



Australian Education Trust

Financial Results for the Half-Year Ended
31 December 2011



8 February 2012

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About AET

The Australian Education Trust (“AET or Trust”) aims to provide unitholders with a secure, growing income stream and long-term capital growth through investing in direct property predominantly in the social infrastructure sector. Best practice management and industry expertise, particularly in early learning centres enable portfolio and risk management policies to maximise returns and operating efficiencies.

- Statutory profit of \$11.8m, up \$13.4m on previous corresponding period (“pcp”)
- Distributable income increase to \$9.2m, a \$5.0 million increase on pcp
- Upgraded FY12 distribution forecast to approximately 10 cents per unit (up from 9.6 cents) due to continuous expense reduction
- Unit price movement from \$0.80 at 30 June 2011 to \$0.92 at 31 December 2011
- 5% increase achieved on independent property valuations undertaken during the half year
- Gearing reduced to 39.1%. LVR is 39.6%
- NTA per unit of \$1.20
- 99% occupancy as at 31 December 2011
- 9.4 years weighted average lease expiry
- Successful assignment of New Zealand portfolio to Kidicorp Limited

Financial Results to December 2011



Table 1: Financial Highlights

For the half year ended	December 2011	Change from Dec 2010
Operating Revenue	\$20.1m	↑ 4%
Operating Expenses	\$4.9m	↓ 8%
Finance Costs	\$6.0m	↓ 39%
Distributable Income	\$9.2m ¹	↑ 119%
YTD Distribution	4.7 cpu	NA
Net profit for the half year	\$11.8m	↑ \$13.4m
As at	December 2011	Change from June 2011
Total Assets	\$355.0m	↑ 0.3%
Debt	\$135.0m	↓ 3.6%
NTA per unit	\$1.20	1.7%
Unit price	\$0.92	↑ 15%
Gearing	39.1%	↓ 1.6%

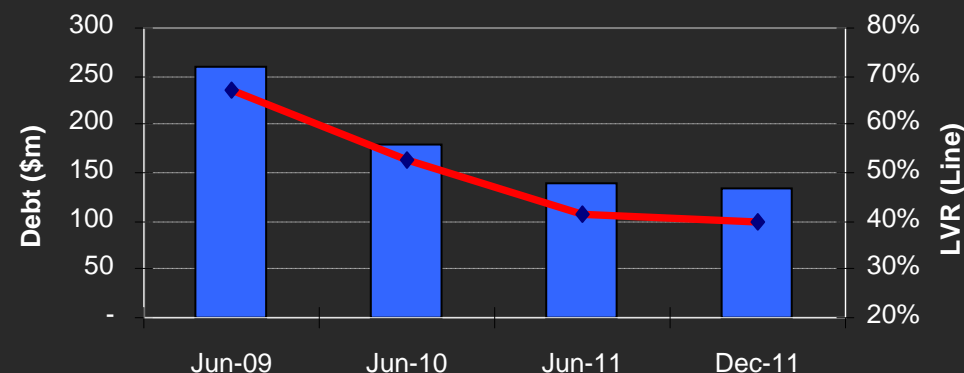
1. Includes one off items of \$0.5m

Debt

In December 2010, AET entered into a syndicated debt facility with National Australia Bank (NAB) and Australia and New Zealand Bank (ANZ):

Facility Limit	\$137 million
Drawn Amount	\$135 million
Facility Term	3 years from December 2010 expiring December 2013
LVR covenant	55% of freehold and 50% of leasehold interests. Current LVR is 39.6%. Available headroom is \$51.5 million or 28% of asset value
Interest Cover Ratio	Not to be less than 1.6x (EBITDA) measured on a 6 monthly basis. ICR for the 6 months ending 31 December 2011 is 2.7x
Hedging	Minimum requirement of 70% of drawn amount to be hedged. Currently hedged at 89%

Figure 1: Debt & LVR History



Cost of Debt

As at 31 December 2011, AET's current weighted average cost of debt is 8.5% pa including amortisation of borrowing costs

Hedging

\$60m @ 5.63% maturing December 2013

\$60m cap and collar @ 6.0% and 4.9% respectively maturing December 2013

\$15m floating

Metrics as at 31 December 2011

Tables 2-5: Financial Metrics

Debt Covenants

LVR v Covenant	39% v 55%
ICR v Covenant	2.7x v 1.6x
Adjusted ICR for 1 off items	2.6x v 1.6x

Equity

Units on Issue	175.5m
Current Market Capitalisation	\$167.5m

Property Portfolio

Annualised Rental Income	\$34.0m
Property Yield	9.6%
Vacancy Rate	1.2%
WALE	9.4 years
Alternate Use Value	59.0% (up from 57%)
Typical Rent Review Formula	Annual to CPI (All Groups) – Weighted Ave 8 Capital Cities

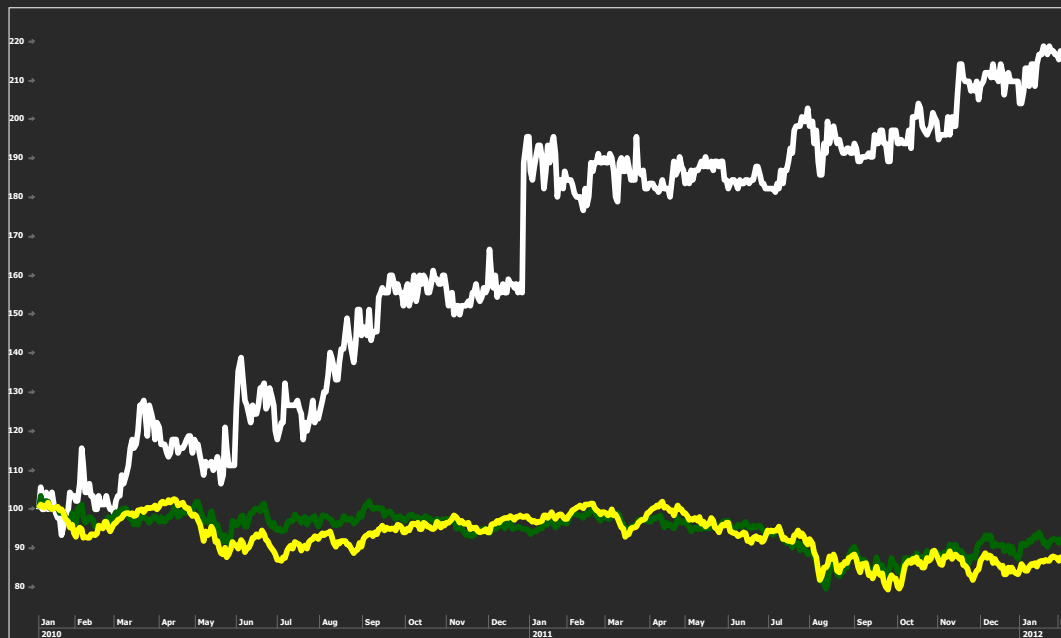
Unitholder Returns

Forecast Full Year Distribution FY12	Approximately 10 cents per unit (up from 9.6 cents). This includes 0.3 cpu of one off items. Paid quarterly
Distribution Paid to Date	4.7 cents per unit
1 Year Return % pa	26%
2 Year Return % pa	45%
3 Year Return % pa	60%

Figures 2-3: AET Unit Price v S&P/ASX 200 and A-REIT Index

- Since January 2010 the capital return for AET was 118%, an outperformance of 126% over the A-REIT index. Since 30 June 2011 the capital return is 19%, an outperformance of 22% over the A-REIT index.
- Based on the April 2011 Rights Issue price of 75 cents per unit, the total return to investors has been 36%.
- PIR initiated research in December 2011

2 Years From January 2010



6 Months From June 2011

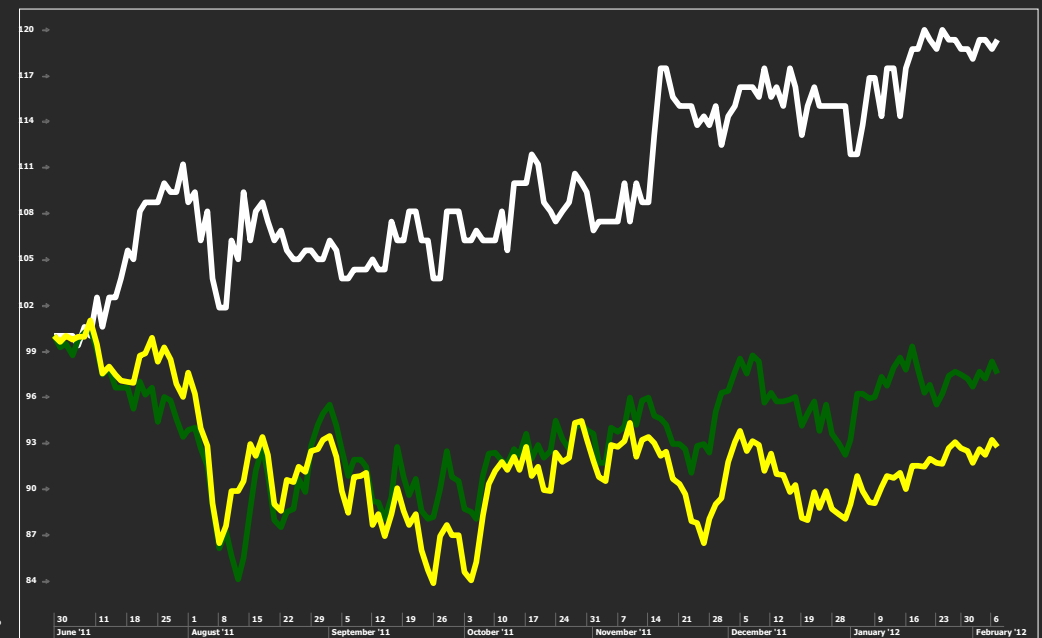


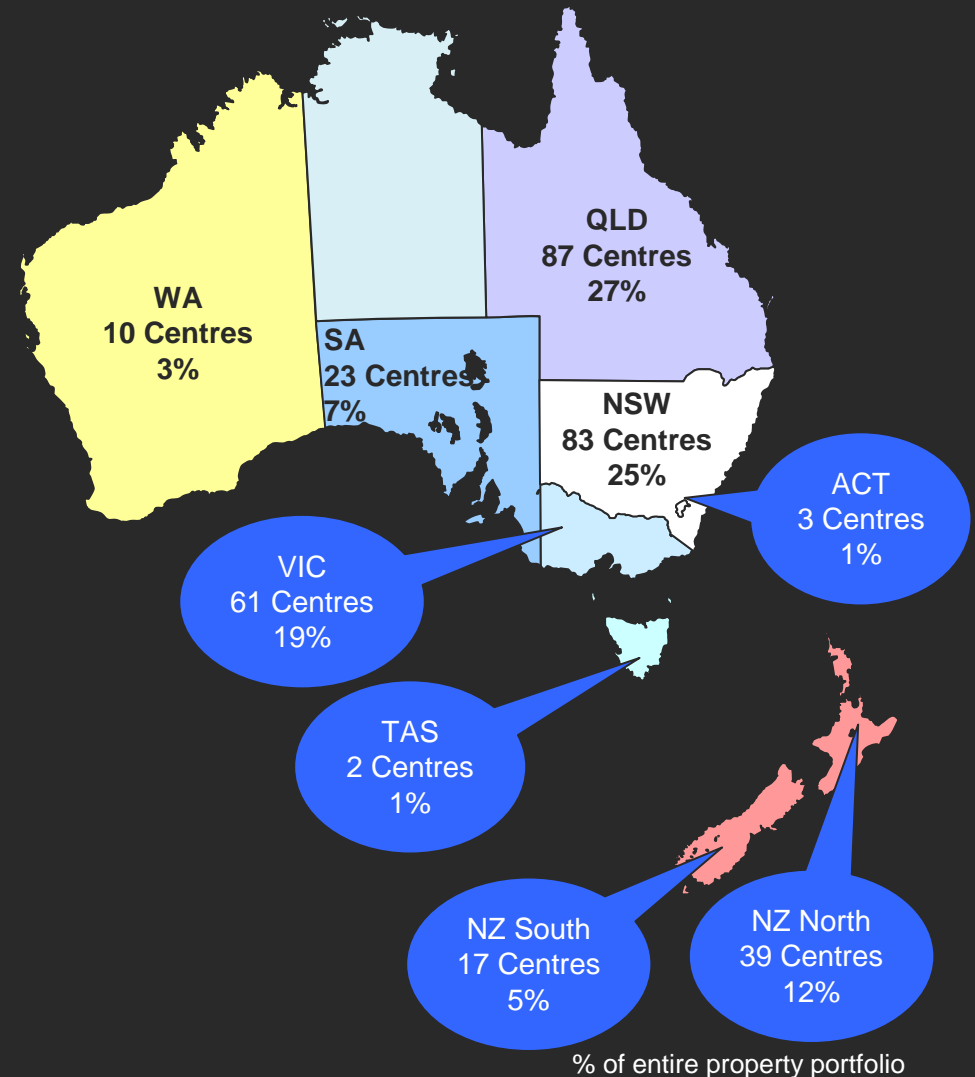
Figure 4: Portfolio Geographic Distribution

Property Portfolio

- Property portfolio comprises \$343.3 million
- 331 properties
- Average portfolio yield of 9.6% based on passing rent and most recent valuation
- Net rental income of \$34 million

Non-Income Producing Properties

- 1 property sold unconditionally at a premium to book value
- 1 property sold, but not yet unconditional, at a premium to book value
- 1 property under offer to lease
- 3 properties remain available for sale/lease and are actively being marketed.



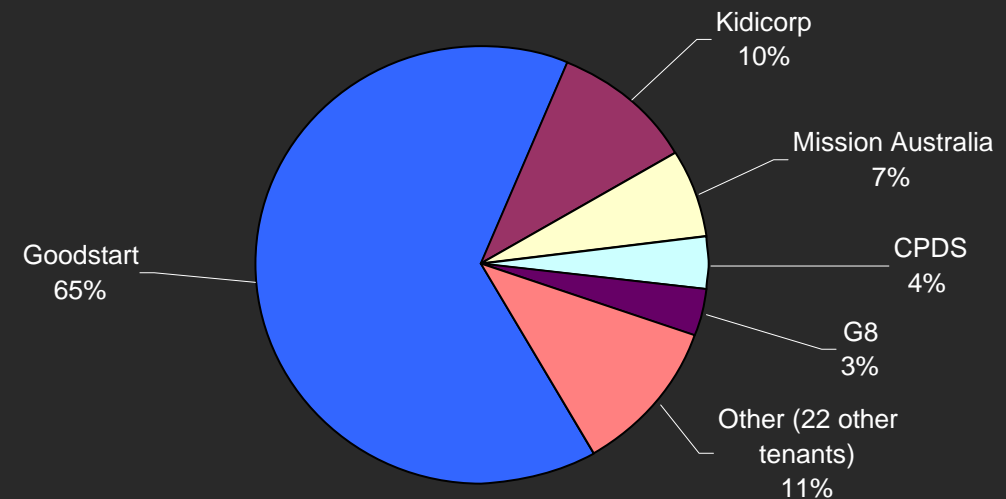
- Independent valuations were conducted on 67 properties (20% of portfolio) over the 6 month period
- Valuations of 61 Australian properties increased by \$3.6 million or 4.9% on previous valuations
 - 50 Australian freehold properties increased by \$3.1 million or 5%
 - 11 leasehold properties increased by \$0.5 million or 6%
- Valuations of 6 New Zealand properties increased by NZD\$0.2 million or 4% on previous valuations
 - Due to unfavourable exchange rate movements, actual AUD movement was a decrement of \$0.1 million or 2.7%
- Valuation uplifts in Victoria and NSW, with all other states showing minor valuation growth. Queensland remains the softest of all states
- 100% of portfolio re-valued since 30 April 2010
- Weighted average valuation date is October 2010 over the entire portfolio
- Independent valuations performed on a rolling three year cycle

Property Portfolio – Tenant Profile



- AET has 27 appropriately qualified tenants. 26 Australian tenants and 1 New Zealand tenant
- The not-for-profit group Goodstart Early Learning (“Goodstart”) a consortium of the major not-for-profit groups Mission Australia, the Benevolent Society, Social Ventures Australia and the Brotherhood of St Laurence is the tenant of 193 of the Trust’s properties
- Goodstart’s 30 June 2011 Annual Report indicated:
 - Goodstart repaid \$21.0 million of bank debt (only \$6.0 million of this debt repayment was required by the lenders - an additional \$15.0 million was repaid)
 - Achieved positive operating cash flows of \$58.1 million and EBITDA of \$40.4 million
- Other tenants leasing 10 or more centres include; G8, Mission, CPDS and Kidicorp
- Based on the review of financial data provided, tenants continue to implement operational initiatives to improve occupancies and profitability. Majority of average occupancies now circa 80% for the last 6 months
- AET holds \$19.5 million of bank guarantees, most on a ‘pooled guarantee’ basis, in relation to its tenants

Figure 5: Lease Profile by Rental Income

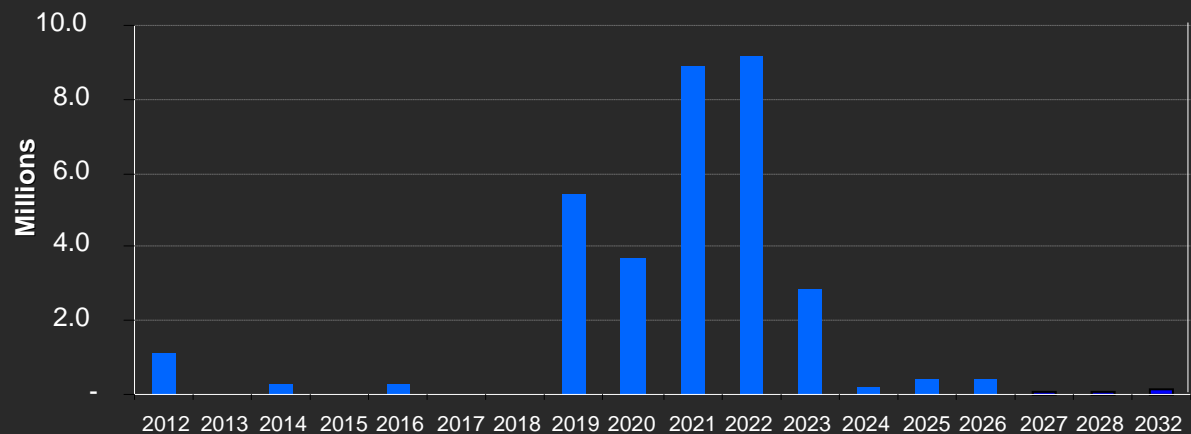


Property Portfolio – Lease Profile



- 9.4 year weighted average lease expiry (by rental income)
- Institutional grade lease covenants, with typical bank guarantees for 6 months gross rent (total value held is \$19.5 million)
- Triple net leases (ex land tax)
- 5 year tenant refurbishment provisions
- Rental growth indexed annually to CPI – Average increase of 3.4% across portfolio
- Typical early learning centre:
 - Initial lease term 15 years plus two 5 year options
 - 5 year notice period to take-up options
- 99% occupancy
- 9 centres leased to Goodstart provide the tenant a right to terminate those leases on six month's notice, until 31 May 2012; subject to paying compensation for losses incurred up to an amount of two years rent
- No significant expiry until 2019

Figure 6: Expiry Profile by Annual Rent



- Demand is driven by rates of childbirth, immigration and labour force participation of women with young children
- Government expenditure on childcare and early childhood education forecast by DEEWR in 2010 to be \$16.1 billion over the following 4 years¹
- DEEWR estimates that a family earning \$75k would have used 23.7% of their income without the subsidies compared with just 7.5% after the child care benefit and child care rebate subsidies²
- Every \$1 spent returns \$8.11 of economic benefits³
- Every \$1 spent on childcare returns \$1.86 in taxes³

Table 6: Long Day Care Statistics

Australia	March 2011 ²	March 2010 ²	Sep 2005 ¹
Total No. Long Day Care (LDC) Centres	6,086	5,886	4,751
No. Children Attending LDC as a % of Total Children Attending Child Care Services	62.4%	62.0%	57.4%
No. Children Attending LDC	593,240	545,190	461,626
Average No. Hours Attending LDC (per week)	26.0	25.7	19.0
National Average LDC Occupancy Level (reported percent of places used) ⁴	74%	72%	NA
No. Families Using Childcare (LDC)	473,610	436,740	380,300
Childcare Rebate (max \$ pa)	\$7,500	\$7,500	\$4,354

National Quality Framework - Legislation Changes

- Minimum staff to child ratios increased (some from 1 January 2012)
- New staff qualifications to come in to effect by 1 January 2014
- Services will be assessed under the National Quality Standard (NQS) and receive ratings for seven quality areas along with an overall rating ranging from unsatisfactory to excellent

(Further information can be sourced from the Australian Children's Education & Care Quality Authority at www.acecqa.gov.au)

Source:

¹ Department of Education, Employment and Workplace Relations (DEEWR) Report titled "State of Child Care in Australia" dated April 2010

² DEEWR Report titled "Child Care Update" dated January 2012

³ Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) - Social Policy Report 2004 / Organisation for Economic Co-operation and Development (OECD) – 2005 / Department of Education, Employment and Workplace Relations (DEEWR)

⁴ DEEWR Child Care Vacancies Qtrly March 2010 & March 2011

- Continue distribution growth (forecast approximately 10 cents per unit for FY12) up from 9.6 cents
- Key drivers of improved distribution performance:
 - Continued expense reduction
 - CPI rental increases
- Continue to provide an attractive income yield with increasing underlying property values, underpinned by long-term leases
- Maintain low gearing level (currently at 39%)
- Continue to introduce AET to a large array of retail and institutional investors in order to increase demand
- Provide best practice management and industry expertise to provide proper portfolio and risk management policies that maximise returns and operating efficiencies
- Further participation in industry and lobby groups
- Sale/lease of remaining non-income product properties
- Continue to engage in transparent and concise investor communications

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APML's model is based on independent decision making to ensure a high level of expertise across each investment discipline. Management delivers economies of scale and consistent systems that are aligned with unitholder performance expectations. APML holds an Australian Financial Services Licence which allows the RE to administer funds at a retail and wholesale level, produce PDS's and raise funds for property investment purposes.

Independent Board of Directors:

Victor Cottren - Chairman & Non-Executive Independent Director
Nick Anagnostou - Executive Director
Michael Johnston - Non-Executive Independent Director

Company Secretary:

Adrian Hill - Joint Company Secretary
Amanda Gawne – Joint Company Secretary

Senior Management:

Nick Anagnostou - Fund Manager & Chief Executive Officer
Travis Butcher - Chief Financial Officer

Further Information & Disclaimer



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All information contained in this presentation is current as at 31 December 2011 unless otherwise stated.