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AUSTRALIAN EDUCATION TRUST ACQUIRES NEW EARLY LEARNING ASSETS AND UNDERTAKES EQUITY RAISING

Folkestone Investment Management Limited ("FIML") as Responsible Entity of Australia Education Trust ("AET") is pleased to announce that it has entered into agreements to acquire:

- A portfolio of 5 early learning centres in premium Sydney metropolitan locations, operated by Only About Children;
- Folkestone Childcare Fund, an unlisted property fund comprising 22 early learning centres¹;
- A new early learning centre located in Canberra's growth corridor, Gungahlin; and
- Three development sites for new early learning centres to be constructed on a fund-through basis and owned by AET.

The acquisitions significantly enhance AET's existing portfolio by:

- Increasing the value of its property portfolio by approximately 17% to \$430.5 million (following completion of development assets);
- Improving portfolio WALE by 0.9 years to 9.1 years²;
- Improving geographic and operator diversification; and
- Increasing exposure to high demand areas and quality real estate in prime Sydney locations.

The acquisitions enhance the quality and earnings growth profile of AET's portfolio and establish alliances with high quality operators, providing further partnership opportunities for future acquisitions.

The acquisitions and associated development spend will be partly funded by a fully underwritten \$45 million equity raising at an issue price of \$1.52 per unit, comprising a \$20 million institutional placement ("Placement") and a \$25 million accelerated non-renounceable entitlement offer ("Entitlement Offer"), (together, the "Equity Raising").

The transaction is expected to be neutral to AET's earnings in FY14 and approximately 1% accretive to earnings in FY15.

Transaction Rationale

- Embarking on a new growth phase for AET through the disciplined acquisition of centres that are accretive to earnings and add to portfolio quality and tenant diversification;

¹ Subject to Folkestone Childcare Fund Unitholder approval on 9 December 2013.

² Calculated as at 30 June 2013 on the basis that the acquisitions occurred and developments completed

- To achieve this, AET has sought out transactions of existing centres as well as ‘fund through’ style developments. These are excellent opportunities backed with quality underlying real estate and proven childcare operators;
- The transactions add further quality and earnings growth to AET’s portfolio including a number of premium quality North Shore and Northern Beaches locations in Sydney, diversifying AET’s portfolio into prime demographic locations;
- Approximately 1% accretive to earnings in FY15 on the committed transactions. Further earnings growth is anticipated through an identified pipeline;
- Maintains AET’s gearing within target range (of between 30% and 40%) at 34.2%;³
- The acquisitions provide a significant increase in scale for AET from 326 to 357 centres, together with an increase in AET’s WALE from 8.2 years to 9.1 years;⁴
- Establishes alliances with high quality, well capitalised operators with proven track records as well as the potential to partner into future acquisition opportunities; and
- Provides further diversification to AET’s operator base through the introduction of three new high quality operators and strengthens AET’s position as the leading provider of early learning accommodation.

Summary of the Acquisitions

Only About Children Portfolio

AET has entered into agreements to acquire a portfolio of 5 early learning centres in premium Sydney metropolitan locations. The portfolio is operated by Only About Children, a leading Sydney, Melbourne & Canberra based operator with 24 centres under operation and employing over 700 staff.

The total acquisition value of the five assets is \$26.1 million, which includes \$5.4 million of deferred payments on expansion of the properties, in conjunction with a corresponding increase in rent. The initial yield on the portfolio is 7.7% and the centres are on new 15, 20 or 43⁵ year leases with annual CPI linked rent reviews (minimum of 3.0% p.a.)

Commenting on the acquisition, AET’s Chief Executive Officer, Nick Anagnostou, said: “**We are very pleased to have secured such a high quality portfolio in premium Sydney locations, backed by one of Australia’s leading operators in Only About Children. The acquisition demonstrates our ability to partner with established, sector leading operators who may participate in the development of new products.**”

Key statistics for the Only About Children portfolio are as follows:

	No. of places	Acquisition Value (\$m) ²	Yield	Average Lease term (years)
Total / Weighted Average	538	26.1	7.7%	23.0

Folkestone Childcare Fund

AET has agreed to acquire 100% of the units in Folkestone Childcare Fund (“FCF”) for \$1.24 per unit in cash, reflecting total equity consideration (including costs) of \$16.9 million.

FCF is an unlisted property fund comprising 22 early learning centres located in Queensland (20) and South Australia (2). The FCF portfolio is backed by quality operators, with not-for-profit group Goodstart Early Learning (“Goodstart”) the tenant of 10 of FCF’s properties. Goodstart is the largest operator of early learning centres in Australia with 655 centres.

³ 30 June 2013 pro-forma gearing (calculated as net debt divided by total gross assets less cash) adjusted for the transaction

⁴ Calculated as at 30 June 2013 on the basis that the acquisitions occurred and developments completed

⁵ Operator lease term of 43 years corresponds with a 43 year leasehold interest on the Fairlight property



Folkestone Investment Management Limited, the responsible entity of AET, is also the responsible entity of FCF, therefore management is very familiar with the portfolio.

Key statistics of FCF as at 30 June 2013 are as follows:

Number of properties	22
Total Assets	\$26.5m
Investment Property	\$25.7m
Gross Debt	\$9.2m
Net Assets	\$16.8m
Gearing ⁶	32.9%
Units on Issue	13.6m
NTA per unit	\$1.24

The acquisition of FCF is being effected via Scheme of Arrangement and is conditional on a vote by FCF Unitholders which requires at least 75% of the votes cast by FCF unitholders to be in favour of the Scheme of Arrangement. The vote is scheduled for Monday 9 December 2013.

Other acquisitions

AET has agreed to acquire one of the ACT's largest childcare centres located in Gungahlin, with over 174 places in a strong catchment area. The asset is being acquired for approximately \$5.35 million, reflecting an initial yield of 8.0%. The Gungahlin asset is brand new and is leased to a leading and known provider with a proven track record.

In addition to the operating centres, AET has entered into agreements to acquire three development sites for new early learning centres located in Victoria and WA, to be constructed on a fund-through basis and owned by AET. The total end value of the three centres is approximately \$6.5m, reflecting an average yield on cost of approximately 8.4%. All centres are expected to be completed and operating by August 2014.

Impact of the Transaction

The transaction will increase AET's pro-forma total assets to \$433 million (following completion of development assets) and AET's market capitalisation will increase to approximately \$320 million following the Equity Raising⁷.

The transaction is expected to be neutral to earnings in FY14 and approximately 1% accretive to earnings in FY15.

Pro-forma gearing increases marginally by 0.1% to 34.2%, comfortably within the AET's target gearing range, following completion of the development sites and expansion of the centres in the Only About Children portfolio.

Details of the Equity Raising

AET is undertaking a \$45 million Equity Raising at an Offer Price of \$1.52 per new AET unit. The Offer Price represents a 3.1% discount to the 5-day volume weighted average price of AET units to 13 November 2013. Units issued under the Equity Raising are expected to deliver an 8.0% FY14 distribution yield on the Offer Price (cum-adjusted).

⁶ Calculated as net debt divided by total gross assets less cash

⁷ Market capitalisation is based on the total number of units on issue post capital raising at the theoretical ex-rights price



The Equity Raising will consist of:

- A \$20 million placement to existing and new institutional investors ("Placement"), and
- A 1 for 10.67 non-renounceable entitlement offer to existing eligible Unitholders to raise \$25 million ("Entitlement Offer"), comprising:
 - An accelerated Institutional Entitlement Offer⁸, and
 - A Retail Entitlement Offer.

New units issued under Equity Raising will rank equally with existing AET units and will be entitled to the full distribution for the quarter ending 31 December 2013.

BG Capital Corporation Limited and Moelis Australia Advisory Pty Ltd ("Moelis") are acting as Joint Lead Managers for the Equity Raising. The Equity Raising is fully underwritten by Moelis.

The Placement and Institutional Entitlement Offer are expected to settle on Wednesday 20 November 2013. The Retail Entitlement Offer is expected to be open from Thursday 21 November 2013 to Monday 9 December 2013.

AET retail Unitholders with a registered address in Australia or New Zealand as at 7:00pm (AEDT) Tuesday 19 November 2013 ("Record Date") ("Eligible Retail Unitholders") will be entitled to participate in the Retail Entitlement Offer at the same offer price as the Institutional Entitlement Offer and on the terms, and subject to the conditions, as outlined in the Retail Entitlement Offer Booklet that will be sent to Eligible Retail Unitholders. Eligible Retail Unitholders may also apply for new Units in excess of their entitlement (up to a cap of \$200,000 per Unitholder and subject to scale back and otherwise as described in the Retail Entitlement Offer Booklet).

The Entitlement Offer is non-renounceable and rights will not be tradeable on ASX or otherwise transferable. Eligible Unitholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements that they do not take up.

AEU will be in a trading halt until the close of the market on Monday 18 November 2013 and will re-commence normal trading on Tuesday 19 November 2013

Additional Information

Additional information regarding the acquisitions and the Equity Raising is contained in the investor presentation released to the ASX today.

For further information contact:

Lula Liossi

Investor Relations Manager, Funds

+61 3 8601 2668

Further information

The Australian Education Trust internet site, www.educationtrust.com.au is a source of information for Unitholders. It includes details of AET and its Manager, announcements, current activities and historical information. The site provides access to annual and half-year reports and also AET updates covering matters of relevance to investors.

About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate funds manager, investor and developer. Folkestone's on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform, offers listed and unlisted funds to private clients, high net worth individuals and institutional investors. For further information on Folkestone visit, www.folkestone.com.au.

⁸ Under the Institutional Entitlement Offer, new units in respect of institutional entitlements not subscribed for, as well as the right to subscribe for new units which would have otherwise been offered to ineligible unitholders, will be placed into an institutional bookbuild at the offer price.