ASX Announcement

8 August 2011

AET Results for the Year Ended 30 June 2011

The Directors of the Responsible Entity, Austock Property Management Limited ("APML") provide the results of the Australian Education Trust (AET or the Trust) for the year ended 30 June 2011. AET is a property trust investing in childcare property assets.

(a) Key Summary

1. Net Operating Profit (Distributable Income) of $10.8m, up 69% on the previous corresponding period ("pcp").
2. Statutory profit of $2.3m after impact of non-recurring and non-cash losses of $8.5m. Only $1.2m was a cash loss.
3. Upgraded FY12 distribution forecast of 9.0 cpu (previous guidance of 8.8 cpu) as a result of downward revisions with respect to future interest rates.
4. Negotiation of a new 3 year debt facility with two major Australian banks, removing the US Noteholders.
5. Significant reduction in overall gearing to 40.7%, leading to reduced cost of debt funding through a tiered pricing structure.
6. Re-commencement of distributions in the second half of the year totaling 4.25 cpu.
7. Successful 3-for-10 Rights Issue conducted in March/April raising $30.4 million which was utilised for debt reduction.
8. Weighted Average Lease Expiry at 30 June 2011 of 10 years.
9. Limited vacancy of 1% (excluding two development site assets).

(b) Financial Summary

The table below provides a summary of AET's 30 June 2011 financial position in comparison to the previous corresponding year. The major movements relate to AET's position post Rights Issue.

Table 1 – Financial Comparison 2010/2011

	June 2011	June 2010	Variance
Total Assets	$353.9m	$369.0m	(4.1%)
Investment Property	$344.1m	$352.3m	(2.3%)
Borrowings[1]	$140.0m	$179.4m	(22.0%)
Net Assets	$206.9m	$183.3m	12.9%
Units on Issue as at End of Period	175.5m	134.9m	30.1%
Number of Properties	333	340	(2.1%)
Gearing[2]	40.7%	50.9%	(10.2%)
NTA per unit	$1.18	$1.36	(13.2%)

(c) Property Summary

AET's childcare property portfolio as at 30 June 2011 is summarised as follows:

Table 2 – Property Summary

	No of Properties	Carrying Value $000's	Current Rent (pa) $000's[3]
Operating Properties			
Australia - Tenanted by GoodStart	193	219,462	21,564
Australia - Other Tenants	78	82,095	8,524
New Zealand – Tenanted by ABC New Zealand	56	40,014	3,498[4]
	327	341,571	33,586

[1] *30 June 2010 - Based on conversion of foreign currency borrowings at hedged exchange rate*
[2] *Gearing is calculated by borrowings / investment properties*
[3] *Includes head-lease rent on leasehold properties of $0.9m*
[4] *Based on NZD rent of $4,530,000 at an exchange rate of 1.2952 as at30 June 2011*

	No of Properties	Carrying Value $000's	Current Rent (pa) $000's[3]
Non-operational Properties			
Available For Sale / Lease	5	1,831	-
Settled on 20 July 2011	1	700	-
Total Properties as at 30 June 2011	333	344,102	33,586

GoodStart - Tenant of 193 Childcare Properties

The not-for-profit group GoodStart Childcare Limited ("GoodStart") is the tenant of 193 of the Trust's properties as the purchaser of the former ABC Learning Centres Limited (ABC) business assets. GoodStart is a consortium of the major not-for-profit groups Mission Australia, the Benevolent Society, Social Ventures Australia and the Brotherhood of St Lawrence. Based on preliminary financial data provided by GoodStart, since it began operation on 31 May 2010:

- Predicted earnings for the first full year of operations exceed initial budget;
- Debt repayments of its senior debt to NAB exceed initial budget; and
- Occupancy levels in the properties owned by the Trust have increased.

These are positive preliminary results for GoodStart and show stability returning to the childcare sector.

Other Tenants

The Trust has 26 appropriately qualified tenants leasing the remainder of its Australian property portfolio in addition to GoodStart. The tenants leasing 10 or more properties include: Mission Australia, Childcare Property Development Services and G8 Education Limited. In general, these tenants have implemented operational initiatives to improve occupancies and profitability, leading to an improvement in business performance. These performance indicators are based on the review of financial data provided to us as per their lease obligations.

ABC New Zealand

ABC Developmental Learning Centres (NZ) Limited (ABCNZ) is a wholly owned subsidiary of the XYZ Learning Centres (Receivers & Managers Appointed) Ltd, previously ABC Learning Centres Limited. The New Zealand subsidiary is not in receivership or liquidation, however, McGrathNicol, as agent for the XYZ banking syndicate is in effective control of the business. A formal sales process of the ABC NZ business is currently underway with expected completion in the next couple of months. We are actively monitoring the sales process to ensure the Trust's position is protected and that any potential new acquirer of the business has the required operating and financial capability. The Trust owns 56 properties in New Zealand which represents approximately 17% of the Trust's portfolio by number. The Trust continues to receive rent under its leases.

Non-Operational Properties

As at 30 June 2011, the Trust owns 5 Australian properties and 1 New Zealand property that are non-income producing. Management is continuing to explore all opportunities with respect to these properties to achieve the best possible outcome. One property was sold with settlement occurring on 20 July 2011 for $0.7 million.

(c) Debt Funding

Refinancing of Debt

In December 2010, the Trust entered into a new syndicated debt facility with National Australia Bank (NAB) and Australia and New Zealand Bank (ANZ). The new facility replaces the previous facilities with NAB and the US Senior Secured Notes (Noteholders) which were due to mature on 31 July 2011. The key commercial terms of which are:

Facility Limit	$180 million (as at 30 June 2011 reduced to $142 million)
Drawn Amount	$140 million as at 30 June 2011
Facility Term	3 Years expiring December 2013
Financiers	NAB & ANZ (50% equal share)
Security	First ranking mortgages over each freehold property
Margins	Scale of margins dependant upon the Trust's LVR position
Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
Interest Cover 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

Management confirms that AET remains compliant with its banking covenants for the period.

Hedging Arrangements

AET has entered into new hedging arrangements to protect the Trust against adverse interest rate movements over the term of its three year banking facility, which expires in December 2013. The Trust has entered into two separate hedging arrangements totaling $120 million commencing on 23 May 2011 which are detailed below. These rates are exclusive of lender margins.

- A $60 million interest rate swap at a fixed rate of 5.63% pa. This will result in AET paying a fixed interest rate, irrespective of the underlying floating interest rate environment over the term of the facility.
- A $60 million cap/collar arrangement that has a cap of 6% pa (maximum amount payable) and a floor of 4.9% pa (minimum amount payable) of which a premium is payable of approximately $150,000 pa.

Based on the current drawn debt of $140.0 million, AET has hedged 86% of its interest rate exposure against interest rate movements.

Cost of Debt

As at 30 June 2011, AET's current weighted average cost of debt is 8.0% pa and including amortisation of borrowing costs is 8.6% pa. In the new distribution guidance, Management has made an assumption that underlying interest rates (BBSW) will be in a range of 4.9% - 5.2%.

(d) Distribution

Following the refinancing of the Trust's debt in December 2010, distributions re-commenced on 1 January 2011. Distributable earnings of the Trust for the second half of the year ending 30 June 2011 were 4.25 cpu.

Based on latest forecasts, management has upgraded FY12 distribution forecast to 9.0 cpu (previous guidance of 8.8 cpu) as a result of downward revisions with respect to future interest rate movements. Distributions will continue to be paid on a quarterly basis.

(e) Financial Summary

The table below provides a comparison of the results for the year ended 30 June 2011 and the previous corresponding year:

Table 3 – Consolidated Income Statement 2010/2011

Full year ending 30 June ($m's)	Notes	2011	2010
Revenue			
Lease income	1	33.1	33.4
Property outgoings recoverable	2	5.2	4.9
Other income		0.6	0.6
		38.9	38.9
Expenses			
Finance costs	3	16.7	20.0
Property expenses	2	8.2	7.6
Responsible entity's remuneration		1.9	2.7
Legal expenses	4	0.4	1.2
Other expenses	5	0.9	1.0
		28.1	32.5
Net operating profit / Distributable income		10.8	6.4
Amortisation of lease incentive asset and liability (Excluded from lease income)		(0.2)	0.9
Straight line rental adjustments (Excluded from lease income)		0.6	0.4
Change in fair value of hedging instruments	6	(1.3)	0.7
(Loss) on sale of investment properties	7	(0.5)	(2.0)
Net revaluation decrement of investment properties	8	(2.8)	(0.8)
Realised foreign exchange gains / (losses)	9	(2.7)	2.5
Realised losses on early termination of derivative contracts	10	(1.5)	(5.5)
Unrealised foreign exchange gain/(losses)	9	(0.1)	3.7
Waiver / Consent Fee on Debt Refinancing		-	(2.6)
Other		-	(0.1)
Net profit attributable to Unitholders		2.3	3.6

Notes

1. Lease income has decreased to $33.1 million for the year ending 30 June 2011 from $33.4 million in the prior year. This is due to reduced lease income from properties sold in the second half of FY10 ($2.2 million) partially offset by increased lease income due to CPI lease increases ($0.9 million) and rent-free periods in FY10 totaling $1.0 million. Adjustments in relation to amortisation of lease incentive assets and liabilities and straight line rental adjustments which are included in lease income in the Statement of Comprehensive Income, are not included in the lease income in this analysis.

2. AET receives property outgoings from its tenants on a monthly basis which is then used for paying all of the property outgoings in relation to these properties. The property outgoings revenue of $5.2 million is fully offset by a corresponding expense of $5.2 million. Property expenses also incurred by AET include non-recoverable property outgoings of $1.9 million primarily in respect of land tax in Queensland and Victoria and $1.1 million of rent payable on AET's leasehold properties.

3. Finance costs decreased to $16.7 million for the year ending 30 June 2011 compared with $20.0 million in the prior year. This comprises both interest expense of $15.1 million and amortisation of deferred borrowing costs of $1.6 million. Interest expense decreased by $4.1 million due to lower levels of borrowings in the year (weighted average balance of $167 million compared with $223 million in the previous year) partially offset by higher interest rates during the year. The average interest rate during the year was 8.9% pa compared with 8.4% pa in the previous year, primarily due to the high margins being charged prior to the debt refinancing at the end of December 2010.

   Amortisation of borrowing costs increased by $0.8 million this year due to the write-off of $0.7 million in deferred borrowing costs in relation to the previous facility with NAB and the Noteholders which was replaced on 31 December 2010. As part of the new facility, borrowing costs of $2.6 million in relation to the Lenders establishment fees, legal fees, management fees and other administration loan costs have been capitalised and will be amortised evenly over the three year term of the debt facility.

4. Non-recoverable legal expenses of $0.4 million were incurred during the year, which has reduced significantly from legal expenses incurred in the years subsequent to the receivership of ABC.

5. Other expenses of $0.9 million include such items as registry maintenance, custodian fees, valuation fees and consultant fees.

6. During the year two hedging arrangements were entered into to protect AET against adverse interest rate movements (Refer to Debt Funding for more details). As at 30 June 2011, due to a lower interest rate yield curve than when the arrangements were entered into, the fair value of the hedging arrangements were out of the money by $1.3 million.

7. Eight properties were sold during the year ending 30 June 2011. The net proceeds were $5.9 million compared with an aggregate book value plus costs of disposal of $6.4 million, representing a realised loss of $0.5 million or 7.8%. The majority of the realised loss of $0.5 million is in relation to costs of disposals such as sales commissions and marketing.

8. During the year, AET has valued 80 operating properties in its portfolio. In Australia, the valuations of 51 Australian properties decreased by $0.3 million or 1% on the previous external valuations. A further negative valuation adjustment was made of $0.3 million to a closed leasehold property. Valuations of the 29 New Zealand properties decreased by $1.6 million or 7%, however this was largely due to unfavourable exchange rate movements. In New Zealand Dollars the valuations of the New Zealand properties decreased by NZD$0.3 million or 1%. The balance of $0.6 million relates to straight line rental adjustments with the corresponding adjustment to Lease Income (nil profit impact).

9. As a result of AET holding foreign currency denominated Senior Secured Notes, it was required to recognise movements in the AUD to the USD and CAD by adjusting the balance of the borrowings liability in the balance sheet. At 30 June 2010, the value of the foreign currency denominated Senior Secured Notes was based on the prevailing spot rates of USD$0.8567 and CAD$0.8982. The realised foreign currency loss results from the difference in exchange rates in which the foreign currency borrowings were converted between the rates at 30 June 2010 and the final settlement rate of USD$0.8315 and CAD$0.8890.

10. As a result of hedging AET's foreign currency principal and interest obligations through forward exchange contracts, the early repayment of Noteholders resulted in AET holding surplus forward exchange contracts totaling USD$3.4 million and CAD$0.4 million at rates 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. In closing out these positions at significantly higher spot rates, AET incurred a loss of $0.8 million. In addition, at 30 June 2010, the fair value of the forward exchange contracts was $0.7 million (in the money). As these contracts have either been pre-delivered or closed out, these contracts no longer have any value and therefore a realised loss of $0.7 million has been recorded.

Balance Sheet

Table 4 – Balance Sheet

	Notes	30 June 2011 $'000	30 June 2010 $'000
Current assets			
Cash and cash equivalents		8.6	13.8
Trade and other receivables		0.1	0.7
Investment properties expected to be sold within 12 months	1	2.3	5.9
Other current assets	2	1.1	1.4
Total current assets		12.1	21.8
Non-current assets			
Investment properties	3	338.9	344.2
Investment properties - straight line rental asset	4	2.9	2.3
Derivative financial instruments		-	0.7
Total non-current assets		341.8	347.2
Total assets		353.9	369.0
Current liabilities			
Trade and other payables	5	2.6	4.4
Accrued Interest	6	1.1	5.4
Distribution payable		3.7	0.0
Borrowings	7	-	9.0
Derivative financial instruments	8	0.5	-
Other current liabilities	9	0.4	2.7
Total current liabilities		8.3	21.5
Non-current liabilities			
Borrowings	7	137.9	164.2
Derivative financial instruments	8	0.8	-
Total non-current liabilities		138.7	164.2
Total liabilities		147.0	185.7
Net assets		206.9	183.3
Equity			
Contributed equity	10	195.0	166.3
Undistributed profit		11.9	17.0
Total equity		206.9	183.3

Notes:

1. Non-income Investment properties to be sold within the next twelve months of $2.3 million comprises 2 closed freehold properties and 3 development sites.

2. Other current assets of $1.1 million predominantly comprises of $0.8 million of lease incentive assets relating to the provision of rent-free periods to new tenants as part of the ABC2 process. These assets are amortised $0.1 million per annum over the remaining term of these leases

3. The movement in investment properties of $5.3 million is the aggregate of disposals of investment properties (8 properties were settled during the year) of $6.0 million and a revaluation decrement of $2.8 million, partially offset by the movement in investment properties to be sold within 12 months of $3.6 million.

4. The majority of AET's leases have an annual review indexed to CPI, however, there are some properties with a fixed rent review date. Under Accounting Standards, AET is required to account for these leases by increasing lease income and recognising a straight line rental asset in the first half of the lease term and conversely decreasing lease income and the straight line rental asset in the second half of the lease term.

5. Trade and other payables of $2.6 million are comprised of accruals of $1.1 million, GST payables of $0.8 million and trade creditors of $0.6 million.

6. The accrued interest at 30 June 2010 was abnormally large due to the semi-annual interest payments to the US Noteholders being due on 30 July 2010 (ie 5 months of interest accrued), whereas current interest periods range between 30 – 90 days.

7. Borrowings as at 30 June 2011 of $137.9 million comprise $140.0 million drawn debt under AET's syndicated debt facility offset by $2.1 million of unamortised transaction costs in relation to the new facility. The movement in borrowings of $35.3 million during the period is due to the debt repayment of $37.0 million made during the year and movements in unamortised transaction costs of $1.0m partially offset by a realised loss on the foreign currency borrowings of $2.7 million (Refer Note 9 of Income Statement Notes). The debt repayment comprises funds raised under the rights issue of $28.7 million, proceeds from asset sales of $5.5 million and the balance of $2.8 million from cash reserves.

8. During the year two hedging arrangements were entered into to protect AET against adverse interest rate movements (Refer Debt Funding for more details). As at 30 June 2011, due to a lower interest rate yield curve than when the arrangements were entered into, the fair value of the hedging arrangements were out of the money by $1.3 million.

9. Other current liabilities of $0.4 million relates to July rent received in advance compared with $2.6 million at 30 June 2010.

10. The increase in contributed equity of $28.7 million is a result of the funds raised under the Rights Issue of $30.4 million less costs of $1.7 million.

(f) Natural Disasters

During the year, AET was subject to two major natural disasters in Australia and New Zealand which had the potential to impact the Trust's assets:

Cyclone Yasi / Floods

In February 2011, a number of AET's properties were subject to the threat of Cyclone Yasi and the subsequent flooding across Queensland, New South Wales and Victoria. AET owns approximately 250 properties across these states with a wide geographic spread across each. Only one AET property in Queensland was severely affected by the floods. This site remains closed until rectification works are completed in October 2011. It is expected that there will be an insurance shortfall of $0.2 million upon completion of the rectification works.

In addition, a small number of sites received some water damage which was relatively minor in nature and these properties continue to trade. Insurance proceeds covered these smaller expenses.

Christchurch Earthquakes

During the year, two earthquakes occurred in Christchurch, New Zealand on 22 February and 13 June 2011. AET owns 14 properties, approximately 4% of AET's entire portfolio by number, that were identified as being within areas that were affected by the earthquakes. All properties were inspected and deemed structurally safe for occupation with minimal disruption to trading.

(g) Key Operational Achievements

Management has undertaken significant work towards stabilising the Trust in recent years after AET's former major tenant, ABC Learning Centres Limited (ABC) was placed into Receivership on 6 November 2008.

Management successfully reassigned the majority of the leases of the affected childcare properties, sold surplus assets and put protective measures in place to protect Unitholder interests.

Actions undertaken this financial year included:

- Negotiation of a new 3 year $180 million debt facility which achieved both recommencement of quarterly distributions effective 1 January 2011 and reduced interest margins;
- Reintroduction of distributions to Unitholders from 1 January 2011;
- Conducted a non-renounceable Rights Issue which raised $30.4 million and strengthened the capital structure and improved the financial metrics of the Trust, including a reduction in gearing and additional headroom under its financing facility covenants. The Rights Issue had 90.2% Unitholder participation with minimal dilution of the FY12 distribution;
- Repayment of $37 million in debt, reducing the Trust's borrowings to $140 million and gearing to 40.7% benefitting from reduced interest margins in the debt facility;
- Increased marketability of AET's units through lower gearing levels; increased distributable income; and higher interest cover;
- As a result of Management's actions, the Trust outperformed the total ASX200 and A-REIT 2011 indices by 46% and 55% respectively, with the unit price increasing from 54 cents on 30 June 2010 to 80 cents on 30 June 2011; and
- Reduction in discount to NTA to 33% as at 30 June 2011 from 61% as at 30 June 2010.

(h) Portfolio Performance

Key portfolio performance criteria as at 30 June 2011:

Table 5 – AET Performance 2010/2011

	June 2011	June 2010
Value of Investment Property (Operating Properties)	$341.6m	$346.5m
Annualised Net Rental Income as at 30 June	$33.6m	$32.7m
Average Increase in Lease Rental Income year on year	3.1%	2.8%
Property Yield – Freehold Properties	9.3%	8.9%
Property Yield – Leasehold Properties	15.0%	13.6%
Total Property Yield	9.6%	9.4%
Vacancy Rate (excluding development sites)	0.9%	1.8%
% GoodStart Tenancy (by number of operating properties)	59.0%	58.7%
Weighted Average Lease Expiry ("WALE")	10.0	10.8

The key performance criteria highlights the stable nature of the portfolio with respect to WALE, vacancy, and minimal movement in value over the 2010-2011 period and property yields that provide a significant arbitrage to more traditional commercial real estate.

Valuations undertaken in accordance with our banking arrangements require that an alternate use value is reported. The total value of AET's alternative use valuations is 59% of AET's going concern valuations, providing a significant buffer over and above borrowing levels (which are currently 40.7% of going concern values) should childcare cease as a use on every AET site.

Relative to other asset classes, research indicates that movements in value for childcare assets is significantly more restricted than for the more traditional commercial/industrial sector; indicating a lower level of volatility for childcare asset values, even through the difficulties experienced with the ABC Receivership, in comparison to other asset classes.

(i) Outlook

After the upheaval to the childcare industry caused by ABC Receivership, the sector has shown signs of recovery and stability with the introduction of GoodStart and a number of other participants in the childcare industry.

The Federal Government continues to recognise the importance of the childcare industry in Australia with a focus on encouraging greater female participation in the workplace. The decision to not introduce a means test on the child care rebate was seen as a positive for the industry. Strong demand for childcare continues with expected growth in the industry over the coming years, driven by continued government support and a shortage of childcare places in many locations.

AET is now strongly positioned with a stable and predictable income stream with forecast quarterly distributions for the year ending 30 June 2012 of 9.0 cents per unit. This is dependent on ongoing tenant performance and no significant upward movement in interest rates or other unforeseen expenses.

Management will continue to promote AET as a simple and uncomplicated business model with proven underlying property values, conservative gearing, limited vacancy rate and long-term triple net leases.

Management's immediate focus is the assignment of AET's New Zealand portfolio to the purchaser of ABC New Zealand's business. We have been advised there are a number of interested parties conducting due diligence with a view to purchasing the business and a sale is expected in the coming months.

The sale/lease of the remaining five non-income producing Trust properties is also a priority for Management.

AET will continue to pursue its investment strategy in the social infrastructure sector and examine means to enhance returns and Unitholder value including appropriate growth opportunities which are consistent with the expectations of Unitholders.

(The documents attached to this release comprise the information required by ASX Listing Rule 4.3A and should be read in conjunction with the most recent annual financial report)

Nick Anagnostou
Chief Executive Officer
Australian Education Trust

Travis Butcher
Chief Financial Officer
Australian Education Trust

For further information contact:
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61 3 8601 2668

Appendix 4E
Preliminary Final Report
For the Year Ending 30 June 2011

Results for announcement to the market

Name of entity

Australian Education Trust

ABN

58 102 955 939

1. Details of the reporting period

This report details the consolidated results of Australian Education Trust (the "Trust") for the year ended 30 June 2011.

2. Results for announcement to the market

					$A'000
2.1	Revenue from ordinary activities	Down	17%	to	39,262
2.2	Profit (loss) from ordinary activities after tax attributable to unitholders	Down	36%	to	2,339
2.3	Net profit (loss) for the year attributable to unitholders	Down	36%	to	2,339

2.4

Period	**Paid**	**Cents per unit**	**$'000**
Quarter ending 31 March 2011	20 April 2011	2.15	2,902
Quarter ending 30 June 2011	20 July 2011	2.10	3,685
Total		4.25	6,587

2.5	Record date for 30 June 2011 distribution – 30 June 2011
2.6	Brief explanation of the figures reported above: Refer to Directors Report in Annual Financial Report

3. Income statement and notes

Refer to Annual Financial Report

4. Balance sheet and notes

Refer to Annual Financial Report

5. Cash flow statement and notes

Refer to Annual Financial Report

6. Details of distributions

Period	Paid	Cents per unit
Quarter ending 31 March 2011	20 April 2011	2.15
Quarter ending 30 June 2011	20 July 2011	2.10
Total		4.25

7. Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") was temporarily suspended on 17 December 2004. The Responsible Entity may re-introduce the DRP as and when it is considered appropriate.

8. Statement of retained earnings

Refer to Annual Financial Report dated 8 August 2011

9. Net tangible assets per unit

	Consolidated Group	
	2011	**2010**
Net tangible asset backing per ordinary unit	$1.179	$1.358

10. Details of entities over which control has been gained or lost during the year

Nil to report.

11. Details of associates and joint venture entities

Not applicable.

12. Other significant information

Nil to report.

13. Foreign entities

Not applicable.

14. Commentary on the results for the year

14.1 Earnings per security

Refer to Annual Financial Report and ASX Announcement dated 8 August 2011

14.2 Returns to unitholders including distributions and buybacks

There were no buybacks during the financial year (2010: nil).

14.3 Significant features of operating performance

Refer to Annual Financial Report and ASX Announcement dated 8 August 2011

14.4 Results of segments

Refer to Annual Financial Report and ASX Announcement dated 8 August 2011

14.5 Discussion of trends in performance

Refer to Annual Financial Report and ASX Announcement dated 8 August 2011

14.6 Factors which have affected the results in the year or which are likely to affect results in the future, including those where the effect could not be quantified

Refer to Annual Financial Report and ASX Announcement dated 8 August 2011

15. Audit of financial statements

The report is based on audited financial statements.

16. Disputes with auditors or qualifications

Nil

Signed:

Victor David Cottren
Chairman
Dated: 8 August 2011

Australian Education Trust
ARSN 102 955 939

Australian Education Trust

ABN 58 102 955 939 ARSN 102 955 939

and Controlled Entity

ANNUAL FINANCIAL REPORT

30 June 2011

Responsible Entity
Austock Property Management Limited
ABN 46 111 338 937
AFSL 281544

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CORPORATE GOVERNANCE STATEMENT

The Australian Education Trust ("the Trust") is a managed investment scheme that is registered under the *Corporations Act 2001*. Austock Property Management Limited ("the Responsible Entity") was appointed the Responsible Entity of the Trust on 17 December 2004. The Responsible Entity is a wholly-owned subsidiary of Austock Group Limited.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which the Trust has sought to comply with the recommendations for each.

Principle 1: Lay solid foundations for management and oversight

The Principle requires the Trust to establish and disclose the respective roles and responsibilities of both the Board and Management.

ASX recommendation / disclosure obligation	Trust's response
1.1 Establish functions reserved to Board and those delegated to senior executives	The business of the Trust is managed under the direction of the Board of Directors of the Responsible Entity ("the Board") with management of day to day operations delegated to Mr Nick Anagnostou, Chief Executive Officer / Fund Manager. The conduct of the Board is governed by the Constitution of the Trust, Responsible Entity and the *Corporations Act 2001*. The Board meets on a regular basis and is required to discuss pertinent business developments and issues and review the operations and performance of the Trust.
1.2 Process for evaluating performance of senior executives	There are four components to evaluating the performance of senior executives. Prior to the commencement of the financial year, a budget/strategy session is held involving an Austock Group representative, the Chief Executive Officer / Fund Manager and Chief Financial Officer and a business plan is agreed for the forthcoming year. An annual performance appraisal of the Chief Executive Officer / Fund Manager is conducted by Austock Group in July and KPIs that have been agreed are filtered down to individual team members. Bi-annual reviews are conducted to provide formal feedback to the Chief Executive Officer / Fund Manager regarding their individual and team's performance and to plan for the next six months. Performance is regularly reviewed at monthly meetings between an Austock Group representative and Chief Executive Officer / Fund Manager. Adopting this process, the performance of senior executives were evaluated during the financial year.
1.3 Availability of information	A copy of the Constitution of the Responsible Entity and Trust is available on the Trust's website.

Principle 2: Structure the Board to add value

The Principle requires the Trust to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

It is the objective that the Board comprises Directors with an appropriate mix of skills, experience and personal attributes that allow the Directors individually and the Board collectively to supervise the operations of the Trust with excellence.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ASX recommendation / disclosure obligation	Trust's response
2.1 Majority of Board should be independent Directors	The current Board comprises three Directors, of whom two – Mr Vic Cottren and Mr Michael Johnstone - are independent. The other member of the Board is Mr Nicholas Anagnostou who holds an executive role and is not considered independent.
2.2 Chair should be an independent Director	Mr Cottren has been Chairman of the Board since 4 August 2008 and is regarded as independent.
2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual	The roles of Chairman and Chief Executive Officer are not held by the same individual. Mr Nick Anagnostou was appointed to the role of Chief Executive Officer on 11 July 2011. Prior to that, he held the role of Chief Operating Officer which was considered to be the most senior executive role.
2.4 Establish a Nomination Committee	Due to the small size of the Board it is not intended that a Nomination Committee be established. Responsibility for selecting, appointing, evaluating and removing Directors is a matter for the full Board and Austock Group Limited.
2.5 Process for performance evaluation of Board, its committees and individual Directors	The Trust does not have in place formal evaluation measures and processes for the Board, its committees and individual Directors as the nature and size of the business to date has justified an informal process. A formal performance evaluation of the Board, its committees and individual Directors was not undertaken during the year.
2.6.1 Information on Directors	Details of each director's relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors' Report. The number of meetings held and attended during the year are also set out in the Directors' Report. In determining the independence of Directors, the Board has adopted the criteria set out in box 2.1 of the Corporate Governance Principles and Recommendations.
2.6.2 Independent professional advice	Under the terms of the Trust's Constitution, the Directors and non-executive committee members of the Responsible Entity have the right to seek independent professional advice at the Trust's expense.
2.6.3 Desired mix of skills and diversity in board membership	The Trust will include in its 30 June 2012 annual report a statement as to the mix of skills and diversity for which the Board of Directors and Austock Group is looking to achieve in membership of the Board.
2.6.4 Procedure for selection and appointment of new Directors and re-election of incumbent Directors / Board policy for nomination and appointment of Directors	The Board does not have in place a formal policy for the nomination and appointment of Directors as responsibility for selecting and appointing Directors is maintained by Austock Group Limited. Nevertheless, the Board regularly reviews the composition of the Board in view of the business and strategic needs of the business and provides feedback in relation thereto to Austock Group. If it is deemed necessary to recruit additional Directors, the Board will assist Austock Group in determining the skills and experience required by the additional Directors. A search process is undertaken following which the Chairman and Directors will interview the selected candidate(s). If a suitable candidate is found an appointment will be made. Neither the Responsible Entity's Constitution nor the ASX Listing Rules require newly appointed Directors to seek election or incumbent Directors to seek re-election.
2.6.5 Availability of information	A summary of the procedure for the selection and appointment of new Directors is available on the Trust's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 3: Promote ethical and responsible decision making

The Principle requires that the Board should actively promote ethical and responsible decision-making.

ASX recommendation / disclosure obligation	Trust's response
3.1 Establish a Code of Conduct	Directors and employees of the Responsible Entity are subject to a Code of Conduct which has been adopted by Austock Group Limited. The Board is committed to ensuring that all Directors and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.
3.2 Establish a Diversity Policy	Directors and employees of the Responsible Entity are subject to a Diversity Policy which was adopted by Austock Group Limited on 30 May 2011. The policy outlines Austock Group's commitment to diversity and to improving gender diversity within the group.
3.3 Disclose measurable objectives for achieving gender diversity and progress towards achieving them	The Trust will disclose in its 30 June 2012 Annual Report the measurable objectives set by the Austock Group Board for achieving gender diversity and the progress made towards achieving them.
3.4 Disclose proportion of women employed in whole organsation, in senior executive positions and on the board	The Trust provides the following information in relation to the proportion of women employed within the Austock Group and Austock Property division: (see table below)
3.5 Availability of information	A copy of the Austock Group Code of Conduct and Diversity Policy are available on the Trust's website.

	Austock Group	Austock Property division
Women in organisation:	23%	54%
Women in senior executive positions:	0	0
Women on the Board:	0	0

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 4: Safeguard integrity in financial reporting

This Principle requires that the Trust have a structure in place to independently verify and safeguard the integrity of its financial reporting.

ASX recommendation / disclosure obligation	Trust's response
4.1 Establish an Audit Committee	The Board established an Audit and Compliance Committee in February 2005 whose responsibilities include monitoring the Responsibility Entity and the Trust's compliance with the *Corporations Act 2001*, the Trust's Constitution and Compliance Plan. This is notwithstanding that a separate compliance committee is not required under s.601JA of the *Corporations Act 2001*. The current members of the Committee are Mr Warner Bastian (Chairman), Mr Michael Johnstone and Mr David Penman, all of whom are considered independent. Mr Bastian and Mr Penman are not members of the Board but possess a level of technical expertise appropriate for audit committee membership.
4.2 Structure of Audit Committee	The Board notes that as the Trust was not included in the S&P / All Ordinaries Index or S&P / ASX 300 Index at the beginning of the financial year it is not required under the ASX Listing Rules to have an audit committee which complies with the recommendations in relation to composition, operation and responsibility. During the year the Committee had, at all times, 3 members who were independent. However, not all members were non-executive Directors. Mr Bastian and Mr Penman are members of the Committee but are not Directors of the Responsible Entity. Mr Bastian and Mr Penman were appointed to the Committee when there was an insufficient number of independent Directors on the Board to constitute a fully independent committee.
4.3 Formal Charter	The Audit and Compliance Committee has a formal charter which sets out its responsibilities.
4.4.1 Information on Audit Committee members	The names and qualifications of the Audit and Compliance Committee members and details of meetings held and attended during the year are set out in the Directors' Report.
4.4.2 Selection and appointment of external auditor and for rotation of external audit engagement partners	The Board is responsible for appointing the external auditor. The Audit and Compliance Committee is directly responsible for making recommendations to the Board on the appointment, termination and oversight of the external auditor. In selecting an auditor, the Committee implements a selection process and makes a recommendation to the Board based on their assessment of the potential external auditor. The assessment takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost. The Audit and Compliance Committee is required to annually review the external auditor's performance and independence. In line with current professional standards, the external auditor is required to rotate the Trust's audit and review partners at least once every 5 years.
4.4.3 Availability of information	A copy of the Audit and Compliance Committee Charter and a summary of the procedure for the selection and appointment of the external auditor and for the rotation of the external audit engagement partners is available on the Trust's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 5: Make timely and balanced disclosure

The Principle requires the Trust to promote timely and balanced disclosure of all material aspects concerning the Trust.

ASX recommendation / disclosure obligation	Trust's response
5.1 Continuous Disclosure Policy	A Continuous Disclosure Policy has been adopted by the Board. This policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of the Trust's securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.
5.2 Availability of information	A copy of the Continuous Disclosure Policy is available on the Trust's website.

Principle 6: Respect the rights of shareholders

The Principle requires the Trust to respect the rights of Unitholders and facilitate the exercise of those rights.

ASX recommendation / disclosure obligation	Trust's response
6.1 Communications Policy	A Communications Policy has been adopted by the Board, reflecting its policy that Unitholders be informed of all significant developments affecting the Trust's affairs. Information is communicated by: • dispatching annual reports to Unitholders who request to receive it; • dispatching Distribution Statements to all Unitholders which include details of distributions paid and the components of the distribution; and • maintaining a dedicated investor relations section on the Trust's website to which it posts copies of all ASX announcements, Annual Reports, Half Yearly Reports, details of corporate governance practices, presentations to Unitholders and other information of interest to investors. As a managed investment scheme, the Trust is not required to hold an annual general meeting. From time to time, however, the Trust has held Unitholders' meetings at which the auditor (at the request of the Responsible Entity) has been in attendance. In the interests of containing costs, a Unitholders' meeting was not held during the financial year. In deciding not to hold a Unitholders' meeting at which the auditor was present and available to answer questions, the Trust has not met the aims of section 250RA of the *Corporations Act 2001*(which requires an auditor of a listed entity to attend the annual general meeting and answer questions on the audit).
6.2 Availability of information	A copy of the Communications Policy is available on the Trust's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 7: Recognise and manage risk

This Principle requires the Trust to establish a sound system of risk oversight and management and internal control.

ASX recommendation / disclosure obligation	Trust's response
7.1 Establish policies for the oversight and management of material business risks	During the year, the Responsible Entity upgraded its Risk Management Program to comply with the requirements of the new Australian Standard on Risk Management (AS/NZ ISO 31000). A Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806) was also implemented.
7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board	Day to day responsibility for risk management has been delegated to Management, with review occurring at both Responsible Entity Board level and Austock Group Board level. In accordance with the Risk Management Program, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. Management's risk management process is reviewed by an external consultant every two years, with the last review having been undertaken in 2010. Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Trust's management of its material business risks.
7.3 Assurance from Chief Executive Officer and Chief Financial Officer	The Chief Executive Officer / Fund Manager and Chief Financial Officer have certified to the Board that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4 Availability of information	A summary of the Risk Management Program is available on the Trust's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 8: Remunerate fairly and responsibly

This Principle requires that the Trust ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

ASX recommendation / disclosure obligation	Trust's response
8.1 Establish a Remuneration Committee	Remuneration of the Responsible Entity is dealt with comprehensively in the Trust's Constitution. Accordingly, it is considered unnecessary to maintain a Remuneration Committee. All fees and expenses of the Directors Responsible Entity are approved by the Board.
8.2 Structure of Remuneration Committee	N/A
8.3 Distinction between structure of non-executive Directors' remuneration and remuneration of Directors and senior executives	Remuneration of directors and senior executives is a matter for the Board and Austock Group Limited. Directors and senior executives are paid either directly by the Responsible Entity or by entities associated with the Responsible Entity or Austock Group. Directors and employees are not provided with any remuneration by the Trust itself. A distinction is made between the structure of non-executive Directors' remuneration and that of executive Directors and senior executives. Non-executive Directors are remunerated by way of fees in the form of cash, non-cash benefits and superannuation contributions. Executive Directors and senior executives' packages generally comprise fixed, performance-based and equity-based remuneration components (the equity component being equity in Austock Group, not the Trust itself). Neither Directors nor senior executives are entitled to equity interests in the Trust or any rights to or options for equity interests in the Trust as a result of remuneration provided by the Responsible Entity. A Remuneration Report, which sets out information about the remuneration of the Responsible Entity for the financial year is included in the Directors' Report. The Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation to the Trust or in performing its obligations under the Constitution, debt arrangement fees and property acquisition due diligence fees.
8.4.1 Information on Remuneration Committee members	N/A
8.4.2 Schemes for retirement benefits	The Responsible Entity does not pay retirement benefits, other than superannuation, for its non-executive Directors.
8.4.3 Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes	Directors and employees are not remunerated by the Trust and do not receive equity in the Trust as a form of remuneration. Accordingly, it is considered unnecessary to have a policy which prohibits transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes.
8.4.4 Availability of information	A copy of the Constitution is available on the Trust's website.

DIRECTORS' REPORT

The Directors of Austock Property Management Limited ("the Responsible Entity"), the Responsible Entity of the Australian Education Trust and its controlled entity ("the Trust"), present their report together with the financial report of the Trust for the year ended 30 June 2011.

THE RESPONSIBLE ENTITY

The registered office and principal place of business of the Responsible Entity and the Trust is Level 12, 15 William Street, Melbourne Victoria 3000.

Structure of Trust/Responsible Entity

Directors of the Responsible Entity

The Directors of the Responsible Entity during the financial year and to the date of this report comprise:

Name	Period of Directorship
Mr Victor David Cottren	Appointed 22 December 2004
Mr Michael Francis Johnstone	Appointed 22 December 2004
Mr Nicholas James Anagnostou	Appointed 4 August 2008
Mr Tim David Boyle	Appointed 24 March 2010; Resigned 9 July 2010

Company Secretary's Qualifications and Experience

The Trust has Joint Company Secretaries with details as follows:

- Amanda Gawne, BCom, LLB (Melbourne University), Grad Dip CSP, ACIS - Appointed 2 March 2007. Amanda has extensive company secretarial experience in large private and publicly listed organisations.
- Adrian Hill, BSc, LLB (Monash University) - Appointed 15 May 2009. Adrian joined Austock Group Limited in 1998 as General Counsel. Austock Group is the parent of Austock Property Management Limited, the Responsible Entity of the Australian Education Trust. During his time at Austock, Adrian has served on boards and compliance committees for funds management businesses.

Remuneration of the Responsible Entity

During the financial year the Responsible Entity received fees totalling $2,750,918 (2010: $2,655,000) which included debt refinancing fees of $900,000 from the Trust.

PRINCIPAL ACTIVITIES

The Trust is a specialist education property owner which as at 30 June 2011 owns a total of 333 childcare properties in locations around Australia and New Zealand. The Trust's properties are categorised as follows:

	No of Properties	Carrying Value$000's	Current Rent (pa) $000's [1]
Operating Properties			
Australia - Tenanted by GoodStart	193	219,462	21,564
Australia - Other Tenants	78	82,095	8,524
New Zealand – Tenanted by ABC New Zealand	56	40,014	3,498[2]
	327	**341,571**	**33,586**
Non-operational Properties			
Available For Sale / Lease	5	1,831	-
Settled on 20 July 2011	1	700	-
Total Properties as at 30 June 2011	**333**	**344,102**	**33,586**

[1] *Includes head-lease rent on leasehold properties of $0.9m*
[2] *Based on NZD rent of $4,530,000 at an exchange rate of 1.2952*

DIRECTOR'S REPORT (CONTINUED)

GoodStart - Tenant of 193 Childcare Properties

The not-for-profit group GoodStart Childcare Limited ("GoodStart") is the tenant of 193 of the Trust's properties as the purchaser of the former ABC Learning Centres Limited (ABC) business assets. GoodStart is a consortium of the major not-for-profit groups Mission Australia, the Benevolent Society, Social Ventures Australia and the Brotherhood of St Lawrence.

The following outcomes have been achieved since GoodStart began operation on 31 May 2010, based on preliminary financial data provided under their lease obligations:

- Predicted earnings for the first full year of operations exceeding initial budget;
- Debt repayments of its senior debt to NAB exceeding initial budget; and
- Occupancy levels in the properties owned by the Trust have increased.

These are positive preliminary results for GoodStart and show stability returning to the childcare sector.

Other Tenants

The Trust has 26 appropriately qualified tenants leasing the remainder of its Australian property portfolio in addition to GoodStart. The tenants leasing 10 or more properties include: Mission Australia, Childcare Property Development Services and G8 Education Limited. In general, these tenants have implemented operational initiatives to improve occupancies and profitability, leading to an improvement in business performance. These performance indicators are based on the review of financial data provided to us as per their lease obligations.

ABC New Zealand

ABC Developmental Learning Centres (NZ) Limited (ABCNZ) is a wholly owned subsidiary of the XYZ Learning Centres (Receivers & Managers Appointed) Ltd, previously ABC Learning Centres Limited. The New Zealand subsidiary is not in receivership or liquidation, however, McGrathNicol, as agent for the XYZ banking syndicate is in effective control of the business. A formal sales process of the ABC NZ business is currently underway with expected completion in the next couple of months. We are actively monitoring the sales process to ensure the Fund's position is protected and that any potential new acquirer of the business has the required operating and financial capability.

The Trust owns 56 properties in New Zealand which represents approximately 17% of the Trust's portfolio by number. The Trust continues to receive rent under its leases.

Non-Operational Properties

As at 30 June 2011, the Trust owns 5 Australian properties and 1 New Zealand property that are non-income producing. Management is continuing to explore all opportunities with respect to these properties to achieve the best possible outcome.

One property was sold with settlement occurring on 20 July 2011 for $0.7 million.

DIRECTOR'S REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS

A summary of the key results this financial year include:

1. Net Operating Profit (Distributable Income) of $10.8m, up 69% on the previous corresponding period ("pcp").
2. Statutory profit of $2.3m after impact of non-recurring and non-cash losses of $8.5m. Only $1.2m was a cash loss.
3. Upgraded FY12 distribution forecast of 9.0 cpu (previous guidance of 8.8 cpu) as a result of downward revisions with respect to future interest rates.
4. Negotiation of a new 3 year debt facility with two major Australian banks.
5. Significant reduction in overall gearing to 40.7%, leading to reduced cost of debt funding through a tiered pricing structure.
6. Re-commencement of distributions in the second half of the year totalling 4.25 cpu.
7. Successful 3-for-10 Rights Issue conducted in March/April raising $30.4 million which was utilised for debt reduction.
8. Weighted Average Lease Expiry at 30 June 2011 of 10 years.
9. Limited vacancy of 1% (excluding two development site assets).

The result for the year ending 30 June 2011 was a statutory profit of $2.3 million. Excluding the impact of non-recurring and non-cash amounts of $8.5 million, the Trust produced net operating profit of $10.8 million or earnings per unit of 7.6 cents per unit. For the corresponding period in 2010, the Trust produced net operating profit of $6.4 million.

Full year ending 30 June ($m's)	2011	2010
Revenue		
Lease income	33.1	33.4
Property outgoings recoverable	5.2	4.9
Other income	0.6	0.6
	38.9	38.9
Expenses		
Finance costs	16.7	20.0
Property expenses	8.2	7.6
Responsible entity's remuneration	1.9	2.7
Legal fees	0.4	1.2
Other expenses	0.9	1.0
	28.1	32.5
Operating profit	**10.8**	**6.4**
Amortisation of lease incentive asset & liability (subtracted from Lease Income)	(0.2)	0.9
Straight line rental adjustments (subtracted from Lease Income)	0.6	0.4
Net revaluation decrement of investment properties	(2.8)	(0.8)
Gain / (Loss) on sale of investment properties	(0.5)	(2.0)
Change in fair value of derivative financial instruments	(1.3)	0.7
Realised foreign exchange gain/(losses)	(2.7)	2.5
Realised losses on derivative financial instruments	(1.5)	(5.5)
Unrealised foreign exchange gain/(losses)	(0.1)	3.7
Waiver / Consent Fee on Debt Refinancing	-	(2.6)
Other	-	(0.1)
Net profit / (loss) attributable to Unitholders	**2.3**	**3.6**

DIRECTOR'S REPORT (CONTINUED)

The Responsible Entity has undertaken significant work towards stabilising the Trust in recent years after the Trust's former majority tenant, ABC was placed into Receivership in November 2008. The Responsible Entity successfully reassigned leases to the majority of affected childcare properties, sold surplus assets and put protective measures in place to protect Unitholder interests. Actions undertaken this financial year included:

1. Negotiation of a new 3 year $180 million debt facility which resulted in both recommencement of quarterly distributions effective 1 January 2011 and reduced interest margins;
2. Conducted a non-renounceable Rights Issue which raised $30.4 million and strengthened the capital structure and improved the financial metrics of the Trust, including a reduction in gearing and additional headroom under its financing facility covenants. The Rights Issue had 90.2% Unitholder participation with minimal dilution of the FY12 distribution.
3. Repaid $37 million in debt, reducing the Trust's borrowings to $140 million and gearing to 40.7% benefitting from reduced interest margins in the debt facility. The cost of debt decreased from 9.7% pa in the first half of the year to 8.0% pa in the second half of the year; and
4. As a result of the Responsible Entity's actions, the Trust's unit price has increased from 54 cents on 30 June 2010 to 80 cents on 30 June 2011. The Trust's market capitalisation increased from $72.8 million as at 30 June 2010 to $140.4 million as at 30 June 2011.

DISTRIBUTIONS

The distribution for the year ending 30 June 2011 was 4.25 cents per unit (2010: 0.67 cents per unit).

Distributions paid or declared by the Trust since the end of 30 June 2010 were:

Period	Paid	Cents per unit	$'000
Year ending 30 June 2010	20 September 2010	0.67	904
Total		**0.67**	**904**
Quarter ending 31 March 2011	20 April 2011	2.15	2,902
Quarter ending 30 June 2011	20 July 2011	2.10	3,685
Total		**4.25**	**6,587**

The distribution for the year ending 30 June 2010 was declared after 30 June 2010 and therefore is reflected in the 30 June 2011 financial statements.

Following the refinancing of the Trust's debt in December 2010, distributions re-commenced on 1 January 2011, with distributions of 4.25 cents per unit reflecting the distributable earnings of the Trust in the second half of the year ending 30 June 2011.

STATE OF AFFAIRS

Funding

As at 30 June 2011 the total assets of the Trust were $353.9 million, gross borrowings were $140.0 million and net assets were $206.9 million. The NTA per unit is $1.18 (30 June 2010: $1.36). The Trust has gearing (Borrowings / Investment Properties) of 40.7%. The basis for valuation of the Trust's assets is disclosed in Note 1 to the financial statements.

The Trust has 175,465,397 units on issue as at 30 June 2011.

In December 2010, the Trust entered into a new syndicated debt facility with National Australia Bank (NAB) and Australia and New Zealand Bank (ANZ). The new facility replaces the previous facilities with the NAB and the US Senior Secured Notes (Noteholders) which were due to mature on 31 July 2011.

DIRECTOR'S REPORT (CONTINUED)

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

Facility Limit	$180 million (As at 30 June 2011 reduced to $142 million)
Drawn Amount	$140 million as at 30 June 2011
Facility Term	3 Years expiring December 2013
Financiers	NAB & ANZ (50% equal share)
Security	First ranking mortgages over each freehold property
Margins	Scale of margins dependant upon the Trust's LVR position
Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
Interest Cover 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

As at 30 June 2011, the Trust complied with all of its debt covenant ratios and obligations.

Hedging Arrangements

As part of the new syndicated debt facility the Trust has entered into interest rate hedging arrangements with the financiers, as follows:

- Interest Rate Swap
  - Notional Amount $60 million
  - Fixed Rate 5.63% pa
  - Termination Date 31 December 2013
  - Financier - NAB
- Interest Rate Cap/Collar
  - Notional Amount $60 million
  - Cap Rate 6.00% pa
  - Collar Rate 4.90% pa
  - Termination Date 31 December 2013
  - Financier - ANZ

As at 30 June 2011, the Trust has a weighted average cost of debt funding of 8.0% pa which reduced from 9.3% pa at 30 June 2010.

Rights Issue

During the year the Trust successfully completed a fully underwritten 3 for 10 non-renounceable Rights Issue to all eligible Unitholders at an offer price of 75 cents per new unit. The Rights Issue raised $30.4 million in total with the net proceeds of $28.7 million used to repay debt.

The proceeds reduced the Trust's gearing and provided significant headroom under its bank covenants. The Loan to Value Ratio (LVR) decreased to 41%.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") was suspended on 17 December 2004.

Centre Acquisitions & Disposals

During the year, there were no new properties acquired and the total number of properties owned as at 30 June 2011 was 333. There were a total of 8 properties disposed of during the year, realising a net loss of $0.5 million, primarily resulting from costs of disposals.

DIRECTOR'S REPORT (CONTINUED)

ENVIRONMENTAL REGULATION

The Trust's properties are not subject to any significant environmental regulations under Commonwealth, State or Territory legislation. However, the Directors believe that the Trust has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Trust.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The AET New Zealand Education Trust (AETNZ) entered into a Deed of Settlement and Release with ABC Developmental Learning Centres (NZ) Limited (ABCNZ) on 1 August 2011 in respect to a claim by AETNZ for damages suffered on the termination of agreements for lease for ten development sites in New Zealand. The agreements for lease were entered into by AETNZ with ABCNZ between 22 October 2007 and 6 May 2008, and nine of the development sites have since been sold. The terms of settlement include payment by ABCNZ to AETNZ of an amount of NZ$3 million ($A2.4 million), of which NZ$1.5 million ($A1.2 million) was paid on 1 August 2011 and the balance is payable by 31 October 2011 or such earlier date as required by the deed.

Subsequent to year end, there are no other events that have occurred which the Directors believe significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust.

INTERESTS OF THE RESPONSIBLE ENTITY

Interests of both the Responsible Entity and its Directors in the Trust are disclosed in Notes 17 and 18 to the financial statements.

UNITS ON ISSUE

The number of interests in the Trust as at the end of the financial year consist of 175,465,397 fully paid ordinary units (2010: 134,973,383 units). 40,492,014 units were issued on completion of the Rights Issue.

The Trust neither acquired nor cancelled any units on issue during the period, including up to the date of this report. No options have been granted over any unissued units in the Trust.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The actions undertaken in the current financial year have resulted in the Trust being stabilised with a predictable income stream and forecast distributions for the year ending 2012 of 9.0 cents per unit. This is based on ongoing tenant performance and no significant upward movement in interest rates.

Management's immediate focus is the assignment of the Trust's New Zealand portfolio to the potential purchaser of ABC New Zealand's business. We have been advised there are a number of interested parties conducting due diligence with a view to purchasing the business and a sale is expected in the coming months.

The sale/re-leasing of the remaining five non-income producing Trust properties is also a priority for Management who will use best endeavours to complete these transactions.

The Trust will continue to pursue its investment strategy in the social infrastructure sector and examine means to enhance returns and Unitholder value including appropriate growth opportunities which are consistent with its investment strategy.

Further information as to likely developments in the operations of the Trust and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Trust.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The Directors of the Responsible Entity at the time of this report are:

Name and qualifications	Age	Experience and special responsibilities
Mr Victor (Vic) David Cottren Independent Director and Chairman Bachelor of Commerce (Melbourne) Fellow of Australian Insurance Institute Fellow of the Australian Society of Certified Practising Accountants Fellow of the Australian Institute of Company Directors	69	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 directorship positions within these companies and their subsidiaries prior to commencing his consulting business in 1995. He is a Director of Austock Group Ltd and several of its subsidiaries. Vic was also appointed as a Professorial Fellow at RMIT University in 1993 with responsibility for researching and establishing Australia's first undergraduate degree in financial planning.
Mr Michael Francis Johnstone Independent Director Bachelor of Town & Regional Planning Licensed Land Surveyor Advanced Management Program (Harvard)	69	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 Dennis Family Holdings and Dennis Family Homes, a non-executive Director of APN Funds Management and a member of the Investment Committee of APN Development Fund, a non-executive Director and Chairman of bWired Pty Ltd, non-executive Director of National Housing Company and a non-executive Director and Chairman of State Equity Group. Michael is also a member of the Audit and Compliance Committee of the Trust.
Mr Nicholas (Nick) James Anagnostou Executive Director Bachelor of Business in Property Associate of the Australian Property Institute Certified Fund Manager Qualified Valuer Licensed Estate Agent (Vic)	42	Nick was appointed Chief Operating Officer on 4 August 2008 and then Chief Executive Officer on 11 July 2011. Nick joined Austock Property in December 2005 as Fund Manager for the Australian Education Trust. Nick has more than 20 years of experience in the Australian commercial property and funds management industries. Nick holds a Bachelor of Business in Property and is an Associate of the Australian Property Institute. He is a Certified Funds Manager, a qualified property valuer, a Licensed Estate Agent and was previously a Director of an international real estate agency where he focussed on Premium and 'A' grade office markets. He is also on the Executive Committee of Property Funds Australia.

The Trust's Constitution does not require Directors to retire and seek re-election.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Responsible Entity during the year were:

	Board Meetings	
	A	B
Mr VD Cottren	13	13
Mr MF Johnstone	13	13
Mr NJ Anagnostou	13	13

A - Number of meetings held during the time the Director held office during the year.
B - Number of meetings attended.

The Directors' Meeting in July 2010 was held subsequent to Mr Tim Boyle's resignation as a Director on 9 July 2010.

AUDIT AND COMPLIANCE COMMITTEE MEETINGS

The members of the Audit and Compliance Committee are:

- Mr WK Bastian (Independent Chairman)
- Mr D Penman (Independent Member)
- Mr MF Johnstone (Independent Member)

Mr Bastian and Mr Penman are not Directors of the Responsible Entity.

Details of meetings held during the year and member's attendance are as follows:

	Audit and Compliance Committee Meetings	
	A	B
Mr WK Bastian	4	4
Mr MF Johnstone	4	4
Mr D Penman	4	4

A - Number of meetings held during the year the member was eligible to attend
B - Number of meetings attended.

The experience of the Audit and Compliance Committee is set out below:

Mr Warner Kenneth Bastian FAICD	Mr Bastian is a former Managing Director of The Pharmacy Guild of Australia's insurance and financial services subsidiaries with over 50 years experience in insurance and financial services.
Mr Michael Francis Johnstone	See Information on Directors.
Mr David Penman	Mr Penman is a Chartered Accountant, of D Penman and Co, advising on taxation and superannuation matters with over 30 years experience in chartered accounting.

REMUNERATION REPORT

Remuneration of Directors of the Responsible Entity

The Responsible Entity does not have a Remuneration Committee as the Trust's Constitution prescribes the Trust's remuneration arrangement with the Responsible Entity. In relation to remuneration of the Directors of the Responsible Entity this is a matter for the Board and the ultimate parent entity of the Responsibility Entity.

It is the objective that the Board comprises Directors with an appropriate mix of skills, experience and personal attributes that allow the Directors individually and the Board collectively to supervise the operations of the Trust with excellence. All fees and expenses of the Responsible Entity are approved by the Board and remuneration of the Responsible Entity is dealt with comprehensively in the Trust's Constitution.

Remuneration of the Directors is paid either directly by the Responsible Entity or by entities associated with the Unitholders of the Responsible Entity. The Directors are not provided with any remuneration by the Trust itself. Directors are not entitled to any equity interests in the Trust, or any rights to or options for equity interests in the Trust, as a result of the remuneration provided by the Responsible Entity.

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives.

Loans to Directors of the Responsible Entity

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the Directors of their personally-related entities at any time during the reporting period.

DETAILS OF UNITHOLDINGS IN THE TRUST

The interests of the Directors of the Responsible Entity in units of the Trust during the year are set out below:

Name	MF Johnstone	VD Cottren	NJ Anagnostou	TD Boyle
Opening balance of units held	50,000	400,000	-	-
Acquisitions of units	15,000	170,000	13,000	-
Disposals of units	-	-	-	-
Closing balance of units held	65,000	570,000	13,000	-

DIRECTORS' REPORT (CONTINUED)

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

Indemnification

Under the Trust Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation the Trust.

The Trust has not indemnified any auditor of the Trust.

Insurance Premiums

During the financial year the Responsible Entity has paid premiums totalling $4,291 in respect of its officers for liability and legal expenses insurance contracts for the year ended 30 June 2011.

Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

PROCEEDINGS ON BEHALF OF RESPONSIBLE ENTITY

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Responsible Entity, or intervene in any proceedings to which the Responsible Entity is a party, for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Responsible Entity with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

Details of non-audit services provided to the Trust by the independent Auditor during the year ended 30 June 2011 are contained in Note 23 to the financial statements.

Rounding

The Trust is an entity of a kind referred to in Class order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

AUDITOR'S INDEPENDENT DECLARATION

A copy of the Auditor's independent declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity:

Victor David Cottren
Chairman
Austock Property Management Limited
Melbourne, 8 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Australian Education Trust for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Education Trust and the entities it controlled during the period.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
8 August 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Consolidated Group 2011 $'000	Consolidated Group 2010 $'000
Revenue			
Lease income		33,432	34,744
Property outgoings recoveries		5,222	4,903
Interest income		420	480
Change in the fair value of derivative financial instruments		-	725
Realised foreign exchange gains		-	2,496
Unrealised foreign exchange gains		-	3,683
Other income		188	102
Total revenue		**39,262**	**47,133**
Expenses			
Finance costs	2(c)	16,701	22,638
Property outgoings		7,114	6,479
Responsible Entity's remuneration		1,851	2,655
Rent on leasehold properties		1,131	1,138
Other expenses	2(b)	1,271	2,253
Net property revaluation decrement	8	2,814	835
Loss on sale of investment properties	2(a)	465	1,968
Change in the fair value of derivative financial instruments		1,339	-
Realised foreign exchange losses		2,690	-
Realised losses on derivative financial instruments		1,493	5,533
Unrealised foreign exchange losses		54	-
Total expenses		**36,923**	**43,499**
Net profit attributable to Unitholders		**2,339**	**3,634**
Other comprehensive income		-	-
Total comprehensive profit		**2,339**	**3,634**
Earnings per unit		**Cents**	**Cents**
Basic earnings per unit	4	1.65	2.69
Diluted earnings per unit	4	1.65	2.69

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	Consolidated Group 2011 $'000	Consolidated Group 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	15(a)	8,582	13,829
Trade and other receivables	5	141	703
Other current assets	6	1,081	1,427
Investment properties expected to be sold within 12 months		2,261	5,836
Derivative financial instruments	7(a)	-	55
Total current assets		**12,065**	**21,850**
Non-current assets			
Investment properties	8	338,964	344,217
Investment properties - Straight line rental asset		2,877	2,292
Derivative financial instruments	7(b)	-	670
Total non-current assets		**341,841**	**347,179**
Total assets		**353,906**	**369,029**
LIABILITIES			
Current liabilities			
Trade and other payables	9	3,680	9,749
Distribution payable	10	3,707	14
Borrowings	12	-	9,000
Derivative financial instruments	13(a)	474	-
Other current liabilities	11	439	2,692
Total current liabilities		**8,300**	**21,455**
Non-current liabilities			
Borrowings	12	137,853	164,233
Derivative financial instruments	13(b)	865	-
Total non-current liabilities		**138,718**	**164,233**
Total liabilities		**147,018**	**185,688**
Net assets		**206,888**	**183,341**
EQUITY			
Contributed equity	14	195,013	166,314
Undistributed profit		11,875	17,027
Total equity		**206,888**	**183,341**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Units on Issue	Undistributed Profit	Total
		$'000	$'000	$'000
Consolidated Group				
Balance at 1 July 2009		166,314	13,393	179,707
Net profit attributable to unitholders		-	3,634	3,634
Other comprehensive income		-	-	-
Distribution paid or provided for		-	-	-
Balance at 30 June 2010		**166,314**	**17,027**	**183,341**
Balance at 1 July 2010		166,314	17,027	183,341
Right issue proceeds		30,369	-	30,369
Right issue costs		(1,670)	-	(1,670)
Net profit attributable to unitholders		-	2,339	2,339
Other comprehensive income		-	-	-
Distribution paid or provided for	3	-	(7,491)	(7,491)
Balance at 30 June 2011		**195,013**	**11,875**	**206,888**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Consolidated Group 2011 $'000	Consolidated Group 2010 $'000
Cash flows from operating activities			
Lease income received (inclusive of GST)		40,220	42,986
Payments in the course of operations (inclusive of GST)		(16,739)	(19,398)
Interest received		420	480
Net cash inflow from operating activities	15(b)	**23,901**	**24,068**
Cash flows from investing activities			
Proceeds from sale of investment properties		5,787	54,419
Net cash inflow from investing activities		**5,787**	**54,419**
Cash flows from financing activities			
Finance costs paid		(22,032)	(18,760)
Proceeds from borrowings		171,000	-
Repayment of borrowings		(208,036)	(83,300)
Payments (for) / from closing of derivative financial instruments		(768)	8,675
Net proceeds from issue of units		28,699	-
Distributions paid		(3,798)	(4)
Net cash (outflow) from financing activities		**(34,935)**	**(93,389)**
Net decrease in cash held		**(5,247)**	**(14,902)**
Cash at the beginning of the financial year		**13,829**	**28,731**
Cash at the end of the financial year	15(a)	**8,582**	**13,829**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the Consolidated Group consisting of Australian Education Trust and its subsidiary ("the Trust"). The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Directors on 8th August 2011. The Directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the *Corporations Act 2001* and the requirements of the Trust Constitution dated 8 July 2002 (as amended).

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards

The financial statements of the Trust also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(x).

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Education Trust as at 30 June 2011 and the results of all subsidiaries for the year then ended. The Australian Education Trust and its subsidiaries together are referred to in this financial report as the Trust.

Subsidiaries are all entities (including special purpose entities) over which the Trust has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Details of the subsidiary are contained in Note 17 to the financial statements. The subsidiary has a June financial year-end.

(c) Investments in controlled entities

The Trust's direct investment in its subsidiary is carried at cost. Balances and transactions between the Trust and the subsidiary have been eliminated in preparing the consolidated financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

(d) Comparative information

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

(e) Revenue and expenditure recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking of transaction and the specifics of each arrangement.

Expenses including rates, taxes and other outgoings are brought to account on an accruals basis and any related payables are carried at cost.

All income and expenditure are stated net of the amount of goods and services tax (GST).

Revenue is recognised for the major business activities as follows:

Lease income:

Rental income due but not received at balance date is reflected in the Balance Sheet as a receivable.

Rental income from operating leases is recognised as income on a straight-line basis over the lease term, where a lease has fixed annual increases. This results in more income being recognised early in the lease term compared to the lease conditions. The difference between the lease income recognised and actual lease payments received is included in non-current receivables.

For leases where the revenue is determined with reference to market reviews, inflationary measures or other variables, revenue is not straight-lined and is recognised in accordance with the lease terms applicable for the period.

Lease incentives:

Lease incentives provided by the Trust to lessees are excluded from the measurement of fair value of investment property and are recognised as at asset. The amounts are recognised over the lease periods as a reduction in rental income.

Interest income:

Interest income is recognised in the income statement on a time proportion basis using the effective interest rate method when earned and if not received at balance date, is reflected in the Consolidated Balance Sheet as a receivable.

Responsible Entity's remuneration:

Under the Trust Constitution, the Responsible Entity is entitled to a management fee amounting to 0.5% pa of the Total Tangible Assets of the Trust.

(f) Investment Properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income and which are not occupied by the consolidated group. Property interests held under operating leases are deemed investment property.

Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the financial statements.

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed/redeveloped internally include the costs of materials and direct labour. Directly attributable overheads and other incidental costs including interest costs incurred during construction are also capitalised to the asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Valuations:

After initial recognition, investment properties are measured at fair value and revalued with sufficient regularity to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date. The Trust's Constitution requires the Responsible Entity to have the Trust's property investments independently valued at intervals of not more than three years. These valuations are considered by the Directors of the Responsible Entity when determining fair value. When assessing fair value, the Directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

i) a willing, but not anxious, buyer and seller on an arm's length basis;

ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;

iii) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and

iv) it only takes into account instructions given by the Responsible Entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Responsible Entity.

All investment properties are considered one class of asset. Under *AASB 140: Investment Property*, adjustments to fair value are to be recognised directly in the Statement of Comprehensive Income.

(g) Income Tax

Under current income tax legislation, the Trust is not liable for Australian income tax, provided Unitholders are presently entitled to all of the Trust's taxable income at 30 June each year and any capital gain derived from the sale of assets is fully distributed to Unitholders. Tax allowances for building, plant and equipment depreciation are distributed to Unitholders in the form of tax deferred components of distributions. The trust is taxed on a flow through basis from 1 July 2005 and accordingly all deferred tax balances have been written off to the statement of comprehensive income. This adjustment does not have a cash flow impact and it does not affect the ability to make cash distributions to Unitholders.

AET New Zealand Education Trust is subject to New Zealand tax on its earnings. Distributions paid by the entity are subject to New Zealand dividend withholding tax.

(h) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(i) Provisions

Provisions for legal claims and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

(j) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Financial Assets

i) Classification

The Trust classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit and loss are financial assets held for trading. A financial assets is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

ii) Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss. Financial assets carried at fair value through the profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

iii) Measurement

Financial assets and liabilities held at fair value through profit and loss

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Trust is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, they may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Trust recognises the difference in profit or loss to reflect a change in factors, including time that market participants would consider in setting a price.

iv) Loans & Receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Trade Receivables

Trade receivables are recognised at fair value, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

(m) Trade and Other Payables

These amounts represent liabilities for goods or services provided to the Trust prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to Unitholders as at the end of each reporting period is recognised separately in the balance sheet when Unitholders are presently entitled to the distributable income under the Trust Constitution.

(n) Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(o) Borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing debt is stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carting amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit and loss as finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Derivatives

Derivative instruments are measured at fair value. The Trust's derivatives do not qualify for hedge accounting and therefore changes in the fair value of any derivative instrument are recognised immediately in the Statement of Comprehensive Income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

(q) Distributions

A provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting date.

(r) Impairment of Assets

At each reporting date, the Trust reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets' fair value less costs to sell and value in use, is compared to the assets' carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(s) Contributed Equity

Ordinary units are classified as equity.

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

(t) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables to the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) Earnings Per Unit

i) Basic earnings per unit (EPU)

Basic earnings per unit is calculated by dividing:

- the profit attributable to the Unitholders, excluding any costs of servicing equity other than ordinary units.
- by the weighted average number of ordinary units outstanding during the financial year.

ii) *Diluted earnings per unit*

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units, and
- the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

(v) Foreign Currency Translation

i) Functional and Presentation Currency

Items included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for funds and is regulated. The Australian dollar is also the Trust's presentation currency.

ii) *Transactions and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses are presented in the Statement of Comprehensive Income on a net basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(w) Rounding of Amounts

The Trust is of a kind referred to in Class order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(x) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based upon current trends and economic data, obtained both externally and within the Trust.

Key estimates — Valuation of Investment Properties

The valuation methodologies used were capitalisation, discounted cashflows and direct comparison approaches, and were consistent with the requirements of relevant Accounting Standards. Based on the revaluation of 80 properties this financial year, the Trust has revalued 100% of its portfolio since 30 June 2009. As a result, the fair value of the operating investment property portfolio as at 30 June 2011 is entirely based on the most recent independent valuation.

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

(z) Parent Entity Financial Information

The financial information for the parent entity, Australian Education Trust, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i) Investments in Subsidiaries, Associates and Joint Venture Entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Australian Education Trust. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

ii) *Financial Guarantees*

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(aa) Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of business activities, through the realisation of assets and settlement of liabilities in the normal course of business.

The going concern basis is appropriate for the Trust based upon the renegotiation of debt facilities with a maturity date of 31 December 2013, with the Trust in full compliance with its undertaking under these facilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

(ab) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

i) ASASB *9 Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards* arising from AASB9 (effective from 1 January 2013).

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. As the Trust does not hold any available-for-sale investments, management does not expect this to have any impact on the Trust's financial statements.

ii) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013).

On June 30 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial accounts. The Trust is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

iii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.The Trust will apply the amended standard from 1 July 2011. When the amendments are applied, the Trust would need to disclose any transactions between its subsidiaries and its associates. However, as the Trust only has one subsidiary and no associates, the amendment will not have any effect on the Trust's financial statements.

iv) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011).

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. As the Trust does not hold any available-for-sale financial assets, management does not expect this to have any impact on the Trust's financial statements.

v) AASB 1054 *Australian Additional Disclosures*, AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* and AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements* (effective 1 July 2011)

The AASB and NZ FRSB have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to the new standard AASB 1054. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Trust's current disclosures. The Trust intends to adopt the standards from 1 July 2011.

vi) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2011* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

	Consolidated Group	
	2011	2010
	$'000	$'000

2. Income statement items

(a) Loss on sale of investment properties		
Proceeds from sale of properties	5,888	53,018
Less: Carrying value of properties sold plus costs of disposal	(6,353)	(54,986)
Net loss on sale of investment properties	**(465)**	**(1,968)**
(b) Other expenses		
ASX fees	33	32
Consultant fees	206	400
Custodian and compliance costs	78	109
Property valuation costs	327	352
Legal fees	351	1,248
Impairment of receivables	140	-
Sundry expenses	22	25
Unit registry fees	47	33
(c) Finance costs		
External	16,701	22,638

3. Distributions

Distributions were payable during the financial year as follows:

Period	Paid/ payable	Cents per unit	2011 Amount $'000	Cents per unit	2010 Amount $'000
Year ending 30 June 2010	20 September 2010	0.67	904	-	-
		0.67	904	-	-
Quarter ending 31 March 2011	20 April 2011	2.15	2,902	-	-
Quarter ending 30 June 2011	20 July 2011	2.10	3,685	-	-
		4.25	6,587		
Total		**4.92**	**7,491**	**-**	**-**

The distribution for the year ending 30 June 2010 was declared after 30 June 2010 and therefore is reflected in the 30 June 2011 financial statements.

Following the refinancing of the Trust's debt in December 2010, distribution re-commenced on 1 January 2011, with distributions of 4.25 cents per unit reflecting the distributable earnings of the Trust in the second half of the year ending 30 June 2011.

4. Earnings per unit ("EPU")

	Consolidated Group	
	2011	2010
	cents	cents
Basic EPU	1.65	2.69
Diluted EPU	1.65	2.69

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

The following information reflects the income and security numbers used in the calculations of basic and diluted EPU.

	Number of Units '000	Number of Units '000
Weighted average number of ordinary units used in calculating basic EPU	141,963	134,974
Bonus element of unit options which are dilutive	-	-
Adjusted weighted average number of ordinary units used in calculating diluted and distributable EPU	**141,963**	**134,974**
	$'000	**$'000**
Earnings used in calculating basic EPU	2,339	3,634
Earnings used in calculating diluted EPU	**2,339**	**3,634**

There have been no conversions to, calls of, or subscriptions for ordinary units or issues of potential ordinary units since the reporting date and before the completion of this report.

5. Trade and other receivables

	Consolidated Group	
	2011 $'000	2010 $'000
Lease debtors	186	403
Provision for impairment	(45)	-
Sundry debtors	-	300
	141	**703**

Trade receivables are recognised at fair value less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. Provision for impairment of trade receivables is used when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted of the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in the statement of comprehensive income. When a trade receivable for which a provision has been recognised becomes uncollectable in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

Trade receivables that are past due but not impaired:

As at 30 June 2011, trade receivables of $74,534 (2010: $176,893) were past due but not impaired. The ageing of these receivables is as follows:

	31-60 days	61-90 days	90+ days
2011			
Consolidated Group	16	2	57
2010			
Consolidated Group	54	49	74

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Impairment of receivables:

As at 30 June 2011, an impairment loss of $139,611 was recognised in the statement of comprehensive income. Receivables written off during the year as uncollectible totalled $94,611, resulting in a balance of the provision for impairment of $45,000.

Related party receivables:

For terms and conditions of related party receivables, refer to Note 17.

Fair value and credit risk:

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Trust's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk:

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 20.

	Consolidated Group	
	2011	**2010**
	$'000	**$'000**
6. Other current assets		
Deposits	-	17
Prepayments	248	342
Lease incentive asset	833	1,068
	1,081	**1,427**
7. Derivative financial instruments		
(a) Current		
Derivative financial instruments	-	55
	-	**55**
(b) Non-current		
Derivative financial instruments	-	670
	-	**670**

The Trust uses derivative financial instruments to offset its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

	Consolidated Group	
	2011	2010
	$'000	$'000
8. Investment properties		
Freehold properties - at valuation	323,701	330,128
Leasehold properties - at valuation	19,381	19,751
Construction and development sites - at valuation	1,020	2,466
Total investment properties	344,102	352,345
Less: Investment properties expected to be sold within 12 months	(2,261)	(5,836)
Less: Straight Line Rental Asset	(2,877)	(2,292)
Carrying amount at the end of the year	**338,964**	**344,217**
Movement in investment properties:		
Balance at the beginning of the year - at valuation	344,217	373,608
Disposal of properties	(6,014)	(54,972)
Investment properties to be sold in 12 months	3,575	26,416
Net revaluation decrement	(2,814)	(835)
Carrying amount at the end of the year	**338,964**	**344,217**

(a) Investment properties are carried at fair value. The determination of fair value is based on independent valuations where appropriate. This includes the original acquisition costs together with capital expenditure since acquisition and either the latest full independent valuation or latest independent update. Total acquisition costs include incidental costs of acquisition such as stamp duty and legal fees. Refer to Note 1(f) for further detail on valuations.

(b) A full independent valuation of a property is carried out at least once every three years. Independent valuations are prepared using both the capitalisation of net income method and the discounting of future net cash flows to their present value.

(c) Independent valuations as at 30 June 2011 were conducted by numerous valuers. The valuation methodologies used were capitalisation and direct comparison approaches and were consistent with the requirements of relevant Accounting Standards and property valuation guidelines.

Based on the revaluation of 80 properties this financial year, the Trust has revalued 100% of its portfolio since 30 June 2009. As a result, the fair value of the operating investment property portfolio as at 30 June 2011 is entirely based on the most recent independent valuation.

Valuations on the 51 Australian properties decreased by $0.3 million or 1% on the previous external valuations. The 44 Australian freehold operating properties values increased by $0.1 million or 0.1% from the previous valuations. Valuations for the 7 leasehold properties decreased by $0.4 million or 12.4%. A further decrement of $0.3 million was made to a closed leasehold property.

Valuations of the 29 New Zealand properties decreased by $1.6 million or 7%, however this was largely due to unfavourable exchange rate movements from the date of the previous valuation. In New Zealand Dollars the valuations of the New Zealand properties decreased by NZD$0.3 million or 1%.

Net revaluation decrement also includes a decrement due to straight line rental adjustments of $0.6 million with a corresponding increase in Straight Rental Asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

9. Trade and other payables

	Consolidated Group	
	2011	2010
	$'000	$'000
Trade creditors	662	1,102
Accrued interest	1,148	5,445
GST Payable	764	1,690
Accruals	1,106	1,512
	3,680	**9,749**

Fair value and credit risk:

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Financial guarantees:

There are no financial guarantees in place.

Interest rate, foreign exchange and liquidity risk:

Detail regarding interest rate, foreign exchange and liquidity risk exposure is disclosed in Note 20.

10. Distribution payable

Distribution payable	3,707	14
	3,707	**14**

11. Other current liabilities

Rental income received in advance	439	2,692
	439	**2,692**

12. Borrowings

Current:		
Bank loans - secured	-	3,880
Senior Secured Notes at face value	-	5,120
	-	**9,000**
Non-current:		
Bank loans - secured	140,000	72,286
Senior Secured Notes at face value	-	99,217
Less: unrealised foreign exchange gain on Notes	-	(6,180)
Less: up front transaction costs	(2,669)	(3,402)
Plus: amortised up front transaction costs	522	2,312
	137,853	**164,233**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

In December 2010, the Trust entered into a new syndicated debt facility with National Australia Bank (NAB) and Australia and New Zealand Bank (ANZ). The new facility replaces the previous facilities with the NAB and the US Senior Secured Notes (Noteholders) which were due to mature on 31 July 2011.

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

Facility Limit	$180 million (As at 30 June 2011 reduced to $142 million)
Drawn Amount	$140 million as at 30 June 2011
Facility Term	3 Years expiring December 2013
Financiers	NAB & ANZ (50% equal share)
Security	First ranking mortgages over each freehold property
Margins	Scale of margins dependant upon the Trust's LVR position
Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
Interest Cover 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

As at the 30 June 2011, the Trust complied with all of its debt covenant ratios and obligations.

Hedging Arrangements

- As part of the new syndicated debt facility the Trust has entered into interest rate hedging arrangements with the Financiers, as follows:

  Interest Rate Swap

  - Notional Amount $60 million
  - Fixed Rate 5.63% pa
  - Termination Date 31 December 2013
  - Financier - NAB

  Interest Rate Cap/Collar

  - Notional Amount $60 million
  - Cap Rate 6.00% pa
  - Collar rate 4.90% pa
  - Termination Date 31 December 2013
  - Financier - ANZ

As at 30 June 2011, the Trust has a weighted average cost of debt funding of 8.0% pa which reduced from 9.3% pa at 30 June 2010.

Interest rate, foreign exchange and liquidity risk:

Refer to Note 20 for information on interest rate, foreign exchange and liquidity risk.

Fair values:

The carrying amounts of the Trust's Borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates, depending on the loan.

Unused financing facilities:

Refer to Note 15(c) for details of unused financing facilities.

Assets pledged as security:

A Security Trustee has been appointed to administer the security arrangements of the Trust and to facilitate any future debt issuing on behalf of the Trust. Both Financers share security in the form of real property mortgages. In addition, the NAB, in capacity as Security Trustee, retains a fixed and floating charge over the assets of the Trust as further security.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

	Consolidated Group	
	2011	2010
	$'000	$'000
Collateral that has been pledged for secured liabilities is as follows:		
i) Financial assets pledged		
Cash and cash equivalents	8,582	13,829
Trade and other receivables	141	703
Derivative financial instruments	-	725
ii) Other assets pledged		
Other current assets	1,081	1,427
Investment properties	344,102	352,345
Total assets pledged	**353,906**	**369,029**

The principal terms and conditions with respect to the assets pledged are:

- to conduct the business of the Trust (including collecting debts owed) in a proper, orderly and efficient manner;
- not, without lenders' consent, to cease conducting the business of the Trust
- not, without lenders' consent (such consent not to be unreasonably withheld) raise any Financial Accommodation from any other party other than Permitted Financial Accommodation or give any Encumbrance over Trust Assets as security for Financial Accommodation other than Permitted Financial Accommodation;
- to maintain or, ensure that the tenant maintains (in relation to Trust Assets for which a tenant under a Lease is obliged to effect insurance) all risk insurance over the physical assets of the Trust;
- not, without lenders' consent (such consent not to be unreasonably withheld), make any material amendments to any Lease;
- except for those assets which the tenant under a Lease is obliged to maintain, to maintain the Trust Assets in a state of good repair, fair wear and tear excepted;
- not, without the prior written consent of lender, to sell, mortgage, transfer or deal with in any way the units in the sub-Trust held by the Trust;
- not to do anything which effects or facilitates the resettlement of the Trust Assets;
- without lenders' consent, not to create an Encumbrance or allow one to exist on the whole or any part of its present or future property other than any Permitted Encumbrance; and
- subject to the terms of any Security, without lenders' consent, not to dispose of (or agree to dispose of) all or a substantial part of the Trust Assets (either in a single transaction or in a series of transactions whether related or not and whether voluntarily or involuntarily).

Covenants:

The main requirements of the facility is that the Trust maintains maximum debt to property value ratio of 55% for freehold properties and 50% for leasehold properties and a minimum Financial Charges Ratio (net earnings before interest to interest) of 1.4 for the six month period to 30 June 2011.

The Trust was in compliance with all covenants as at 30 June 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

13. Derivative financial instruments

	Consolidated Group	
	2011	2010
	$'000	$'000
(a) Current		
Derivative financial instruments - interest rate swaps & cap/collar contracts	474	-
	474	**-**
(b) Non-current		
Derivative financial instruments - interest rate swaps & cap/collar contracts	865	-
	865	**-**

The Trust uses derivative financial instruments (comprising interest rate swaps and cap/collar contracts) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Refer to Note 12 for further information on these contracts.

14. Contributed Equity

	Consolidated Group	
	Units on issue	Units on issue
	No '000	$'000
Balance at 1 July 2009	134,974	166,314
Units Issued	-	-
Balance at 30 June 2010	**134,974**	**166,314**
Balance at 1 July 2010	134,974	166,314
Units Issued	40,492	30,369
Transaction Costs	-	(1,670)
Balance at 30 June 2011	**175,466**	**195,013**

During the year ending 30 June 2011, there were 40,492,014 units issued as a result of the Rights Issue (2010: there were no units issued).

All units on issue rank equally for the purpose of distributions and on termination of the Trust. All units entitle the holders to one vote, either in person or by proxy, at a meeting of the trust.

Rights Issue:

During the year the Trust successfully completed a fully underwritten 3 for 10 non-renounceable Rights Issue to all eligible Unitholders at an offer price of 75 cents per new unit. The Rights Issue raised $30.4 million in total with the net proceeds of $28.7 million used to repay debt.

Capital Risk Management:

The Responsible Entity's objective when managing capital objective is to ensure the Trust continues as a going concern as well as to maintain optimal returns to Unitholders and benefits for other stakeholders. The Responsible Entity also aims to maintain a capital structure that ensures the lowest cost of capital available to the Trust.

The proportion of capital is largely determined by the loan-to-value ratio as specified under the Trust's debt facility (refer Note 12). The maximum debt to property value ratio is 55% for freehold properties and 50% for leasehold properties. The Trust was in compliance with the loan-to-value ratio as at 30 June 2011.

The Responsible Entity has a policy of paying out as distributions only net income earned by the Trust for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

15. Cash and cash equivalents

(a) Components of cash and cash equivalents		
Cash	8,582	13,829
Total cash and cash equivalents	**8,582**	**13,829**
(b) Reconciliation of profit after tax expense to net cash provided by operating activities flows provided by operating activities.		
Profit	2,339	3,634
Finance costs	16,701	22,638
Loss on sale of investment properties	465	1,968
Unrealised foreign exchange (gains) / losses	54	(3,683)
Realised foreign exchange (gains) / losses	2,690	(2,496)
Change in fair value of derivative financial instruments	1,339	(725)
Realised losses on derivative financial instruments	1,493	5,533
Net property revaluation decrement	2,814	835
Straight line rental adjustments	(585)	(418)
(Increase)/decrease in debtors	213	368
(Increase)/decrease in other current assets	347	(204)
Increase/(decrease) in other current liabilities	(2,251)	572
Increase/(decrease) in trade and other payables	(1,718)	(3,954)
Net cash flows provided by operating activities	**23,901**	**24,068**
(c) Financing facilities		
Committed financing facilities available to the Trust:		
Bank loans - secured	142,000	76,166
Amounts utilised	(140,000)	(76,166)
Available loan facilities	2,000	-
Senior Secured Notes facility	-	97,067
Amounts utilised	-	(97,067)
Available Note facilities	-	-
Cash	8,582	13,829
Financing resources available at the end of the year	**10,582**	**13,829**
Maturity profile of financing facilities:		
Due within one year	-	9,000
Due between one year and five years	142,000	164,233
Due after five years	-	-
	142,000	173,233

Refer to Note 12 for details on the conditions of the financing facilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

16. Segment Information

The Trust operates as one business segment being the investment in childcare property centres. The Trust's segment is based on reports used by both management and Directors in making key decisions. The Trust owns property in both Australia and New Zealand. Total revenue comprises revenue from Australia of $35.3 million (2010: $43.5 million) and revenue from New Zealand of $4.0 million (2010: $3.6 million). Investment properties held by the Trust comprise Australian properties of $304.1 million (2010: $310.6 million) and New Zealand properties of $40.0 million (2010: $41.7 million).

17. Related Party Disclosures

The Trust Group

The consolidated financial statements include the financial statements of Australian Education Trust and its wholly owned subsidiary AET New Zealand Education Trust ("AETNZ"). AETNZ was established in Queensland, Australia with the issue of 2 units at $1.00 each to the Trust on 10 October 2005. The Trust owns 100% of the 14,700,000 units (2010: 14,700,000) on issue in AETNZ at a carrying value of $14,700,000 (2010: $14,700,000).

Transactions between the parent entity and its subsidiary during the financial year are set out below:

	Consolidated Group	
	2011	2010
	$'000	$'000
Interest from subsidiary trust	3,451	3,463
Expense reimbursement from subsidiary trust	25	25
Loan to subsidiary trust	30,477	29,954

The amount due from AET New Zealand Education Trust is a long term loan with no fixed date for repayment. Interest is payable on the loan balance and is based on the average interest rate on loans held by the Parent Entity plus a margin of 2.74% pa. At 30 June 2011 interest totalling $558,147 on the loan remains unpaid. AET New Zealand Education Trust has sufficient funds to repay the unpaid interest and this will be repaid in the short-term.

Responsible Entity

The Responsible Entity of the Trust is Austock Property Management Limited.

In accordance with the Trust constitution and other agreements the Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation with the trust or in performing its obligations under the constitution, debt arrangement fees and property acquisition due diligence fees.

The following table provides the total amount of transactions that have been entered into with the Responsible Entity for the relevant financial year:

Amounts paid or payable during the year		
Responsible Entity asset management fees	1,702	2,266
Responsible Entity cost recoveries	149	389
Responsible Entity debt refinancing fee	900	-
	2,751	2,655
Amounts included in accruals or payables at balance date	**536**	**567**

Custodian

The Custodian of the Trust assets is The Trust Company Ltd (formerly named Trust Company of Australia Ltd). The Custodian is entitled to fees for its services.

Amounts paid or payable during the year		
Custodian fees	78	109
Amounts included in accruals or payables at balance date	24	36

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Terms and conditions of transactions with related parties

All transactions between related parties were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of the loan between the parent entity and its subsidiary.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

Units held in the Trust by Related Entity

Australian Social Infrastructure Fund ("ASIF") is a fund of which the Responsible Entity is a related party to Austock Property Management Limited.

Name	ASIF
Opening balance of units held	14,730,980
Acquisitions of units	-
Disposals of units	(7,000,000)
Closing balance of units held	**7,730,980**

An amount of $162,350 was payable at balance date to ASIF in relation to the 30 June 2011 quarterly distribution.

Payment to Related Entity

Austock Securities Limited, a company which has the same ultimate holding company as the Responsible Entity, received underwriting and selling fees from the Trust during the year totalling $1,518,450. This fee was paid for services provided by Austock Securities Limited to fully underwrite the Rights Issue.

For the year ended 30 June 2011, the Trust has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history does not suggest otherwise. This assessment will be undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. When assessed as required the Trust raises such a provision.

18 Key Management Personnel

The Directors of the Responsible Entity are considered to be Key Management Personnel (KMP)	
Chairman – Non-executive	
Vic Cottren	Appointed 22 Dec 2004
Executive Directors	
Tim Boyle	Appointed 24 March 2010, resigned 9 July 2010
Nick Anagnostou	Appointed 4 Aug 2008
Non executive Directors	
Michael Johnstone	Appointed 22 Dec 2004
Other KMP	
Travis Butcher	Role – Chief Financial Officer, Appointed 30 October 2008

Remuneration:

No KMP were remunerated directly by the Trust. The KMP of the Responsible Entity receive remuneration in their capacity as Directors and senior management of the Responsible Entity and these amounts are paid from an entity related to the Responsible Entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

The names of each person holding the position of Director of the Responsible Entity during the financial year were Messrs MF Johnstone, VD Cottren, TD Boyle and NJ Anagnostou. No Director of the Responsible Entity received or became entitled to receive any benefit because of a contract made by the Trust with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

Units held in the Trust by Directors:

The relevant interests of each Director of the Responsible Entity (including Director related entities) acquired in the unit capital of the Trust are set out below.

Name	MF Johnstone	VD Cottren	NJ Anagnostou	TD Boyle
Opening balance of units held	50,000	400,000	-	-
Acquisitions of units	15,000	170,000	13,000	-
Disposals of units	-	-	-	-
Closing balance of units held	**65,000**	**570,000**	**13,000**	**-**

19. Capital and lease commitments

	Consolidated Group	
	2011	2010
	$'000	$'000
(a) Capital expenditure commitments - centre acquisitions and development		
Estimated capital expenditure commitments contracted at balance date but not provided for:		
not later than 1 year	**-**	**-**

(b) Lease revenue commitments

Details of non-cancellable operating leases contracted but not capitalised in the financial statements are shown below:

The property leases are non-cancellable with a fifteen year term and rent is reviewed annually in accordance with CPI movements. Further, two five year options exist to renew the leases for further terms.

	2011 $'000	2010 $'000
Receivable:		
not later than 1 year	33,885	33,317
later than 1 year but no later than 5 years	144,652	142,918
later than 5 years	196,430	232,922
	374,967	**409,157**

(c) Leasehold property commitments

Details of non-cancellable property leases contracted for not capitalised in the financial statements are shown below:

The property leases are non-cancellable leases with a twenty year term, with rent payable quarterly or monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by the minimum of CPI to a maximum of 5% pa. A right or option exists to renew the leases for a further term. The lease allows for subletting of all lease areas.

	2011 $'000	2010 $'000
Payable:		
not later than 1 year	1,031	1,021
later than 1 year but no later than 5 years	4,668	4,414
later than 5 years	15,643	15,449
	21,342	**20,884**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

20. Financial risk management

The Trust's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest risk), credit risk and liquidity risk. The Trust's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust. The Trust uses derivative financial instruments such as interest rate swaps and caps/collars to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange, and aging analysis for credit risk.The Trust's financial instruments consist of deposits with banks, accounts receivable and payable, derivatives, loans from banks and other financial intermediaries and a loan to a subsidiary.

The Responsible Entity manages the Trust's exposure to key financial risks in accordance with its Risk Management Plan. The objective of the plan is to support the delivery of the Trust's financial targets whilst protecting future financial security.

During the year, the Board updated the Risk Management Program to comply with the requirements of the Australian Standard on Risk Management (AS/NZ ISO 31000). A Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806) was also implemented. The updated Programs reflect the Board's commitment to identify, monitoring and mitigating risks as well as capturing opportunities. Day to day responsibility for risk management has been delegated to executive management, with review at Board level.

The Responsible Entity reviews and implements policies for managing each risk as summarised below.

Risk exposures and responses

i) **Market risk**

The Trust is exposed to interest rate, foreign currency, liquidity and credit risks. Details are provided in the following paragraphs. There are no known exposures to other risks that are material to the financial statements.

- Interest rate risk

The Trust's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest rate risk if the borrowings are carried at fair value. During 2011 and 2010, the Trust's borrowings at variable rate were denominated in Australian Dollars.

The Trust has the following classes of financial assets and financial liabilities that are exposed to interest rate risk:

	Consolidated Group	
	2011	2010
	$'000	$'000
Financial assets		
Cash and cash equivalents	8,582	13,829
	8,582	**13,829**
Financial liabilities		
Borrowings (Gross)	(140,000)	(173,233)
	(140,000)	**(173,233)**
Net exposure	**(131,418)**	**(159,404)**

The weighted average interest rates relating to the above financial assets and financial liabilities were as follows:

Financial assets	**%**	**%**
Cash and cash equivalents	5.03%	3.10%
Financial liabilities		
Borrowings	7.94%	8.18%

Financial assets are not hedged and are exposed to variable interest rate risk. The Responsible Entity believes that this exposure is relatively low and does not pose a material risk to the Trust.

The Trust's fixed rate borrowings and receivables are carried at amortised cost. They therefore not subject to interest rate risk as defined in AASB 7.

Refer to Note 7 and Note 13 for details on the fair value of derivatives as at the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

The Responsible Entity analyses the Trust's interest rate exposure on a dynamic basis. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. Based on the analysis, the Responsible Entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps and cap/collar arrangements. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Trust agrees with other parties to exchange, at specific intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Cap/collar arrangements have the economic effect of limiting the range of interest rates payable on borrowings. Under the cap/collar arrangement, the Trust agrees with another party to exchange, at specific intervals (mainly quarterly), the any difference between the contracted cap and floor rate and the floating rate interest amounts calculated by reference to the agreed notional principal amount.

A loan amount of $20 million is unhedged and as at 30 June 2011, the weighted average variable interest rate is 7.63% pa.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated Group			
	Net profit		Equity	
	Increase/(decrease)		Increase/(decrease)	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Judgements of reasonably possible movements:				
Increase in variable interest rates of 1.00%	2,356	(762)	2,356	(762)
Decrease in variable interest rates of 0.50%	(1,557)	381	(1,557)	381

The movements in profit are due to the net impact of higher/lower interest costs from variable rate debt and cash balances and the increase/decrease in the fair value of derivative instruments. Due to the hedging arrangements taken out during the year, with the majority of the Trust's debt hedged, increases in interest rates increase profit due to increases in the fair value of derivative financial instruments Such movements are reflected in the statement of comprehensive income and equity.

- Foreign currency risk:

The Trust has exposure to foreign currency movements through its investment in New Zealand properties. The Senior Secured Notes, which were denominated in United States Dollars ("USD") and Canadian Dollars ("CAD") were repaid during the year.

It is a policy of the Responsible Entity not to expose the Trust to any material risks relating to movements in foreign currencies.

With respect to property investments in New Zealand, there is currently no relevant hedging in place. Of the total value of property investments held by the Trust, 11.7% is represented by properties held in New Zealand. The intention is to hold New Zealand properties on an on-going basis. In accordance with accounting standards, movements in foreign exchange rates are recognised at the time the properties are revalued to fair value.

The Trust also has transactional New Zealand Dollar ("NZD") exposures. Such exposures arise from rental income and purchases of services in NZD. Further, the Trust holds some cash, receivables and payables which are denominated in NZD. In the opinion of the Directors of the Responsible Entity the level of the Trust's transactions in NZD is relatively low and does not constitute a material risk to the Trust.

Due to the Senior Secured Notes being repaid in December 2010, the Trust no longer has any exposure to movements in USD and CAD (refer to Note 12).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

The Trust's exposure to foreign currency risk and the relevant classes of financial assets and financial liabilities is set out below:

	Consolidated Group	
	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	226	699
	226	**699**
Financial liabilities		
Payables	5	8
Borrowings	-	98,157
	5	**98,165**
Net exposure	**221**	**(97,466)**

	Consolidated Group			
	Net profit Increase/(decrease)		Equity Increase/(decrease)	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Judgements of reasonably possible movements:				
AUD/NZD + 15.00%	(6,053)	(6,363)	(6,053)	(6,363)
AUD/NZD - 15.00%	6,053	6,363	6,053	6,363

The movements in profit are due to variations in the AUD/NZD exchange rate impacting valuations of assets and liabilities denominated in NZD. Such movements are reflected in the statement of comprehensive income and equity.

The exposure of the parent entity to NZD movements is via its investment in AET New Zealand Education Trust, being the entity which holds the New Zealand-based investments.

- Price risk

The Trust does not invest in any listed securities and hence is not exposed to any price risk.

ii) **Liquidity risk:**

Liquidity risk is managed by adhering to restrictions under the Trust's investment strategy from entering into contractual arrangements that produce an exposure not covered by sufficient liquid assets or a total investment exposure in excess of total Unitholders' funds. Further, the Responsible Entity ensures that sufficient cash and cash equivalents are maintained to meet the needs of the Trust through cash flow monitoring and forecasting.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2011. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Market value is not materially different from the break value. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing as at 30 June 2011.

The remaining contractual maturities of the Trust's financial liabilities are:

	Consolidated Group	
	2011 $'000	2010 $'000
6 months or less	8,063	21,455
6 to 12 months	237	-
1 to 5 years	140,865	164,233
Later than 5 years	-	-
	149,165	**185,688**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Maturity analysis of financial assets and liability based on management expectations:

The following table below a maturity analysis of financial assets and financial liabilities based on management's expectations. Apparent shortfalls in cash are due to the maturity of debt facilities at various points in time. Prior to the maturity of these facilities, the Trust will either negotiate to extend the term of these facilities or arrange new facilities on terms appropriate at that time.

	6 months or less	6 to 12 months	1 to 5 years	Later than 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Consolidated Group					
2011 Financial assets					
Cash and cash equivalents	8,582	-	-	-	8,582
Receivables	389	-	-	-	389
	8,971	**-**	**-**	**-**	**8,971**
Financial liabilities					
Payables	7,826	-	-	-	7,826
Borrowings	-	-	140,000	-	140,000
Derivatives	237	237	865	-	1,339
	8,063	**237**	**140,865**	**-**	**149,165**
Net exposure	**908**	**(237)**	**(140,865)**	**-**	**(140,194)**
2010 Financial assets					
Cash and cash equivalents	13,829	-	-	-	13,829
Receivables	1,062	-	-	-	1,062
Derivatives	29	26	670	-	725
	14,920	**26**	**670**	**-**	**15,616**
Financial liabilities					
Payables	12,455	-	-	-	12,455
Borrowings	9,000	-	164,233	-	173,233
	21,455	**-**	**164,233**	**-**	**185,688**
Net exposure	**(6,535)**	**26**	**(163,563)**	**-**	**(170,072)**

iii) **Credit risk**

Credit risk arises from the financial assets of the Trust, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Trust's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable Note.

Receivables are generally received within 30 days, except for the amount due to the Parent Entity from AET New Zealand Education Trust which has no fixed date of repayment (refer to Note 17).

The Trust does not hold any credit derivatives to offset its credit exposure.

The Trust trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Trust's policy to securitise its trade and other receivables.

The Trust's credit exposure is concentrated with one debtor, GoodStart, who contribute 64% of rental income. The total credit risk for financial instruments contained in the Balance Sheet is limited to the carrying amount disclosed in the Balance Sheet, net of any provisions for doubtful debts.

In addition, receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is not significant.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

iv) Fair Value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Trust's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010.

Consolidated Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2011				
Assets				
Derivatives used for hedging		-		-
Total assets	-	-	-	**-**
Liabilities				
Derivatives used for hedging		1,399		1,399
Total liabilities	-	**1,399**	-	**1,399**
2010				
Assets				
Derivatives used for hedging		725		725
Total assets	-	**725**	-	**725**
Liabilities				
Derivatives used for hedging				
Total liabilities	-	-	-	-

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps and cap/collar arrangements are calculated as the present value of the estimated future cash flows. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

The carrying amounts of bank deposits, receivables, other debtors, accounts payable, bank loans, lease liabilities and distributions payable approximate net fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Net fair values

Recognised financial instruments:

The Trust's financial assets and liabilities included in current and non-current assets and liabilities on the Balance Sheet are carried at amounts that approximate net fair value.

Unrecognised financial instruments:

The Trust has no off-balance sheet financial instruments.

	Consolidated Group	
	2011	2010
	$'000	$'000
21. Net tangible assets		
Net tangible assets ($ '000)	206,888	183,341
Units used (No '000)	175,465	134,974
Net tangible assets at carrying value per unit	$1.179	$1.358
22. Contingent liabilities		
No contingent liabilities to the Trust exist of which the Responsible Entity is aware.		
23. Auditor's Remuneration		
Audit and other assurance service		
Audit or review of financial report – PricewaterhouseCoopers, Australian firm	58,843	53,000
Audit of compliance plan – PricewaterhouseCoopers, Australian firm	4,200	4,000
Taxation services		
Taxation – PricewaterhouseCoopers, Australian firm	23,327	36,225
Total audit remuneration	**86,370**	**93,225**

24. Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011	2010
Balance sheet		
Current assets	15,934	16,153
Total assets	358,626	370,643
Current liabilities	9,005	15,526
Total liabilities	146,220	183,727
Shareholders' equity		
Contributed equity	187,520	166,314
Undistributed profits	24,885	20,602
	212,405	186,916
Profit for the year	4,283	4,213
Total comprehensive income	4,283	4,213

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

b) Guarantees entered into by the parent entity

As at 30 June 2011, the parent entity has not provided any guarantees in relation to its subsidiary, AET New Zealand Education Trust.

c) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2011 or 30 June 2010.

25. Subsequent Events

The financial report was authorised on 8th August 2011 by the Board of Directors of the Responsible Entity.

The AET New Zealand Education Trust (AETNZ) entered into a Deed of Settlement and Release with ABC Developmental Learning Centres (NZ) Limited (ABCNZ) on 1 August 2011 in respect to a claim by AETNZ for damages suffered on the termination of agreements for lease for ten development sites in New Zealand. The agreements for lease were entered into by AETNZ with ABCNZ between 22 October 2007 and 6 May 2008, and nine of the development sites have since been sold. The terms of settlement include payment by ABCNZ to AETNZ of an amount of NZ$3 million ($A2.4 million), of which NZ$1.5 million ($A1.2 million) was paid on 1 August 2011 and the balance is payable by 31 October 2011 or such earlier date as required by the deed.

There have been no other significant events since 30 June 2011 that have or may significantly affect the results and operations of the Trust.

26. Trust Details

The registered office and principal place of business of the Trust is Level 12, 15 William Street, Melbourne Victoria 3000 and the principal activity being a specialist childcare centre property owner. The domicile of the Trust is Australia.

DIRECTORS' DECLARATION

In the opinion of the Directors of Austock Property Management Limited, the Responsible Entity of Australian Education Trust and its controlled entities ("the Trust"):

1. the financial statements and notes, set out on pages 19 to 48 are in accordance with the *Corporations Act 2001*, including:

   i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   ii) giving a true and fair view of the Trust's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

2. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable, and

3. the Trust has operated during the year ended 30 June 2011 in accordance with the provisions of the Trust Constitution dated 8 July 2002 (as amended).

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors of Austock Property Management Limited.

Dated at Melbourne this 8th day of August 2011

Victor David Cottren
Chairman
Austock Property Management Limited

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS

pwc

Independent auditor's report to the members of Australian Education Trust

Report on the financial report

We have audited the accompanying financial report of Australian Education Trust (the Trust), which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Australian Education Trust and controlled entity (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Austock Property Management Limited, the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO BOX 1331L
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T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS (CONTINUED)

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Australian Education Trust is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated Trust's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included on page 16 of the directors' report for the year ended 30 June 2011. The directors of the Responsible Entity are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Education Trust for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Australian Education Trust (the Trust) for the year ended 30 June 2011 included on the Australian Education Trust's web site. The directors of Austock Property Management Limited, the Responsible Entity, are responsible for the integrity of the Trust's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
8 August 2011

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional Stock Exchange Information as at 21 July 2011

Number of holders of ordinary units and voting rights

There were 175,465,397 fully paid ordinary units on issue, held by 2,652 Unitholders.

The voting rights attaching to the ordinary units, set out in section 253C of the *Corporations Act 2001*, are:

(a) on a show of hands every person present who is a Unitholder has one vote; and
(b) on a poll each Unitholder present in person or by proxy or attorney has one vote for each dollar of value of the total interests they have in the Trust.

Distribution of Unitholders

Number of Units Held	Number of Unitholders
1 - 1,000	246
1,001 - 5,000	587
5,001 - 10,000	594
10,001 - 100,000	1,071
100,001 and over	154
Total	2,652
Holdings less than a marketable parcel	44

Substantial Unitholders

Name of Substantial Unitholder	Number
Orbis Group	32,639,712
Acorn Capital Limited	20,462,141

Twenty Largest Unitholders

Holder Name	Number of Units	Fully Paid Percentage
National Nominees Limited	31,366,445	17.876
J P Morgan Nominees Australia Limited	15,264,802	8.700
Citicorp Nominees Pty Limited	8,065,304	4.597
Trust Company Limited	7,730,980	4.406
Mr Louis Pierre Ledger	7,258,643	4.137
Sandhurst Trustees Ltd	6,280,000	3.579
Chemical Trustee Limited	4,550,000	2.593
HSBC Custody Nominees	4,083,488	2.327
UBS Nominees Pty Ltd	1,809,112	1.031
Citicorp Nominees Pty Limited	1,795,968	1.024
Buratu Pty Ltd	1,780,000	1.014
Redbrook Nominees Pty Ltd	1,625,194	0.926
YAGM Pty Ltd	1,431,140	0.816
Acres Holdings Pty Ltd	1,372,849	0.782
Mr Robert Adamson	1,344,066	0.766
J & L Nominees Pty Ltd	1,300,000	0.741
Redbrook Nominees Pty Ltd	1,266,333	0.722
Maycot Pty Ltd	1,235,000	0.704
Mr Raymond Martin & Mrs Deborah Martin	1,139,999	0.650
Aust Executor Trustees Ltd	1,042,640	0.594
	101,741,963	**57.984**

On market buy back

There is no current on-market buy-back.

DIRECTORY

Responsible Entity and principal place of business of the Trust	**Austock Property Management Limited** Level 12 15 William Street Melbourne VIC 3000
Directors of the Responsible Entity	**Victor David Cottren (Chairman)** Michael Francis Johnstone Nicholas James Anagnostou
Solicitors	**Macrossans Lawyers** Level 23 AMP Place 10 Eagle Street Brisbane Qld 4000
Share Registry	**Boardroom Pty Limited** Level 7, 207 Kent Street Sydney NSW 2000
Auditors/Taxation Advisors	**PricewaterhouseCoopers** Freshwater Place 2 Southbank Boulevard Southbank Vic 3000
Bank	**National Australia Bank Limited** 330 Collins Street Melbourne Vic 3000
	Australia & New Zealand Banking Corporation Limited Level 29 100 Queen Street Melbourne Vic 3000
Custodian	**The Trust Company Limited** 213-217 St Pauls Terrace Brisbane Qld 4001
Secretary of the Trust	**Amanda Jane Gawne** Level 12 15 William Street Melbourne VIC 3000
	Adrian Seamus Hill Level 12 15 William Street Melbourne VIC 3000