ASX Announcement **13 February 2013**

AET Results for the Half Year Ended 31 December 2012

Folkestone Investment Management Limited (FIML) as the Responsible Entity of the Australian Education Trust (AET or the Trust) (ASX:AEU) provides the results of the Trust for the half year ended 31 December 2012. AET is a property trust investing in early learning property assets.

KEY HIGHLIGHTS SUMMARY

- ✓ Statutory profit of $14.9 million, up 26% from $11.8 million in the previous corresponding period ("pcp").
- ✓ Distributable income of $8.7 million, in accordance with forecast.
- ✓ Underlying distributable income increased by $0.6 million or 7% pcp to $9.2 million[1].
- ✓ New debt facility with improved terms, lower interest cost and extended maturity to February 2016.
- ✓ Gearing[3] at 38% as at 31 December 2012.
- ✓ NTA per unit of $1.25, an increase of 3.3% on pcp.
- ✓ Independent valuations of 71 properties achieving an average 6% increase in value.
- ✓ 99% occupancy across the portfolio.
- ✓ FY13 distribution forecast of approximately **10.6 cpu** (up from previous guidance of 10.3 cpu).
- ✓ Market capitalisation increased by 26% to $225.5 million for the half year to 31 December 2012.

FINANCIAL SUMMARY

The table below provides a summary of AET's 31 December 2012 results in comparison to the previous corresponding period:

Half year ending	Dec 2012	Dec 2011	Var. %
Total operating revenue	$20.4m	$20.1m	1.5%
Total operating expenses	$11.7m	$10.9m	7.3%
Distributable income[2]	$8.7m	$9.2m	(5.4%)
Distribution (cpu)	5.0	4.7	6.4%
Net profit	$14.9m	$11.8m	26.1%

As at	Dec 2012	June 2012	Var. %
Total Assets	$362.7m	$357.5m	1.5%
Investment Property	$352.9m	$347.4m	1.6%
Borrowings	$134.0m	$134.0m	-
Net Assets	$218.7m	$212.6m	2.9%
Gearing[3]	38.0%	38.6%	(0.6%)
NTA per unit	$1.25	$1.21	3.3%

PORTFOLIO PERFORMANCE

Key portfolio performance criteria as at 31 December 2012**:**

As at	Dec 2012
Value of Investment Property	$352.9m
Annualised Net Rental Income	$34.7m
Average Lease income increase year on year	2.0%
Property Yield – Freehold Properties	9.3%
Property Yield – Leasehold Properties	14.3%
Total Property Yield	9.5%
Vacancy Rate	0.9%
Weighted Average Lease Expiry (years)	8.7

1 & 2 Underlying distributable income excludes $0.5 million of accelerated amortisation of borrowing costs in the period to December 2012 and $0.6 million of one-off revenue items applicable in the pcp.

3 Gearing is calculated by borrowings / total assets.

PROPERTY SUMMARY

AET's early learning property portfolio as at 31 December 2012 is summarised as follows:

	No of Properties	Carrying Value	Current Rent (pa)[4]
Operating Properties			
Australia	269	$311.9m	$31.1m
New Zealand	55	$40.0m	$3.6m[5]
Available for Sale / Lease[6]	3	$1.0m	-
Total Properties	**327**	**$352.9m**	**$34.7m**

[4] Includes head-lease rent on leasehold properties of $1.1m
[5] Based on NZD rent of $4.6 million at an exchange rate of 1.2646 as at 31 December 2012
[6] One property subsequently sold

PORTFOLIO PERFORMANCE

The key portfolio highlights for the half year included:
- 71 properties independently re-valued, achieving an 6% average increase in value;
- Weighted average lease expiry ("WALE") of 8.7 years;
- Occupancy of 99%; and
- Limited capex.

The Trust arranged a total of 71 independent property valuations out of a total portfolio of 327 assets during the period across Australia and New Zealand. The total increase in Australian property value was $4.8 million or 7%. Increases in value were achieved across all states in Australia, with Victoria and NSW showing the strongest increases of between 9-10% and Queensland increasing by 3% which is consistent with a depressed real estate market in that state.

Independent valuations for 13 properties undertaken in New Zealand provided a 6% increase however, upon translation into AUD, the increase reduced to 3% due to exchange rate movements from the date of the previous valuation.

All properties are currently valued as per the last external valuation, with the exception of six properties where the last valuation was adjusted to reflect changed circumstances and the property's fair value. Valuations are conducted across the portfolio on a rolling three yearly basis. The average valuation date of the portfolio is currently October 2011. Given the increases in valuations as at 31 December 2012, it is reasonable to assume that there remains some value yet to be recognised in the portfolio which may otherwise understate the Fund's NTA. This may apply to up to approximately 50% of the portfolio whose valuation was undertaken prior to October 2011.

Non-Operational Properties

As at 31 December 2012, the Trust owned 3 properties which are not currently income producing. One of the properties has since sold and has settled. The proceeds of sale were allocated to cash reserves. Management continues to market the remaining 2 properties.

DEBT FUNDING

Debt

The Trust's syndicated debt facility is equally split between National Australia Bank (NAB) and the Australia and New Zealand Banking Group Limited (ANZ). This debt facility has been extended through to February 2016 on improved terms and conditions. The key commercial terms of the facility are as follows:

Table 4: Debt Finance Summary

Facility Limit / Drawn Amount	$134 million
Facility Maturity	February 2016
Loan to Value Ratio Covenant	Current LVR of 39.3% v covenant of 50% (new facility)
Interest Cover Ratio Covenant	Current 2.7x v covenant of 2.0x (new facility)

Throughout the half year, AET has been in compliance with all of its debt covenants, ratios and obligations.

Hedging Arrangements

As at 31 December 2012, AET had $120 million or 90% of its debt hedged via an interest rate swap and a cap/collar instrument. Both of these arrangements were to mature in December 2013 and had an historical weighted average rate (excluding margin) of 5.4% pa.

The hedging arrangements have been restructured though combining the existing positions with new longer-term positions at lower rates to derive a blended rate. This strategy provides the benefits of overall lower hedged rates whilst avoiding any dilution to capital and NTA per unit as a result of breaking those hedges.

The new hedges have a fixed rate of 4.3% pa (excluding margin and amortisation of costs) and are staggered from 1 to 5 years. For the period from March 2013 through to June 2014, 67% of the debt or $90 million is hedged with an average of 50% hedged across the 5 years. This structure provides AET with flexibility as part of its interest rate hedging strategy.

Cost of Debt

As a result of the debt refinancing and hedge restructuring, the *all in cost of debt* has reduced from **9.2% pa** in the first half of FY13 to **6.2% pa** in the second half of FY13 effective from February. The reduction is a combination of reduced margin, restructured hedging arrangements and a reduction to the capitalised borrowing costs being amortised.

DISTRIBUTIONS

Management revised its FY13 distribution forecast to be approximately **10.6 cpu** following completion of the debt refinancing and restructuring of the hedging positions. This is based on continued tenant performance and forecast lower debt costs. AET will continue to pay quarterly distributions one month in arrears.

OUTLOOK

AET's objective is to provide access to predictable and secure long term cash-flows with the opportunity for capital growth to investors. AET's financial position is stable with minimal vacancy, long term leases and renewed debt financing as well as a more predictable debt cost. The Fund's medium term objective is to maintain sustainable value growth to investors. This will require pro-active portfolio management including the potential to recycle assets over the medium term in favor of assets that may have greater long term prospects.

As a result of the strengthening of AET's position and that of the early learning sector over the last few years, AET is investigating opportunities to add value to its portfolio. Unitholders should note that any opportunity is assessed with respect to its consistency with the Fund's characteristics and overall objective.

INVESTOR RELATIONS

Unitholders are invited to contact the Fund's Investor Relations Manager, Lula Liossi for any further information. Boardroom is the Fund's registry and can be contacted on 1300 737 760 with respect to any queries in relation to investors unitholdings.

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

(The documents attached to this release comprise the information required by ASX Listing Rule 4.3A and should be read in conjunction with the half year results to31 December 2012.)

Nick Anagnostou
Chief Executive Officer
Folkestone Investment Management Limited

Travis Butcher
Chief Financial Officer, Funds
Folkestone Investment Management Limited

For further information contact:
Lula Liossi
Investor Relations Manager, Funds
61 3 8601 2668

About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate investment, development and funds management company. Folkestone's on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform, with approximately $600 million under management, offers listed and unlisted funds to private clients, high net worth individuals and institutional investors. For further information on Folkestone visit, www.folkestone.com.au.

Appendix 4D

Half Year Report
For the Period Ended 31 December 2012

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 2012 (previous corresponding period: half year ended 31 December 2011).

2. Results for announcement to the market

			$A'000			$A'000
2.1	Revenue from ordinary activities	Up	1,559	6.2%	to	26,666
2.2	Profit (loss) from ordinary activities after tax attributable to members	Up	3,087	26.1%	to	14,931
2.3	Net profit (loss) for the period attributable to members	Up	3,087	26.1%	to	14,931
2.4	Interim Distributions – Quarter ending 31 December 2012 – 2.5 cents per unit					
2.5	Record date – 31 December 2012					
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	**Earnings Per Unit (EPU)**	**Dec 2012**	**Dec 2011**
	Basic earnings per unit	8.51	6.75
	Diluted earnings per unit	8.51	6.75

3. Net tangible assets per unit

	Dec 2012	**Jun 2012**
Net tangible asset backing per ordinary unit	$1.25	$1.21

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

None.

5. Details of distributions

Period	Paid	Cents per unit
Quarter ending 30 September 2012	19 October 2012	2.50
Quarter ending 31 December 2012	21 January 2013	2.50
Total		5.00

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

Victor David Cottren
Chairman
Folkestone Investment Management Limited
Melbourne, 13 February 2013

aet
Australian
Education Trust
ARSN 102 955 939

Australian Education Trust

ABN 58 102 955 939 ARSN 102 955 939

and Controlled Entity

HALF YEAR FINANCIAL REPORT

31 December 2012

Folkestone
Funds Management

Responsible Entity
Folkestone Investment Management Limited
ABN 46 111 338 937
AFSL 281544

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DIRECTORS' REPORT

The Directors of Folkestone Investment 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 2012.

On 28 September 2012, Folkestone Limited acquired a controlling interest of Austock Group's property funds management business platform. The property funds management business platform acquired by Folkestone included Austock Property Management Limited, the responsible entity of the Fund. Effective on 28 September 2012, the name of the Responsible Entity has changed to Folkestone Investment Management Limited.

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.

Directors of the Responsible Entity

The Directors of the Responsible Entity during the half 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 Grant Bartley Hodgetts	Appointed 24 October 2012

PRINCIPAL ACTIVITIES

The Trust is a specialist education property owner which as at 31 December 2012 owns a total of 327 early learning 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	269	311,810	31,034
New Zealand	55	40,029	3,633[2]
	324	**351,839**	**34,667**
Non-operational Properties			
Available For Sale/Lease	2	770	-
Contracted to Sell/Lease[3]	1	245	-
Total Properties as at 31 December 2012	**327**	**352,854**	**34,667**

[1] *Includes head-lease rent on leasehold properties of $1.1 million*
[2] *Based on NZD rent of $4.6 million at an exchange rate of 1.2646*
[3] *At the date of this report this property has settled*

DIRECTOR'S REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS

A summary of the key results during the half year are as follows:

- Distributable income* of $8.7 million, a decrease of 5% on the previous corresponding period ("pcp"). The current period included accelerated amortisation of borrowing costs of $0.5 million, whereas the prior period included $0.6 million of one-off revenue items.
- Statutory profit of $14.9 million compared to a profit of $11.8 million in the pcp.
- Unit price has increased from $1.02 at 30 June 2012 to $1.285 at 31 December 2012, an increase of 26%.
- 6% overall increase achieved on properties externally revalued during the half year.
- Net tangible asset (NTA) per unit increased from $1.21 at 30 June 2012 to $1.25 at 31 December 2012.
- Weighted Average Lease Expiry at 31 December 2012 of 8.7 years.
- Limited property vacancy of 1%.

Half year ending 31 December ($m's)	2012	2011
Revenue		
Lease income	17.3	16.9
Property outgoings recoverable	2.9	2.6
Other income	0.2	0.6
	20.4	**20.1**
Expenses		
Finance costs	6.2	6.0
Property expenses	4.0	3.5
Responsible entity's remuneration	1.1	1.0
Other expenses	0.4	0.4
	11.7	**10.9**
Distributable income *	**8.7**	**9.2**
Amortisation of lease incentive asset (lease income)	(0.1)	(0.2)
Straight line rental adjustments (lease income)	0.1	0.2
Change in fair value of derivative financial instruments	0.9	(2.3)
Net revaluation increment/(decrement) of investment properties	5.3	2.5
Gain / (loss) on sale of investment properties	-	-
Unrealised foreign exchange gain / (losses)	-	-
New Zealand development site claim	-	2.4
Net profit attributable to Unitholders for the half year	**14.9**	**11.8**

** Distributable income is not a statutory measure of profit*

DIRECTOR'S REPORT (CONTINUED)

DISTRIBUTIONS

Distributions paid for the half year ended 31 December 2012 totalled 5.00 cents per unit (2011: 4.70 cents per unit).

Distributions declared by the Trust since the end of 30 June 2012 were:

	Paid/ payable	Cents per unit	Amount $'000
Quarter ending 30 September 2012	19 Oct 2012	2.50	4,387
Quarter ending 31 December 2012	21 Jan 2013	2.50	4,387
Total		**5.00**	**8,774**

FUNDING

As at 31 December 2012 the total assets of the Trust were $362.7 million, gross borrowings were $134 million and net assets were $218.7 million. The net tangible asset per unit is $1.25 (30 June 2012: $1.21). The Trust has gearing (Borrowings / Investment Properties) of 38.0%.

The Trust has 175,465,397 units on issue as at 31 December 2012. No units have been issued in this period.

The Trust has a syndicated debt facility with National Australia Bank (NAB) and Australia and New Zealand Bank (ANZ) expiring in December 2013.

The key commercial terms of the syndicated facility which existed at 31 December 2012 are as follows:

Facility Limit	$135 million as at 31 December 2012
Drawn Amount	$134 million as at 31 December 2012
Facility Maturity	December 2013
Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
Interest Cover Ratio	Not to be less than 1.6x measured on a six monthly basis
Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio

As at 31 December 2012, the Trust complied with all its debt covenant ratios and obligations.

On 8 February 2013, this debt facility has been extended through to February 2016 on improved terms and conditions.

Hedging Arrangements

As at 31 December 2012, The Trust had hedged $120 million or 90% of its interest rate exposure against interest rate movements. This was a combination of an interest rate swap ($60 million) and a cap/collar instrument ($60 million). Both of these arrangements mature in December 2013 and have a weighted average rate of 5.4% p.a.

Subsequent to 31 December 2012, the Trust has restructured the hedging arrangements by combining the existing arrangements with new longer term positions.

Based on existing debt of $134 million, the Trust has hedged an average 50% of its debt through to June 2018 at a fixed rate of 4.3% p.a.

DIRECTOR'S REPORT (CONTINUED)

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

As detailed in Note 5 of this Financial Report, on 8 February 2013, the Trust announced the successful completion of its debt refinancing, extending the maturity of its debt to February 2016. A restructuring of the existing hedging arrangements has also occurred which has increased the length of the Trust's hedges through to June 2018.

Subsequent to period 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.

ROUNDING OF AMOUNTS

The Trust is an entity of a kind referred to in Class order 98/100 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial 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 6.

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

Victor David Cottren
Chairman
Folkestone Investment Management Limited
Melbourne, 13 February 2013

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the review of Australian Education Trust for the half-year ended 31 December 2012, 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

Melbourne
13 February 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Group	Half-year 31 Dec 2012 $'000	31 Dec 2011 $'000
Revenue		
Lease income	17,435	17,064
Property outgoings recoveries	2,879	2,609
Interest income	126	168
Gain on sale of investment properties	-	9
Net property revaluation increment	5,288	2,446
New Zealand development site claim	-	2,363
Change in the fair value of derivative financial instruments	879	-
Unrealised foreign exchange gains	13	14
Other income	46	434
Total revenue	**26,666**	**25,107**
Expenses		
Finance costs	6,215	5,968
Property outgoings	3,352	2,890
Responsible Entity's remuneration	1,052	1,044
Rent on leasehold properties	670	633
Other expenses	446	440
Change in the fair value of derivative financial instruments	-	2,288
Total expenses	**11,735**	**13,263**
Net profit/(loss) attributable to Unitholders for the half year	**14,931**	**11,844**
Other comprehensive income	-	-
Total comprehensive income/(loss) for the half year	**14,931**	**11,844**
Earnings per unit	**Cents**	**Cents**
Basic earnings per unit	8.51	6.75
Diluted earnings per unit	8.51	6.75

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

Consolidated Group	Note	31 Dec 2012 $'000	30 Jun 2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents		7,501	8,850
Trade and other receivables		141	64
Other current assets	2	2,247	1,168
Investment properties expected to be sold within 12 months	3	1,109	770
Total current assets		**10,998**	**10,852**
Non-current assets			
Investment properties	3	348,397	343,448
Investment properties - Straight line rental asset	3	3,348	3,227
Total non-current assets		**351,745**	**346,675**
Total assets		**362,743**	**357,527**
LIABILITIES			
Current liabilities			
Trade and other payables		2,285	2,986
Distribution payable		4,408	4,661
Borrowings	5(a)	134,000	-
Derivative financial instruments	4(a)	3,259	2,790
Other current liabilities		80	181
Total current liabilities		**144,032**	**10,618**
Non-current liabilities			
Borrowings	5(b)	-	133,008
Derivative financial instruments	4(b)	-	1,348
Total non-current liabilities		**-**	**134,356**
Total liabilities		**144,032**	**144,974**
Net assets		**218,711**	**212,553**
EQUITY			
Contributed equity		195,013	195,013
Undistributed profit		23,698	17,540
Total equity		**218,711**	**212,553**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Group	Units on Issue $'000	Undistributed Profit $'000	Total $'000
Balance at 1 July 2011	195,013	11,875	206,888
Net profit attributable to unitholders	-	11,844	11,844
Distribution paid or provided for	-	(8,248)	(8,248)
Balance at 31 December 2011	**195,013**	**15,471**	**210,484**
Balance at 1 July 2012	195,013	17,540	212,553
Net profit attributable to unitholders	-	14,931	14,931
Distribution paid or provided for	-	(8,773)	(8,773)
Balance at 31 December 2012	**195,013**	**23,698**	**218,711**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Group	Half-year 31 Dec 2012 $'000	Half-year 31 Dec 2011 $'000
Cash flows from operating activities		
Cash receipts in the course of operations (inclusive of GST)	22,225	22,343
Cash payments in the course of operations (inclusive of GST)	(8,787)	(9,392)
Interest received	126	168
Finance costs paid	(5,887)	(5,619)
Net cash inflow from operating activities	**7,677**	**7,500**
Cash flows from investing activities		
Proceeds from sale of investment properties	-	1,803
New Zealand development site claim	-	2,363
Net payments for repairs of flooded investment properties	-	(203)
Net cash inflow from investing activities	**-**	**3,963**
Cash flows from financing activities		
Repayment of borrowings	-	(5,000)
Distributions paid	(9,026)	(7,630)
Net cash outflow from financing activities	**(9,026)**	**(12,630)**
Net decrease in cash held	**(1,349)**	**(1,167)**
Cash at the beginning of the half year	**8,850**	**8,582**
Cash at the end of the half year	**7,501**	**7,415**

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. Basis of preparation of half year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with the Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated 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 2012 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

AASB9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. 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 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. The Trust does not expect that any adjustments will be necessary as a result of applying the revised rules.

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 on an extension of the debt facility with a maturity date of February 2016 and with the Trust in full compliance with its undertakings under these facilities.

2. Other current assets

Consolidated Group	31 Dec 2012 $'000	30 Jun 2012 $'000
Lease incentive asset	690	737
Prepayments	1,557	431
	2,247	**1,168**

Folkestone
Funds Management

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

3. Investment properties

Consolidated Group	31 Dec 2012 $'000	30 Jun 2012 $'000
Freehold properties – at valuation	332,885	327,741
Leasehold properties – at valuation	19,969	19,704
Total investment properties	352,854	347,445
Less: Investment properties expected to be sold within 12 months	(1,109)	(770)
Less: Straight line rental asset	(3,348)	(3,227)
Carrying amount at the end of the half year	**348,397**	**343,448**
Movement in investment properties:		
Balance at the beginning of the period	343,448	338,964
Net construction costs of investment properties damaged by flood	-	204
Disposal of properties	-	(2,873)
Investment properties to be sold in 12 months	(339)	1,491
Net revaluation increment	5,288	5,662
Carrying amount at the end of the half year	**348,397**	**343,448**

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.

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.

Independent valuations as at 31 December 2012 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.

During the half year ending 31 December 2012, 71 external property valuations were conducted, 58 in Australia and 13 in New Zealand.

Valuations on the 58 Australian properties increased by $4.8 million or 7% on the previous valuations. The 55 Australian freehold operating properties increased by $4.5 million or 7% and the 3 leasehold operating properties increased by $0.3 million or 11%.

Valuations of the 13 New Zealand properties increased by $0.4 million or 3%. In New Zealand Dollars, the valuations of the New Zealand properties increased by NZD$1.0 million or 6%, with the difference relating to exchange rate movements from the date of the previous value.

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

4. Derivative financial instruments

Consolidated Group	31 Dec 2012 $'000	30 Jun 2012 $'000
(a) Current		
Derivative financial instruments - interest rate swaps & cap/collar contracts	3,259	2,790
	3,259	**2,790**
(b) Non-current		
Derivative financial instruments - interest rate swaps & cap/collar contracts	-	1,348
	-	**1,348**

5. Borrowings

Consolidated Group	31 Dec 2012 $'000	30 Jun 2012 $'000
(a) Current		
Bank loans - secured	134,000	-
	134,000	**-**
(b) Non-current		
Bank loans - secured	-	134,000
Less: up front transaction costs	-	(2,600)
Plus: amortised up front transaction costs	-	1,608
	-	**133,008**

The Trust has a syndicated debt facility with National Australia Bank (NAB) and Australia and New Zealand Bank (ANZ) expiring in December 2013.

The key commercial terms of the syndicated facility which existed at 31 December 2012 are as follows:

Facility Limit	$135 million as at 31 December 2012
Drawn Amount	$134 million as at 31 December 2012
Facility Maturity	December 2013
Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
Interest Cover Ratio	Not to be less than 1.6x measured on a six monthly basis
Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio

As at 31 December 2012, the Trust complied with all its debt covenant ratios and obligations.

On 8 February 2013, this debt facility has been extended for a 3 year term, through to February 2016 on improved terms and conditions.

Hedging Arrangements

As at 31 December 2012, The Trust had hedged $120 million or 90% of its interest rate exposure against interest rate movements. This was a combination of an interest rate swap ($60 million) and a cap/collar instrument ($60 million). Both of these arrangements mature in December 2013 and have a weighted average rate of 5.4% p.a.

Subsequent to 31 December 2012, the Trust has restructured the hedging arrangements by combining the existing arrangements with new longer term positions.

Based on existing debt of $134 million, the Trust has hedged an average 50% of its debt through to June 2018 at a fixed rate of 4.3% p.a.

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

6. Contributed Equity

Consolidated Group	Units on issue No '000	Units on issue $'000
Balance at 1 July 2011	175,466	195,013
Units Issued	-	-
Balance at 31 December 2011	**175,466**	**195,013**
Balance at 1 July 2012	175,466	195,013
Units Issued	-	-
Balance at 31 December 2012	**175,466**	**195,013**

7. Segment Information

The Trust operates as one business segment being the investment in early learning properties and in one geographic segment being Asia Pacific. The Trust's segments are based on reports used by both management and directors in making key decisions. Within the Asia Pacific geographic region, the Trust owns property both in Australia and New Zealand. Total revenue comprises revenue from Australia of $24.0 million (31 December 2011: $20.4 million) and revenue from New Zealand of $2.7 million (31 December 2011: $4.7 million). Investment properties held by the Trust comprise Australian properties of $312.9 million (30 June 2012: $307.8 million) and New Zealand properties of $40.0 million (30 June 2012: $39.6 million).

8. Lease revenue commitments

(a) Lease revenue commitments

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

The property leases are typically 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 2012 $'000	31 Dec 2011 $'000
Receivable:		
not later than 1 year	35,137	34,512
later than 1 year but no later than 5 years	148,606	147,111
later than 5 years	152,174	181,223
	335,917	**362,846**

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

(b) 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 typically 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.

Consolidated Group	31 Dec 2012 $'000	31 Dec 2011 $'000
Payable:		
not later than 1 year	1,082	1,058
later than 1 year but no later than 5 years	4,896	4,789
later than 5 years	13,556	15,105
	19,534	**20,952**

9. Contingent liabilities

No contingent liabilities to the Trust exist of which the Responsible Entity is aware.

10. Events occurring after the reporting period

The financial report was authorised on 13 February 2013 by the Board of Directors of the Responsible Entity.

As detailed in Note 5 of this financial report, on 8 February 2013, the Trust announced the successful completion of its debt refinancing, extending the maturity of its debt to February 2016. A restructuring of the existing hedging arrangements has also occurred which has increased the length of the Trust's hedges through to June 2018.

There have been no other significant events since 31 December 2012 that have or may significantly affect the results and operations of the Trust.

DIRECTORS' DECLARATION

In the opinion of the Directors of Folkestone Investment 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 7 to 15 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 2012 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 half year ended 31 December 2012 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 of Folkestone Investment Management Limited.

Dated at Melbourne this 13th day of February 2013.

Victor David Cottren
Chairman
Folkestone Investment Management Limited

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS

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Independent auditors report to the unitholders of Australian Education Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Education Trust which comprises the balance sheet as at 31 December 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Australian Education Trust (the Consolidated Entity). The consolidated entity comprises of both Australian Education Trust (the Trust) and the entities it controlled during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Folkestone Investment Management Limited (the Responsible Entity of the Trust) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 2012 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 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. 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.

Independence

In conducting our review, 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 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS (CONTINUED)

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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 Entities financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 2012 included on the Trust's web site. The Trust's directors 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 half-year financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial 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 half-year financial report to confirm the information included in the audited half-year financial report presented on this web site.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
13 February 2013

DIRECTORY

Responsible Entity and principal place of business of the Trust	**Folkestone Investment 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 Grant Bartley Hodgetts
Solicitors	**Tress Cox** Level 4 40 Creek 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** Level 32 500 Bourke Street Melbourne Vic 3000
	Australia & New Zealand Banking Corporation Limited Level 29 100 Queen Street Melbourne Vic 3000
Custodian	**The Trust Company Limited** Level 15 20 Bond Street Sydney NSW 2000
Secretary of the Trust	**Scott Nicholas Martin** Level 12 15 William Street Melbourne VIC 3000