

## ASX Announcement

17 February 2011

## Results for the Half Year Ended 31 December 2010

The Directors of the Responsible Entity, Austock Property Management Limited (APML) provide the results of the Australian Education Trust (AET or the Fund) for the half year ended 31 December 2010. AET is a real estate investment trust that invests in childcare property and social infrastructure assets.

### 1. Key Summary

- a. Net Operating Profit of \$4.2m, up 68% on the previous corresponding period ("pcp").
- b. Operating revenue of \$19.4 million, up 1.6% on the pcp.
- c. Statutory profit up 68% after impact of non-recurring items in relation to early repayment of Senior Secured Noteholders and refinancing of debt facility. This included significant non-cash items.
- d. Upgraded FY11 Net Operating Profit forecast of between \$9.5m to \$10.25m (up from previous guidance of \$9.0m to \$10.m).
- e. Reduction in overall gearing to 49.3%. Imminent reduction in margin expected to further reduce interest expense.
- f. Upgraded distribution guidance of 4.3 cents per unit for the 6 months to 30 June 2011 (up from 4.0 cents) with continued rental and distribution growth expected in FY12.
- g. Quarterly distributions to re-commence from the March 2011 quarter.
- h. Negotiation of a new 3 year debt facility with two major Australian banks.
- i. Early repayment of Senior Secured Noteholders saving approximately \$1.7 million in interest with no penalties or make-whole obligation.
- j. Stable NTA of \$1.34 per unit (30 June 2010: \$1.36).
- k. Weighted Average Lease Expiry at 31 December 2010 of 10.3 years.
- l. Limited vacancy of 1% (excluding four development site assets).

Table 1 provides a summary of the financial position of AET as at 31 December 2010 in comparison to 30 June 2010:

Table 1 – Financial Comparison

	31 December 2010	30 June 2010	Variance
Total Assets	\$353.5m	\$369.0m	(4.2%)
Investment Property	\$347.1m	\$352.3m	(1.5%)
Borrowings	\$171.0m	\$179.4m <sup>1</sup>	(4.7%)
Net Assets	\$180.8m	\$183.3m	(1.4%)
Units on Issue as at End of Period	134.9m	134.9m	No Change
Number of Properties	335	340	(1.5%)
Gearing <sup>2</sup>	49.3%	50.9%	(1.6%)
NTA per unit	\$1.34	\$1.36	(1.5%)

<sup>1</sup> Based on conversion of foreign currency borrowings at hedged exchange rates

<sup>2</sup> Gearing is calculated by borrowings / investment properties

## 2. Property Summary

AET's childcare property portfolio as at 31 December 2010 is as follows:

Table 2 – Property Summary

	No. of Properties	Carrying Value \$m's	Rent (pa) \$m's
<b>Operating Properties</b>			
GoodStart Childcare Limited	193	219.3	21.2
ABC New Zealand (not in administration)	56	40.8	3.4 <sup>3</sup>
Other Tenants	77	82.4	8.5
	<b>326</b>	<b>342.5</b>	<b>33.1</b>
<b>Development Sites</b>			
Australia Available For Sale	3	1.6	-
New Zealand Available For Sale	1	0.1	-
<b>Closed Properties</b>			
Available for Sale/Lease	4	1.9	-
Contracted/Settled subsequent to 31 December 2010	1	1.0	-
<b>Total as at 31 December 2010</b>	<b>335</b>	<b>347.1</b>	<b>33.1</b>

<sup>3</sup> New Zealand dollar values are translated using the 31 December 2010 exchange rate of 1.32

### a. GoodStart - Tenant of 193 AET Childcare Properties

The not-for-profit group GoodStart Childcare Limited ("GoodStart") is the tenant of 193 of AET's properties as the purchaser of the former ABC Learning Centres Ltd 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. Childcare in Australia is supported and partly funded by the Federal Government. Goodstart has sourced funding from NAB as well as from its founding members. An overview of the lease arrangements with GoodStart are as follows:

- Typically balance of original 15 year term with 2 five year options on a triple net structure which includes all outgoing and cost of repairs and maintenance, including periodic redecoration, to be met by the tenant (not including Qld and Vic land tax ~\$1.6m);
- An industry first, 6 month gross rent 'pooled' bank guarantee of approximately \$12.9m. The bank guarantee is incorporated into each lease and is reviewable annually. The guarantee includes a portfolio default provision should the collective security due to AET be deficient at any time, subject to notice periods. The pooling arrangement allows AET to call on the guarantee on any one default event up to a maximum of \$750,000 which can be drawn from the pooled guarantee. The guarantee extends through to 2035.

GoodStart have been in operation for approximately 10 months and AET has been advised by GoodStart that they are performing slightly ahead of budget for the first half year and are expecting this good performance to continue through to the second half year. This is a good outcome given that Goodstart did not take an assignment of the leases until 31 May 2010.

### b. ABC New Zealand

ABC New Zealand (ABC NZ) is a wholly owned subsidiary of the ABC Learning Centres (Receivers & Managers Appointed) Ltd. The New Zealand subsidiary is not in receivership or liquidation. McGrath Nicol Corporate Advisory has been appointed to market the business for sale. AET owns 56 properties in New Zealand which represents approximately 17% of AET's portfolio by number of properties. The Fund continues to receive all rent under its ABC NZ leases.

Financial data provided by ABC NZ shows the business to be performing well with significant profitability.

### c. Other Tenants

AET has 24 appropriately qualified tenants leasing the remainder of its property portfolio. The tenants leasing 10 or more properties are: Mission Australia, Childcare Property Development Services and Kindy Patch. Management is currently in discussions with listed childcare operator G8 Education Limited with respect to taking an assignment of a small number of centres.

## 3. Debt Funding

AET entered into a new \$180 million syndicated debt facility with the National Australia Bank (NAB) and the Australia and New Zealand Banking Group Limited (ANZ). The new banking facility replaces the previous facility with the NAB and the US Senior Secured Notes (Noteholders) which was due to mature on 31 July 2011.

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

Table 3 – Summary of Financing Arrangements

1. Facility Limit	\$180 million (reducible at AET's option)
2. Drawn Amount	\$171 million as at 31 December 2010
3. Facility Term	3 Years from 30 December 2010
4. Financiers	NAB & ANZ (50% equal share)
5. Security	First ranking mortgages over each freehold property
6. Margins	Scale of margins dependant upon the Trust's LVR position
7. Maximum Loan to Value Ratio	55% of Freehold value & 50% of Leasehold Interest value
8. Financial Charges Ratio	Not to be less than 1.4x for FY11 and 1.6x for FY12 and beyond measured on a six monthly basis
9. Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio
10. Interest Rate Hedging	Requirement to enter into interest rate hedging arrangements with the Lenders for a minimum 70% of facility limit by 28 February 2011

As at 31 December 2010, the Fund was compliant with all of its debt covenant ratios and obligations.

The facility has been designed to provide for reduced interest margins based on reductions in the Fund's LVR. A reduction in LVR below 50% will result in a 0.4% decrease in the margin and a further reduction below 45% LVR will provide an additional 0.4% decrease in margin. Based on an imminent further debt reduction, AET's LVR will be 49.7%. Investors should note the LVR is calculated in accordance with the Lenders' guidelines and therefore may vary from the ratio of investment properties over debt.

Following the debt reduction, AET's all-in-cost of debt will fall to 8.5% down from the 8.9% level previously reported. This change reflects the lower LVR banding which is applicable when the LVR is lower than 50%. This is a significant reduction from the all-in-cost of debt under the previous arrangement of 10.7%. AET will shortly enter into hedging arrangements with its financiers to protect AET from adverse interest rate movements and to meet its obligations under its facility. An update to the cost of debt will be provided following the completion of AET's hedging arrangements.

## 4. Distribution

As previously announced, distributions for AET re-commenced effective from 1 January 2011, with the distribution for the quarter ending 31 March 2011 to be paid in April 2011. AET will issue an announcement in March regarding the distribution for the quarter ending 31 March 2011 and also post information on its website at: [www.educationtrust.com.au](http://www.educationtrust.com.au).

It was previously estimated that the total distributions for the half year to 30 June 2011 will be 4 cents per unit. This guidance has now been upgraded to **4.3 cents per unit** for the same period. This is based upon the imminent lower cost of debt together lower forecast interest expense for the period

There will be no income distributed for the half year to 31 December 2010, as the funds have been used to repay debt and contribute to the cost of the refinancing.

Under the new banking arrangements AET is not restricted with respect to distributions to Unitholders, subject to the Fund complying with terms of the banking arrangements.

## 5. Financial Summary

The table below provides a comparison of the results for the half year ended 31 December 2010 and the previous corresponding half:

### a. Income Statement

Table 4 – Income Statement Comparison

Half year ending 31 December (\$m's)	Notes	2010	2009
<b>Revenue</b>			
Lease income	1	16.5	16.6
Property outgoings recoverable	2	2.5	2.2
Other income		0.4	0.3
		19.4	19.1
<b>Expenses</b>			
Finance costs	3	9.9	10.3
Property expenses	2	3.8	3.5
Responsible entity's remuneration		0.9	1.2
Legal expenses	4	0.1	1.0
Other expenses	5	0.5	0.6
		15.2	16.6
<b>Net operating income</b>		4.2	2.5
Change in fair value of forward exchange contracts		-	(4.9)
Amortisation of lease incentive asset & liability (lease income)		(0.2)	0.8
Straight line rental adjustments (lease income)		0.2	0.2
Realised gains / (losses) on sale of investment properties		(0.2)	(0.4)
Net revaluation decrement of investment properties	6	(1.4)	(6.1)
Realised foreign exchange gains / (losses)	7	(2.7)	1.7
Realised losses on early termination of derivative contracts	8	(1.5)	(5.5)
Unrealised foreign exchange gain/(losses)	7	-	9.4
Waiver / Consent Fee on Debt Refinancing (Finance costs)		-	(2.6)
Other		-	(0.1)
<b>Net profit / (loss) attributable to Unitholders</b>		(1.6)	(5.0)

### Notes

1. Lease income has decreased to \$16.5 million for the half ending 31 December 2010 from \$16.6 million in the prior half. This is due to reduced lease income from sold properties (\$1.2 million) offset by increased lease income due to CPI lease increases (\$0.3 million) and rent-free periods of \$0.8 million in the half ending 31 December 2009 relating to the ABC2 assignment process. 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's tenants pay on a monthly basis a proportionate contribution to AET towards all of the property outgoings in relation to these properties. The property outgoings revenue of \$2.5 million is fully offset by a corresponding expense of \$2.5 million. Property expenses also incurred by AET include non-recoverable property outgoings of \$0.7 million primarily in respect of land tax in Queensland and Victoria and \$0.6 million of rent payable on AET's leasehold properties.
3. Finance costs decreased to \$9.9 million for the half ending 31 December 2010 compared with \$10.3 million in the prior year. This comprises both interest expense of \$8.8 million and amortisation of deferred borrowing costs of \$1.1 million. Interest expense decreased by \$1.1 million due to lower levels of borrowings in this period (weighted average balance of \$174 million compared with \$241 million in the previous half) as a result of the \$80 million of debt amortisation during the prior year partially offset by higher interest rates during the year. The average interest rate during the year was 10.1% pa compared with 8.2% pa in the previous year.

Amortisation of borrowing costs increased by \$0.7 million in this half 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 deferred and will be amortised evenly over the three year term of the debt facility.

4. Legal expenses have decreased by \$0.9 million to \$0.1 million largely due to AET not incurring significant legal expenses in relation to financing arrangements or the ABC Receivership. In the half year ending 31 December 2009, AET incurred legal expenses in relation to the amendment of the debt facilities in September 2009 with AET responsible for the legal expenses of all parties and in relation to the ABC Receivership which were not recoverable from the Receiver.
5. Other expenses of \$0.5 million include such items as registry maintenance, custodian fees, valuation fees and consultant fees.
6. During the half ending 31 December 2010, AET revalued 20 properties, with 6 in Australia and 14 in New Zealand.

Valuation of the six Australian properties decreased by \$0.4 million or 7%, largely driven by decrements on two leasehold properties which are of a diminishing asset nature. Valuations of the 14 New Zealand properties decreased by \$0.8 million or 6%, however this was due to negative exchange rate movements between the exchange rate at 31 December 2010 and the date of last valuation.

The net result of the valuations was a decrement of \$1.2 million which combined with a straight line rental adjustment of \$0.2 million, totals \$1.4 million.

AET has revalued approximately 97% of its portfolio since 30 June 2009. As a result, the fair value of the operating investment property portfolio as at 31 December 2010 is entirely based on the most recent independent valuation.

7. 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.
8. As a result of hedging AET's foreign currency principal and interest obligations through forward exchange contracts, the early repayment of Noteholders has resulted in AET holding surplus forward exchange contracts totalling 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.

## b. Balance Sheet

Table 5 – Balance Sheet Comparison

	Notes	31 Dec 2010 \$'m	30 June 2010 \$'m
<b>Current assets</b>			
Cash and cash equivalents	1	4.3	13.8
Trade and other receivables		0.3	0.7
Other current assets	2	5.8	7.3
<b>Total current assets</b>		<b>10.4</b>	<b>21.8</b>
<b>Non-current assets</b>			
Investment properties	3	340.6	344.2
Investment properties - Straight line rental asset	4	2.5	2.3
Derivative financial instruments	5	-	0.7
<b>Total non-current assets</b>		<b>343.1</b>	<b>347.2</b>
<b>Total assets</b>		<b>353.5</b>	<b>369.0</b>
<b>Current liabilities</b>			
Trade and other payables	6	2.8	4.3
Accrued Interest	7	0.9	5.5
Distribution payable		-	-
Borrowings	8	-	9.0
Other current liabilities	9	0.6	2.7
<b>Total current liabilities</b>		<b>4.3</b>	<b>21.5</b>
<b>Non-current liabilities</b>			
Borrowings	8	168.4	164.2
<b>Total non-current liabilities</b>		<b>168.4</b>	<b>164.2</b>
<b>Total liabilities</b>		<b>172.7</b>	<b>185.7</b>
<b>Net assets</b>		<b>180.8</b>	<b>183.3</b>
<b>Equity</b>			
Contributed equity		166.3	166.3
Undistributed profit		14.5	17.0
<b>Total equity</b>		<b>180.8</b>	<b>183.3</b>

### Notes:

1. The cash balance at 30 June 2010 of \$13.8 million decreased to \$4.3 million at 31 December 2010 primarily as a result of utilising the cash for debt and interest repayments as part of the debt-refinancing.
2. Other current assets of \$5.8 million comprise \$4.0 million of properties to be sold within the next twelve months comprising 3 closed properties, 4 development sites and an operating property which has already been settled.

In addition, the balance includes \$0.9 million of lease incentive assets relating to the provision of rent-free periods to new tenants as part of the ABC2 process and \$0.9 million of prepayments in relation to land tax and insurance.

3. The movement in investment properties of \$3.6 million is the aggregate of disposals of investment properties (5 properties were settled during the half year) of \$4.0 million and a revaluation decrement of \$1.4 million, partially offset by the movement in investment properties to be sold within 12 months of \$1.8 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. Under the previous debt facility, AET had entered into forward exchange contracts to hedge AET's exposure to foreign currency fluctuation risk with both the United States Dollar (USD) and Canadian Dollar (CAD) principal and

interest obligations. At 30 June 2010, the fair value of the forward exchange contracts were in the money by \$0.7 million.

All surplus forward exchange contracts were either pre-delivered or closed out as part of the debt refinancing and as at 31 December 2010 there are no outstanding hedging instruments.

6. Trade and other payables of \$2.8 million is comprised of accruals of \$1.5 million (predominantly land tax), GST payables of \$0.6 million, and trade creditors of \$0.6 million.
7. Accrued interest has decreased by \$4.5 million during the period due to the financial close of the debt refinancing occurring on 31 December 2010 and the majority of outstanding interest cleared at this date.
8. Borrowings at 31 December 2010 of \$168.4 million comprises \$171.0 million drawn debt under AET's syndicated debt facility offset by \$2.6 million of transaction costs in relation to the new facility. Drawn debt at 30 June 2010 was \$174.3 million based on translation of foreign currency borrowings at 30 June 2010 exchange rates. The decrease of \$3.3 million in drawn debt comprises debt repayments of \$6.0m partially offset by a realised loss on the foreign currency borrowings of \$2.7 million. (Refer Note 7 of Income Statement Notes.) 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 (USD\$0.8567 and CAD\$0.8982) and the final settlement rate of USD\$0.8315 and CAD\$0.8890.
9. Other current liabilities relates to rent received in advance with the decrease due to GoodStart paying their January 2011 rent in January in accordance with the lease compared with 30 June 2010 where GoodStart had paid their July rent prior to 30 June 2010.

## 6. Portfolio Performance

Key portfolio performance criteria, as at 31 December 2010, are as follows:

Table 6 – AET Portfolio Performance

	Dec 2010	June 2010
Value of Investment Property (Operating Properties)	\$342.5m	\$346.5m
Annualised Net Rental Income	\$33.1m	\$32.7m
Property Yield – Freehold Properties	9.1%	8.9%
Property Yield – Leasehold Properties	14.8%	13.6%
Total Property Yield	9.4%	9.2%
Vacancy Rate (excluding development sites)	1.2%	1.8%
% GoodStart Tenancy (by number of properties)	59.2%	58.7%
Gearing	49.3%	50.9%
Weighted Average Lease Expiry ("WALE")	10.3	10.8
Units on Issue	134.9m	134.9m
NTA per unit	\$1.34	\$1.36

The key performance criteria highlights the stable nature of the portfolio with respect to WALE, vacancy, and minimal movement in value over the 2009-2010 period and property yields that provide a significant arbitrage to more traditional commercial real estate.



## **7. Floods**

The recent Queensland floods and cyclone affected a large part of the Queensland community. AET's Board, Management and staff of Austock Property express their condolences and best wishes to those affected by these devastating events.

AET owns 86 properties with over 26% of its total rental income coming from the state of Queensland.

The Fund was fortunate not to have suffered major damages across its Queensland portfolio with the exception of one centre. The properties that were affected are outlined below.

1. One AET centre was affected in the January Queensland flooding. The centre requires a full internal refit and we are working with the insurance company, project managers and builders to complete the works as soon as possible and re-open the centre for business.
2. Minor damage to several of AET's properties has occurred as a result of Cyclone Yasi in February. No major damage to these buildings was sustained with the exception of minor damage to play equipment and outdoor shade sails. The repairs of the damaged equipment are the responsibility of the tenant and AET is in liaison with the tenants to ensure the works are carried out in accordance with building regulations. All the properties affected are operating and the tenants continue to meet their rental obligations.

AET holds appropriate insurance cover for these events, and like all insurance policies, insurable limits do apply.

## **8. Outlook**

Management's focus over the last two years has been on successfully completing critical milestones to ensure the protection and stabilisation of Unitholders' interests; firstly in dealing with its major tenant in administration and the many challenges it had to face, and secondly, dealing with the GFC and turbulent markets. Many valuable lessons have been learnt along the way, but the successful resolution of each step of the precision planned course of action taken by Management, resulted in AET being in a significant stronger position than previously. The sales and revaluation program undertaken to meet debt milestones and bank covenants, showed overwhelming evidence of the ability to achieve stated book values on average; re-assign properties at the same market rent levels as previous; commission valuations on leased properties that came in on, or above, stated book values.

The last milestone Management successfully completed was the refinancing of AET's debt facility that has further de-risked the Fund and returned it to a stabilised platform enabling the commencement of distributions. In finalising the new banking facilities, we acknowledge the support from two of Australia's top tier banks, the ANZ and NAB.

The Fund's reduced interest payments, lower gearing, limited vacancy rate and proven underlying property values have all played an important role in the recommencement of distributions and a return to a normalised position for Unitholders.

Management's specialist knowledge within the sector including industry involvement, knowledge and relationships with the relevant stakeholders has ensured that AET has been able to successfully maneuver its way through the difficulties of the past two years, in addition to the Global Financial Crisis. Management has now returned AET to almost 100% occupancy; seen off the attempted value shift by ABC's receiver; produced new and specialist banking facilities at competitive rates and has avoided a capital raising throughout a difficult period for all A-REITs.

Management is now recognised as an industry leader in the social infrastructure asset class. It is this commitment to social infrastructure that has assisted in convincing the necessary stakeholders, including federal and state governments, financiers and trade unions in bringing together the necessary components to secure AET's position and those of other funds. This was recognised in 2010 with an award from the Australian Property Institute ("API") (NSW Division) award for protection of unitholder interests over the past two years. Management also came second in the API Victorian Division's 2010 Property Trust Award in recognition of its efforts.





Management will continue to 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 4.2A and should be read in conjunction with the most recent annual financial report)***

Nick Anagnostou  
Executive Director/Fund Manager  
Australian Education Trust

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Lula Liossi  
Investor Relations Manager  
61 3 8601 2668

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#### **Further information**

The Australian Education Trust internet site, [www.educationtrust.com.au](http://www.educationtrust.com.au) is a source of information for Unitholders. It includes details of AET and its Manager, announcements, current activities and historical information. The site provides access to annual and half-year reports and also contains releases made to the Australian Securities Exchange covering matters of relevance to investors.

# Appendix 4D

## Half Year Report

### For the Period Ended 31 December 2010

Name of entity:

**Australian Education Trust**

ABN:

58 102 955 939

#### 1. Details of the reporting period

This report details the results of Australian Education Trust (the “Trust”) for the half year ended 31 December 2010 (previous corresponding period: half year ended 31 December 2009).

#### 2. Results for announcement to the market

			\$A'000			\$A'000
2.1	Revenue from ordinary activities	Down	11,839	37.9%	to	19,382
2.2	Profit (loss) from ordinary activities after tax attributable to members	Up	3,348	67.4%	to	(1,619)
2.3	Net profit (loss) for the period attributable to members	Up	3,348	67.4%	to	(1,619)
2.4	Interim Distributions – Not Applicable					
2.5	Record date – Not Applicable					
2.6	Brief explanation of the figures reported above: For further explanation of the results refer to the ASX Release and the Directors’ Report of the half-year report.					
2.7	<b>Earnings Per Unit (EPU)</b>			<b>Dec 2010</b>	<b>Dec 2009</b>	
	Basic earnings per unit			(1.20)	(3.68)	
	Diluted earnings per unit			(1.20)	(3.68)	

#### 3. Net tangible assets per unit

	Dec 2010	Jun 2010
Net tangible asset backing per ordinary unit	\$1.34	\$1.36

#### 4. Details of entities over which control has been gained or lost during the period

None.

#### 5. Details of distributions

Not applicable.

**6. Distribution Reinvestment Plan**

Not applicable.

**7. Details of associates and joint venture entities**

Not applicable.

**8. Foreign entities**

None.

**9. Disputes with auditors or qualifications**

Nil



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Victor David Cottren  
Chairman  
Austock Property Management Limited  
Melbourne, 17 February 2011



# **AUSTRALIAN EDUCATION TRUST AND CONTROLLED ENTITY**

ARSN: 102 955 939  
ASX Code: AEU  
ABN: 58 102 955 939

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**Half-Year Financial Report  
31 December 2010**



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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 half-year ended 31 December 2010.

## Directors of the Responsibility Entity

The Directors of the Responsibility Entity during the period and to the date of this report comprise:

Victor David Cottren (Chairman)  
Michael Francis Johnstone  
Nicholas James Anagnostou

## Principal Activities

The Trust is a specialist education property owner which as at 31 December 2010 owns a total of 335 childcare properties (340 properties as at 30 June 2010) 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
<b>Operating Properties</b>			
GoodStart	193	219,288	21,247
ABC New Zealand (not in administration) <sup>1</sup>	56	40,776	3,345
Other	77	82,455	8,483
	<b>326</b>	<b>342,519</b>	<b>33,075</b>
<b>Development Sites – Available for Sale</b>			
Australia	3	1,545	-
New Zealand	1	121	-
<b>Closed Properties</b>			
Available for Sale/Lease	4	1,910	-
<b>Operating Properties</b>			
Contracted/Settled subsequent to 31 December 2010	1	1,010	-
<b>Total Properties as at 31 December 2010</b>	<b>335</b>	<b>347,105</b>	<b>33,075</b>

1. New Zealand dollar values are translated using the 31 December 2010 exchange rate of 1.32.

### Closed Properties

As at 31 December 2010, there are 4 properties remaining on the sales and leasing campaign with a carrying value of \$1.9 million. The proceeds of sale from these properties will be used to pay down debt.

### Development Sites

As at 31 December 2010, there are 3 Australian properties and 1 New Zealand property remaining on the sales campaign with a carrying value of \$1.7 million. The proceeds of sale from these properties will be used to pay down debt.



## Review and Results of Operations

The result for the half year to 31 December 2010, was a loss of \$1.6 million, equivalent to a loss of 1.2 cents per unit ("cpu"). Excluding the impact of non-recurring and non-cash amounts, AET produced operating income of \$4.2 million or earnings per unit of 3.1 cents. For the corresponding period in 2009, AET produced operating profit of \$2.5 million, equivalent to 1.9 cents per unit.

Half year ending 31 December (\$m's)	2010	2009
<b>Revenue</b>		
Lease income	16.5	16.6
Property outgoings recoverable	2.5	2.2
Other income	0.4	0.3
	19.4	19.1
<b>Expenses</b>		
Finance costs	9.9	10.3
Property expenses	3.8	3.5
Responsible entity's remuneration	0.9	1.2
Legal expenses	0.1	1.0
Other expenses	0.5	0.6
	15.2	16.6
<b>Operating Income</b>	<b>4.2</b>	<b>2.5</b>
Amortisation of lease incentive asset & liability (lease income)	(0.2)	0.8
Change in fair value of forward exchange contracts	-	(4.9)
Net revaluation decrement of investment properties	(1.4)	(6.1)
Realised gains / (losses) on sale of investment properties	(0.2)	(0.4)
Realised foreign exchange gain / (losses)	(2.7)	1.7
Realised losses on early termination of derivative contracts	(1.5)	(5.5)
Straight line rental adjustments (lease income)	0.2	0.2
Unrealised foreign exchange gain / (losses)	-	9.4
Waiver / Consent Fee on Debt Refinancing (finance costs)	-	(2.6)
Other	-	(0.1)
<b>Net profit/(loss) attributable to Unitholders</b>	<b>(1.6)</b>	<b>(5.0)</b>

## Distribution

Under the Trust's new banking arrangements, distributions are to recommence for the quarter ending 30 March 2011 to be paid quarterly, one month in arrears.

## Distribution Reinvestment Plan

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

## Funding

As at 31 December 2010 the total assets of the Trust were \$353.5 million, borrowings were \$171.0 million (excluding transaction costs) and net assets were \$180.8 million. The NTA per unit is \$1.34 (30 June 2010: \$1.36) and gearing (Borrowings / Investment Properties) is 49.3%.

The Trust has 134,973,383 units on issue as at 31 December 2010. No units have been issued in this period.

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 facility with the National Australia Bank (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:

1. Facility Limit	\$180 million
2. Drawn Amount	\$171 million as at 31 December 2010
3. Facility Term	3 Years
4. Financiers	NAB & ANZ (50% equal share)
5. Security Trustee / Facility Agent	NAB
6. Security	First ranking mortgages over each freehold property
7. Margins	Scale of margins dependant upon the Trust's LVR position
8. Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
9. Financial Charges Ratio	Not to be less than 1.4x for FY11 and 1.6x for FY12 and beyond measured on a six monthly basis
10. Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio
11. Interest Rate Hedging	Requirement to enter into interest rate hedging arrangements with the Lenders for a minimum 70% of facility limit by 28 February 2011

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

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

## **Subsequent Events**

### *Impact of Recent Floods*

The Trust owns approximately 250 properties across Victoria, New South Wales and Queensland with a wide geographic spread across each. Only one site, being a site in Queensland, has been identified as being severely affected by the floods. The site will remain closed until rectification works are complete. In addition, a small number of sites have been identified as having some water damage which is relatively minor in nature.

The Trust holds appropriate insurance cover for the effect of floods on its properties, although like all insurance policies, it is limited to a finite amount per property. At this point, it cannot be established if the damage to the one site severely affected by flooding will fall within the policy limit.

## **Rounding of Amounts**

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 Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 370C of the Corporations Act 2001 is set out on page 5 for the half year ended 31 December 2010.

Signed in accordance with a resolution of the Board of Directors of the Responsibility Entity.

A handwritten signature in black ink, appearing to read 'V. Cottren', with a long horizontal stroke extending from the end.

Victor David Cottren  
Chairman  
Austock Property Management Limited  
Melbourne, 17 February 2011

Pricewaterhouse Coopers  
ABN 52 780 433 757

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331  
MELBOURNE VIC 3001  
DX 77  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999

## Auditor's Independence Declaration

As lead auditor for the review of the Australian Education Trust for the half year ended 31 December 2010, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Charles Christie  
Partner  
PricewaterhouseCoopers

17 Melbourne  
February 2011

**AUSTRALIAN EDUCATION TRUST**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**



	<b>Consolidated Group</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Lease income	16,533	17,648
Property outgoings recoveries	2,463	2,184
Interest income	245	302
Unrealised foreign exchange gains	-	9,414
Realised foreign exchange gains	-	1,673
Other income	141	-
<b>Total revenue</b>	<b>19,382</b>	<b>31,221</b>
<b>Expenses</b>		
Finance costs	9,885	12,853
Legal expenses	93	1,047
Other expenses	471	648
Property outgoings	3,272	2,887
Rent on leasehold properties	581	576
Responsible entity's remuneration	894	1,187
Change in fair value of forward exchange contracts	-	4,927
Loss on sale of investment properties	165	395
Net property revaluation decrement	1,369	6,135
Realised losses on early termination of derivative contracts	1,493	5,533
Realised foreign exchange losses	2,690	-
Unrealised foreign exchange losses	88	-
<b>Total expenses</b>	<b>21,001</b>	<b>36,188</b>
<b>Net loss attributable to Unitholders</b>	<b>(1,619)</b>	<b>(4,967)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(1,619)</b>	<b>(4,967)</b>
<b>Earnings per unit</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per unit	(1.20)	(3.68)
Diluted earnings per unit	(1.20)	(3.68)

*The Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes*

**AUSTRALIAN EDUCATION TRUST**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT HALF YEAR ENDED 31 DECEMBER 2010**



		Consolidated Group	
	Note	31 Dec	30 Jun
		2010	2010
		\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents		4,327	13,829
Trade and other receivables		338	703
Other current assets	2	5,786	7,263
Derivative financial Instruments – forward exchange contract		-	55
<b>Total current assets</b>		<b>10,451</b>	<b>21,850</b>
<b>Non-current assets</b>			
Investment properties	3	340,629	344,217
Investment properties – Straight line rental asset	3	2,460	2,292
Derivative financial instruments – forward exchange contract		-	670
<b>Total non-current assets</b>		<b>343,089</b>	<b>347,179</b>
<b>Total assets</b>		<b>353,540</b>	<b>369,029</b>
<b>Current liabilities</b>			
Trade and other payables		3,654	9,749
Distribution payable		2	14
Borrowings	4(a)	-	9,000
Other current liabilities		654	2,692
<b>Total current liabilities</b>		<b>4,310</b>	<b>21,455</b>
<b>Non-current liabilities</b>			
Borrowings	4(b)	168,412	164,233
<b>Total non-current liabilities</b>		<b>168,412</b>	<b>164,233</b>
<b>Total liabilities</b>		<b>172,722</b>	<b>185,688</b>
<b>Net assets</b>		<b>180,818</b>	<b>183,341</b>
<b>Equity</b>			
Contributed equity	5	166,314	166,314
Undistributed profit		14,504	17,027
<b>Total equity</b>		<b>180,818</b>	<b>183,341</b>

The Consolidated Balance Sheet is to be read in conjunction with the accompanying notes



AUSTRALIAN EDUCATION TRUST  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010



	Consolidated Group	
	31 Dec	31 Dec
	2010	2009
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Lease income received (inclusive of GST)	19,000	21,179
Cash payments in the course of operations (inclusive of GST)	(9,060)	(11,048)
Interest received	245	302
<b>Net cash inflow/(outflow) from operating activities</b>	<b>10,185</b>	<b>10,433</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment properties	3,945	16,943
Payments for construction costs of investment properties	-	(36)
(Payments)/proceeds from early termination of derivative instruments	(768)	8,675
<b>Net cash inflow/(outflow) from investing activities</b>	<b>3,177</b>	<b>25,582</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(15,912)	(10,386)
Proceeds from borrowings	171,000	-
Repayment of borrowings	(177,036)	(45,300)
Distributions paid	(916)	(4)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(22,864)</b>	<b>(55,690)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(9,502)</b>	<b>(19,675)</b>
<b>Cash at beginning of the half-year</b>	<b>13,829</b>	<b>28,731</b>
<b>Cash at the end of the half-year</b>	<b>4,327</b>	<b>9,056</b>

The Consolidated Cash Flow is to be read in conjunction with the accompanying notes

AUSTRALIAN EDUCATION TRUST  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010



	Units on issue	Consolidated Group Undistributed Profit	Total
	\$'000	\$'000	\$'000
<b>Balance at 1 July 2009</b>	166,314	13,393	179,707
(Loss) attributable to Unitholders	-	(4,967)	(4,967)
Distribution paid or provided for	-	-	-
<b>Balance at 31 December 2009</b>	<b>166,314</b>	<b>8,426</b>	<b>174,740</b>
<b>Balance at 1 July 2010</b>	166,314	17,027	183,341
(Loss) attributable to Unitholders	-	(1,619)	(1,619)
Distribution paid or provided for	-	(904)	(904)
<b>Balance at 31 December 2010</b>	<b>166,314</b>	<b>14,504</b>	<b>180,818</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes

## 1. Statement of significant accounting policies

This general purpose interim financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with the Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### Impact of standards issued but not yet applied by the Trust

In December 2009, the AASB issued AASB9 *Financial Instruments* which addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. 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 traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Trust does not expect that any adjustments will be necessary as a result of applying the revised rules.

### Correction of error in measurement of straight line rental accounting in previous half-year

For the half year ending 31 December 2009, the measurement of leases with fixed rent reviews was incorrectly calculated. The error has been corrected by restating each of the affected financial statement line items for the previous half year as described below.

Balance Sheet as at	31 December 2009	Adjustments	31 December 2009 (Restated)
\$'000			
<b>Non-Current Assets</b>			
Investment Properties	330,828	(2,083)	328,745
Straight line rental asset	-	2,083	2,083
	<u>330,828</u>	<u>-</u>	<u>330,828</u>

Statement of Comprehensive Income	31 December 2009	Adjustments	31 December 2009 (Restated)
For the year ended			
\$'000			
<b>Revenue</b>			
Lease Income	17,439	209	17,648
<b>Expenses</b>			
Net property revaluation decrement	5,926	209	6,135

At the year ending 30 June 2010, the measurement of leases with fixed rent reviews were correctly calculated.

	Consolidated Group	
	31 Dec	30 Jun
	2010	2010
	\$'000	\$'000

## 2. Other current assets

Deposits	-	17
Lease incentive asset	880	1,068
Prepayments	890	342
Investment properties to be sold within 12 months	4,016	5,836
	<u>5,786</u>	<u>7,263</u>

	Consolidated Group	
	31 Dec	30 Jun
	2010	2010
	\$'000	\$'000
<b>3. Investment properties</b>		
Movement in investment properties:		
Balance at the beginning of the period	346,509	375,482
Disposal of properties	(4,039)	(54,972)
Movement in straight line rental account	168	418
Investment properties to be sold in 12 months	1,820	26,416
Net revaluation decrement	(1,369)	(835)
Carrying amount at the end of period	<b>343,089</b>	<b>346,509</b>
<b>Comprising:</b>		
Investment properties	340,629	344,217
Investment properties – straight line rental account	2,460	2,292
<b>Total investment properties</b>	<b>343,089</b>	<b>346,509</b>

(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.

(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. Capital expenditure since valuation includes purchases of sundry properties (and associated expenses such as stamp duty, legal fees etc) and capital expenditure in respect of completed projects which has taken place since or was not included in the latest valuation of the properties.

(c) Independent valuations for 6 Australian properties and 14 New Zealand properties were undertaken during the half year ending 31 December 2010. The independent valuations were prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards. The net result of the valuations was a decrement of \$1.2 million or 7.0% in the carrying costs of the properties valued. Market yields adopted by the valuers ranged between 7.35% and 12.0%. Net revaluation decrements also includes a decrement due to straight line rental adjustments of \$0.2 million.

Based on the recent revaluations AET has revalued approximately 97% of its portfolio since 30 June 2009. As a result, the fair value of the operating investment property portfolio as at 31 December 2010 is entirely based on the most recent independent valuation.

	Consolidated Group	
	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>4 (a). Borrowings – Current</b>		
Bank loans - secured	-	3,880
Senior Secured Notes at face value	-	5,120
	-	<b>9,000</b>

<b>4 (b). Borrowings – Non-Current</b>		
Bank loans - secured	171,000	72,286
Senior Secured Notes at face value	-	99,217
Less: unrealised foreign exchange gain on Notes	-	(6,180)
Less: up front transaction costs	(2,588)	(3,402)
Plus: amortised up front transaction costs	-	2,312
	<b>168,412</b>	<b>164,233</b>

AET entered into a new \$180 million debt syndicated debt facility with NAB and ANZ. The new banking facility replaces the previous facility with the National Australia Bank (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:

1. Facility Limit	\$180 million
2. Drawn Amount	\$171 million as at 31 December 2010
3. Facility Term	3 Years
4. Financiers	NAB & ANZ (50% equal share)
5. Security Trustee / Facility Agent	NAB
6. Security	First ranking mortgages over each freehold property
7. Margins	Scale of margins dependant upon the Trust's LVR position
8. Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
9. Financial Charges Ratio	Not to be less than 1.4x for FY11 and 1.6x for FY12 and beyond measured on a six monthly basis
10. Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio
11. Interest Rate Hedging	Requirement to enter into interest rate hedging arrangements with the Lenders for a minimum 70% of facility limit by 28 February 2011

As at the 31 December 2010, the Fund complied with all of its debt covenant ratios and obligations.



	Consolidated Group	
	Units on issue No '000	Units on issue \$'000
<b>5. Contributed Equity</b>		
Balance at 1 July 2009	134,974	166,314
Units issued	-	-
<b>Balance at 31 December 2009</b>	<b>134,974</b>	<b>166,314</b>
Balance at 1 July 2010	134,974	166,314
Units issued	-	-
<b>Balance at 31 December 2010</b>	<b>134,974</b>	<b>166,314</b>

## 6. Segment information

The Trust operates as one business segment being the investment in childcare properties, in one geographic segment being Asia Pacific. The Trust's segment is based on reports used by both management and directors in making key decisions.

## 7. Capital and lease commitments

### (a) Capital commitments

The Trust had no capital commitments at reporting date (Nil at 30 June 2010).

### (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.

	Consolidated Group	
	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Receivable:		
not later than 1 year	33,075	35,349
later than 1 year but no later than 5 years	144,519	150,535
later than 5 years	213,358	258,928
	<b>390,952</b>	<b>444,812</b>



### (c) Leasehold property commitments

Details of non-cancellable property leases contracted for but 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% per annum. A right or option exists to renew the leases for a further term. The lease allows for subletting of all lease areas.

	<b>Consolidated Group</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2009</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Payable:		
not later than 1 year	1,047	1,006
later than 1 year but no later than 5 years	4,429	4,426
later than 5 years	14,898	16,124
	<b>20,374</b>	<b>21,556</b>

## 8. Contingent liabilities

No contingent liabilities to the Trust exist of which the Responsible Entity is aware (nil at 30 June 2010).

## 9. Subsequent events

### *Impact of Recent Floods*

The Trust owns approximately 250 properties across Victoria, New South Wales and Queensland with a wide geographic spread across each. Only one site, being a site in Queensland, has been identified as being severely affected by the floods. The site will remain closed until rectification works are complete. In addition, a small number of sites have been identified as having some water damage which is relatively minor in nature.

The Trust holds appropriate insurance cover for the effect of floods on its properties, although like all insurance policies, it is limited to a finite amount per property. At this point, it cannot be established if the damage to the one site severely affected by flooding will fall within the policy limit.

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

- (a) the Trust's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Trust's state of affairs in future years.

**AUSTRALIAN EDUCATION TRUST  
DIRECTORS DECLARATION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**



In the opinion of the directors of Austock Property Management Limited, the responsible entity of Australian Education Trust and its controlled entity ("The Trust"):

- (a) the financial statements and notes, set out on pages 6 to 14 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 31 December 2010 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
- (c) The Trust has operated during the half year ended 31 December 2010 in accordance with the provisions of the Trust Constitution dated 8 July 2002 (as amended).

This declaration is made in accordance with a resolution of the directors.

Dated at Melbourne this 17th day of February 2011.

A handwritten signature in black ink, appearing to read 'V. Cottren', with a stylized flourish at the end.

**Victor David Cottren**  
Chairman  
Austock Property Management Limited

## **Independent auditor's review report to the unitholders of Australian Education Trust**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial statements of the Australian Education Trust, which comprise the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Australian Education Trust Group (the consolidated entity). The consolidated entity comprises both Australian Education Trust (the Trust) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of Austock Property Management Limited (the Responsible Entity of the trust) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Australian Education Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's review report to the unitholders of  
Australian Education Trust (continued)**

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the Trust for the half-year ended 31 December 2010 included on the Trusts web site. The Trust's directors are responsible for the integrity of the Trusts web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Education Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Charles Christie  
Partner

Melbourne  
17 February 2011

<b>Responsible Entity and principal place of business of the Trust</b>	Austock Property Management Limited Level 12 15 William Street Melbourne VIC 3000
<b>Directors of the Responsible Entity</b>	Victor David Cottren (Chairman) Michael Francis Johnstone Nicholas James Anagnostou
<b>Solicitors</b>	Macrossans Lawyers Level 23 AMP Place 10 Eagle Street Brisbane Qld 4000
<b>Auditor/Tax Advisors</b>	PricewaterhouseCoopers Freshwater Place 2 Southbank Boulevard Southbank Vic 3006
<b>Banks</b>	National Australia Bank Level 20, 100 Creek Street Brisbane QLD 4000
	Australia & New Zealand Banking Corporation Limited Level 29 100 Queen Street Melbourne Vic 3000
<b>Custodian</b>	The Trust Company Limited 213-217 St Pauls Terrace Spring Hill Qld 4006
<b>Secretary of the Responsible Entity</b>	Amanda Jane Gawne/Adrian Seamus Hill Level 12 15 William Street Melbourne VIC 3000
<b>Share Registry</b>	Registries Limited Level 7 207 Kent Street Sydney NSW 2000
<b>Investor Relations</b>	Lula Liossi Austock Property Management Limited Level 12 15 William Street Melbourne VIC 3000 Ph: (03) 8601 2000