ASX Announcement

24 December 2010

- **AET Completes 3 Year $180 million Refinancing**
- **Distributions to Recommence**
- **Significant Reduction in Cost of Financing**

The Directors of the Responsible Entity (RE), Austock Property Management Limited (APML) are pleased to advise that a new $180 million syndicated debt facility has been negotiated for Australian Education Trust (AET or the Trust). The new banking facility replaces the previous facility with the National Australia Bank (NAB) and the US sourced Senior Secured Notes (US Noteholders) which were due to mature on 31 July 2011. This will result in the US Noteholders being repaid over 7 months in advance and a significant reduction in the cost of debt over that period. It also allows for distributions to recommence, effective 1 January 2011.

Given the current limited availability of capital, Management has secured solid support from two of Australia's top-tier banks, in the NAB and ANZ (Lenders) as equal partners in a new $180 million facility. The NAB continues their support by increasing their funding to $90 million, equal to that of the ANZ. AET welcomes the ANZ as a new debt provider and recognises the efforts of both lenders throughout the negotiations. The new facility has significantly contributed to the de-risking program that commenced 18 months ago. The new facility gives AET the flexibility to adequately meet its financial objectives and returns the Trust to a stable and relatively predictable income profile.

AET has faced many challenges over the last two years with the difficulties created by its largest tenant in Receivership in addition to the difficulty of sourcing new debt in the current economic climate. Management believes that with the many challenges faced by the Trust, it has successfully negotiated best interest positions for Unitholders whilst retaining quality assets that are expected to add value in the long term.

(a) Key Summary

1. 3 year debt facility on more favourable terms with two Australian banks.
2. US Noteholders fully repaid over 7 months in advance saving approximately $1.7 million with no penalties including any make-whole obligations.
3. No further mandatory amortisation payment targets. Due to the new facility, the $9 million payment due on 31 December 2010 was not required to be met; although it could have been met if required. The funds will be used to repay debt and contribute to the costs of the refinancing.
4. All-in-cost of debt to decrease from 10.7% pa to 8.9% pa with potential for further decrements through additional LVR reductions.
5. Distributions to recommence for quarter ending 30 March 2011 to be paid quarterly, one month in arrears.
6. New hedging arrangements are being completed to protect AET against interest rate movements.

(b) Distributions

Management is pleased to advise that after successfully completing AET's refinancing, the Trust is now able to recommence distributions. Distributions will be payable from 1 January 2011 for the second half of FY2011. Distributions will be paid quarterly, one month in arrears, commencing with the quarter ending 31 March 2011. AET will issue an announcement in March regarding the distribution for the quarter ending 30 March 2011 and also post information on its website at: www.educationtrust.com.au.

It is estimated that total distributions for the **six month period** to 30 June 2011 will be **4 cents per unit**. There will be no income distributed for the half year to 31 December 2010 as the funds will be used to repay debt and contribute to the costs of the refinancing.

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(c) Key Terms of New Debt Facility

The key commercial terms of the syndicated facility are as follows:

1. Facility Limit	$180 million
2. Drawn Amount	Forecast $171 million as at 31 December 2010
3. Facility Term	3 Years
4. Financiers	NAB & ANZ (50% equal share)
5. Security Trustee / Facility Agent	NAB
6. Security	First ranking mortgages over each freehold property
7. Margins	Scale of margins dependant upon AET's LVR position
8. Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
9. 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
10. Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio
11. Interest Rate Hedging	Requirement to enter into interest rate hedging arrangements with the Lenders for a minimum 70% of facility limit by 28 February 2011

The terms of the facility are consistent with existing conditions prevailing in the market place and typical of a three year facility of this type. Key advantages include:

1. Significant cost reduction of debt funding
2. No amortization targets
3. Removal of non-cash foreign current adjustments in financial statements
4. Lenders familiar with childcare sector
5. The facility expires in December 2013 unless renewed or extended prior to expiry date

(d) Financial Impact of New Debt Facility

The new debt facility will result in the following outcomes for AET:

1. Significant decrease in the cost of debt funding for AET with the all-in-cost of debt to decrease from the current rate of **10.7%** to **8.9%.** The facility has been designed to provide for reduced interest margins based on reductions in the Fund's LVR. A reduction in LVR below 50% will result in a 0.4% decrease in the margin and a further reduction below 45% LVR will provide an additional 0.4% decrease in margin. It is expected AET's LVR will be below 50% by the end of February 2011 which would further decrease the cost of debt by 0.4%. An update on the cost of debt will be provided as part of AET's half year results announcement expected to be released in February 2011 which will include the impact of the hedging arrangements. For the purpose of this calculation, AET's existing LVR is approximately 51%. The LVR will be updated in the half yearly financials after the completion of AET's property valuations. Investors should note the LVR is calculated in accordance with the Lenders' guidelines and therefore may vary from the ratio of investment properties over debt.
2. Costs incurred in refinancing the facility are estimated to be $2.6 million which is inclusive of the Lenders' establishment fees, legal fees, management fees and other administration loan costs. These costs will be amortised evenly over the term of the facility.
3. Borrowing costs relating to the previous facility which were being amortised through to July 2011 totalling $0.7 million, will be written off in the half year to 31 December 2010. This will be recorded as a non-cash accounting loss.

(e) Impact on Repayment of US Noteholders

The early repayment of the US Noteholders will result in the following outcomes for AET:

1. Significant reduction in overall interest cost for AET with the coupon on the Notes that ranged between USD10.34% - 10.49% and CAD 9.9%. These coupons were due to increase by a further 0.5% effective on 1 January 2011 as a result of AET not meeting the stretch amortisation target. The interest saving on early repayment for the 7 month period to 31 July 2010 is approximately $1.7 million.

2. Early repayment penalties were removed as part of the debt restructuring negotiations in 2009. As a result, there are no penalties such as make-whole obligations with respect to the early repayment of the Noteholders. Only outstanding principal and interest will be repaid as part of this refinancing.

3. AET will financially benefit through repaying the Noteholders earlier than 31 July 2011. This was due to higher exchange rates being achieved through pre-delivering on AET's forward exchange contracts. The principal on the US Notes was due to be repaid at USD$0.8124 and CAD$0.8708 at 31 July 2011, whereas the final settlement rates will be approximately USD$0.83 and CAD$0.88. This will result in a reduced debt amount of approximately AUD$2.0 million at repayment date; compared to if the Notes were repaid at 31 July 2011.

4. At 30 June 2010, the fair value of the forward exchange contracts were in the money by $0.7 million. As these contracts have been either pre-delivered or closed out, these contracts no longer have any value. As a result, a realised loss of $0.7 million will be recorded. This will be recorded as a non-cash accounting loss.

5. As a result of hedging AET's foreign currency and principal obligations, the early repayment will result in the Trust holding forward exchange contracts totaling approximately USD$3.0 million and approximately CAD$0.4 million at rate of USD$0.8124 and CAD$0.8708 respectively. These contracts were put in place to hedge AET's foreign currency interest obligations until July 2011. AET will close out these positions and due to the higher prevailing spot rates, the Trust will incur a loss of AUD$0.8 million in closing out these positions.

6. A realised foreign exchange loss of approximately AUD$3.0 million which will result from the difference in exchange rates in which the foreign currency borrowings were converted between the rates at 30 June 2010 (USD$0.8567 and CAD$0.8982) and the final settlement rate of approximately USD$0.83 and approximately CAD$0.88. This will be recorded as a non-cash accounting loss.

(f) Outlook

AET is now in a significantly stronger position with a new 3 year debt facility, renewed support from Australian banks, lower debt and with a reduced risk profile. Based on the revised financing arrangements; assuming continued tenant performance; and a return to normalised expenses, it is expected AET will return net operating income of between $9 million - $10 million for the year ending 30 June 2011. This compares favourably with the previous guidance contained in the 30 June 2010 results announcement of between $7 million - $8 million. The improvement in forecast net operating income for the year is largely due to reduced interest costs applicable to the second half of the financial year to 30 June 2011. The positive impact on the annual net operating income for FY 2011 by reducing interest costs is partially offset by two factors being:

1. that only 6 months remain in the year from the date of refinancing; and
2. borrowing costs relating to the previous facility which were being amortised through to July 2011 totalling $0.7 million, will be written off in the half year to 31 December 2010.

In summary, the early repayment of the US Noteholders will result in an interest saving of approximately $1.7 million and a reduced final repayment amount of approximately AUD$2.0 million. In addition, it is expected a cash loss of $0.8 million will result from closing out of the excess forward exchange contracts and non-cash accounts losses will be incurred of AUD$3.7 million.

AET has faced many challenges over the last two years with the difficulties created by its largest tenant in Receivership in addition to the difficulty of sourcing new debt in the current economic climate. Management believes that with the many challenges faced by the Trust, it has successfully negotiated best interest positions for Unitholders whilst retaining quality assets that are expected to add value in the long term.

The completion of the refinancing is a major step in the RE's de-risking program. The Directors believe that Management's strategy has significantly stabilised AET and that it has now returned to a relatively stable platform that should provide predictable, tax effective income to Unitholders with the potential for capital growth.

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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 contains releases made to the Australian Securities Exchange covering matters of relevance to investors.