 million as at 31 December 2010
Facility Term	3 Years
Financiers	NAB & ANZ (50% equal share)
Security	First ranking mortgages over each freehold property
Margins	Scale of margins dependant upon AET's LVR position
Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
Financial Charges Ratio	Not to be less than 1.4x for FY11 and 1.6x for FY12 and beyond measured on a six monthly basis
Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio
Interest Rate Hedging	Requirement to enter into interest rate hedging arrangements with the Lenders for a minimum 70% of facility limit

- **Key advantages include:**
  - Significant cost reduction of debt funding
  - Removal of non-cash foreign currency adjustments in financial statements
  - Lenders familiar with childcare sector
  - Security Trust Structure allows for cost effective introduction of new lenders

Portfolio Performance

- Key performance criteria highlights stable nature of portfolio
- Decrease in Investment Properties due to the sale of 5 properties
- Minimal movement in property yields over the six months to December 2010

Table 6: AET Portfolio Performance

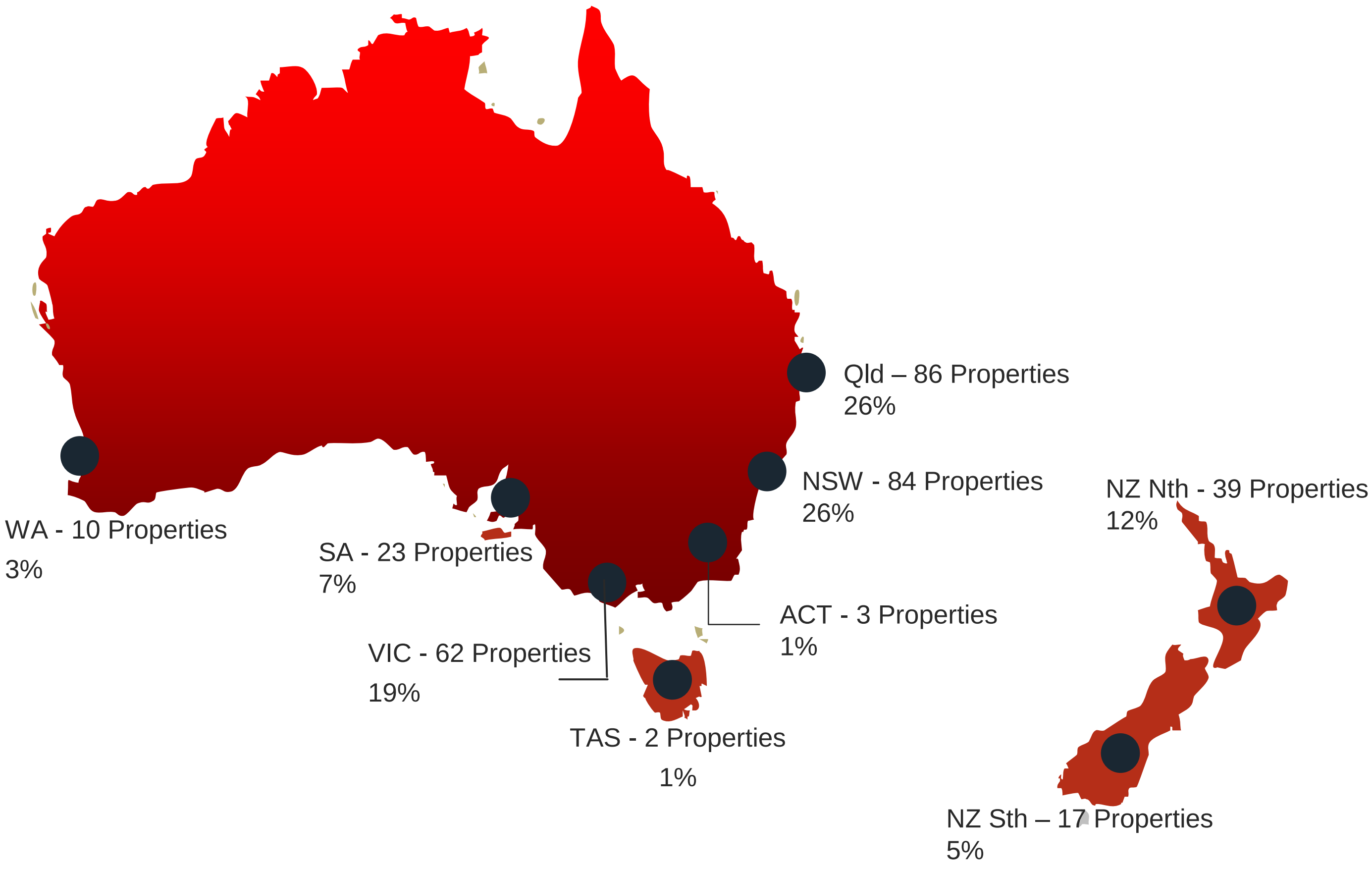
	Dec 2010	June 2010
Value of Investment Property (Operating Properties)	$342.5m	$346.5m
Annualised Net Rental Income	$33.1m	$32.7m
Property Yield – Freehold Properties	9.1%	8.9%
Property Yield – Leasehold Properties	14.8%	13.6%
Total Property Yield	9.4%	9.2%
Vacancy Rate (excluding development sites)	1.0%	1.8%
% GoodStart Tenancy (by number of properties)	58.7%	58.7%
Gearing[1]	49.3%	50.9%
Weighted Average Lease Expiry (“WALE”)	10.3	10.8
Units on Issue	134.9m	134.9m
NTA per unit	$1.34	$1.36

[1] Gearing is calculated by borrowings / investment properties

Geographic Distribution

- 326 operating properties 270 in Australia and 56 New Zealand
- Broad geographic spread minimising risk
- Properties are typically standalone and purpose built childcare properties
- Properties located at high flow-through traffic locations primarily in metropolitan and major regional areas
- Real estate market strong as evidenced by recent property sales

Figure 1: Geographic Distribution



Lease Structure & Vacancy Profile

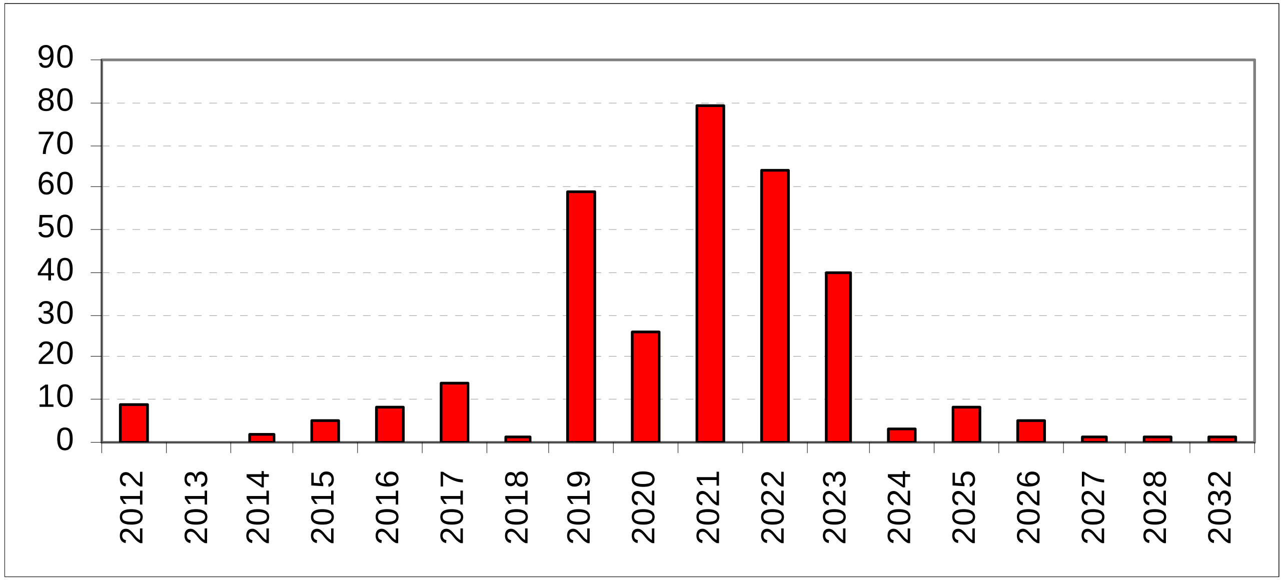
Lease Structure

- Triple Net Lease Structure
- Average Lease Term 15 Years
- Rental growth indexed annually to CPI
- Almost all leases have a 5 year notice period regarding option take-up
- Refurbishment provision every 5 years
- Operating properties – 295 Freehold, 31 Leasehold

Occupancy Profile

- Existing vacancy of 1%
- 2012 potential vacancy includes rent flow to 2014
- No significant vacancy until 2019
- Weighted Average Lease Expiry of 10.3 years at 31 December 2010

Figure 2: Lease Expiry Schedule

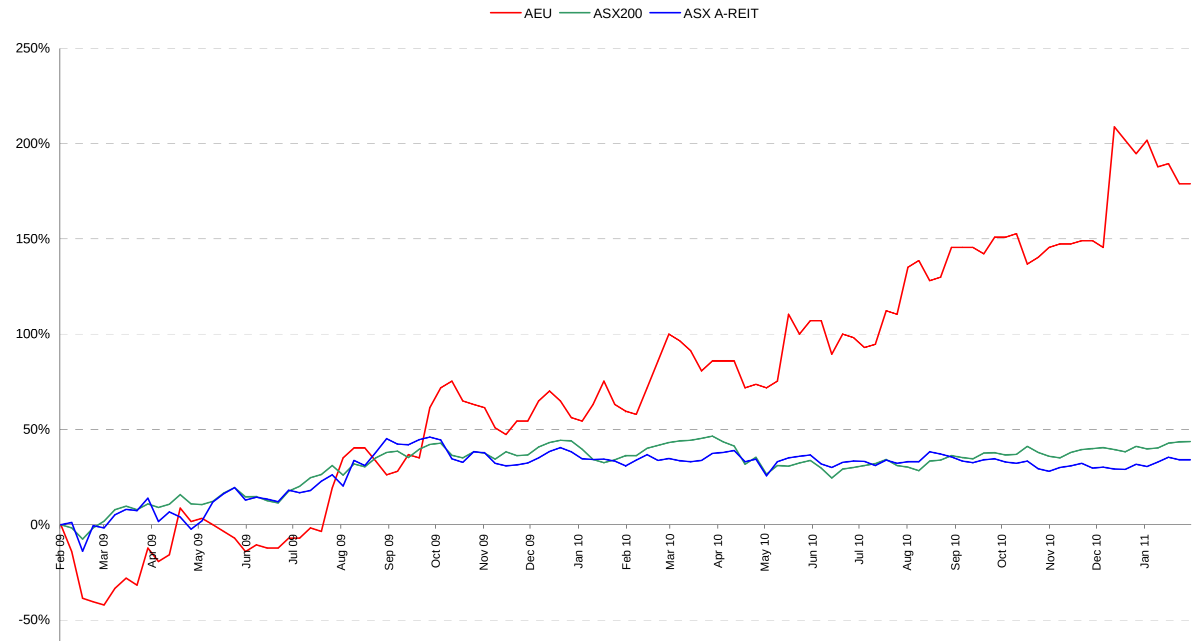


Outlook – The Way Forward

What has been achieved this financial year to date:

- New 3 year specialist debt facility on more favorable terms
- Gearing reduced to 49%
- 99% of properties are now income producing
- Commencement of distributions from 1 January 2011 estimated to be 4.3 cents per unit to 30 June 2011
- Reduction of non-recoverable expenses and a return to normalised operating costs
- Unit price recovery over the last two years as evidenced in the graph opposite compared to the ASX 200 and A-REIT index

Figure 3: AET unit price v S&P/ASX 200 and A-REIT index



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Outlook

Enhancing Unitholder Value

A return to a stabilised environment and predictable distribution stream allows management to explore Unitholder value opportunities that are suitable and consistent with the current asset class and wider social infrastructure sector.

- Minimising the discount between unit price and NTA per unit
- Ensuring continued efficiency at management level
- Exploring appropriate new opportunities that add long term value
- Focusing on maintaining sector participation and linkages that add significant value
- Improving industry knowledge and acceptance of social infrastructure asset classes

AET has returned to a relatively stable, significantly de-risked and predictable property trust which is now positioned for future growth

Outlook

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Q&A

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