Appendix 4E

Preliminary Final Report
For the Year Ending 30 June 2012

Results for announcement to the market

Name of entity

Australian Education Trust

ABN

58 102 955 939

1. Details of the reporting period

This report details the consolidated results of Australian Education Trust (the "Trust") for the year ended 30 June 2012.

2. Results for announcement to the market

					$A'000
2.1	Revenue from ordinary activities	Up	23%	to	48,418
2.2	Profit (loss) from ordinary activities after tax attributable to unitholders	Up	892%	to	23,213
2.3	Net profit (loss) for the year attributable to unitholders	Up	892%	to	23,213

2.4

Quarter	**Paid**	**Cents per unit**	**$'000**
Quarter ending 30 September 2011	20 October 2011	2.25	3,948
Quarter ending 31 December 2011	20 January 2012	2.45	4,300
Quarter ending 31 March 2012	20 April 2012	2.65	4,650
Quarter ending 30 June 2012	20 July 2012	2.65	4,650
Total		10.00	17,548

2.5 Record date for 30 June 2012 distribution – 29 June 2012

2.6 Brief explanation of the figures reported above:

Refer to Directors Report in Annual Financial Report dated 15 August 2012

3. Income statement and notes

Refer to Annual Financial Report dated 15 August 2012

4. Balance sheet and notes

Refer to Annual Financial Report dated 15 August 2012

5. Cash flow statement and notes

Refer to Annual Financial Report dated 15 August 2012

6. Details of distributions

Quarter	Paid	Cents per unit
Quarter ending 30 September 2011	20 October 2011	2.25
Quarter ending 31 December 2011	20 January 2012	2.45
Quarter ending 31 March 2012	20 April 2012	2.65
Quarter ending 30 June 2012	20 July 2012	2.65
Total		10.00

7. Distribution Reinvestment Plan

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

8. Statement of retained earnings

Refer to Annual Financial Report dated 15 August 2012

9. Net tangible assets per unit

	Consolidated Group	
	2012	2011
Net tangible asset backing per ordinary unit	$1.211	$1.179

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

Nil to report.

11. Details of associates and joint venture entities

Not applicable.

12. Other significant information

Nil to report.

13. Foreign entities

Not applicable.

14. Commentary on the results for the year

14.1 Earnings per security

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012.

14.2 Returns to unitholders including distributions and buybacks

There were no buybacks during the financial year (2011: nil).

14.3 Significant features of operating performance

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012.

14.4 Results of segments

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012.

14.5 Discussion of trends in performance

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012.

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

Refer to Annual Financial Report and ASX Announcement dated 15 August 2012.

15. Audit of financial statements

The report is based on audited financial statements.

16. Disputes with auditors or qualifications

Nil

Signed:

Victor David Cottren
Chairman
Dated: 15 August 2012

ASX Announcement 15 August 2012

AET Results for the Year Ended 30 June 2012

The Directors of the Responsible Entity, Austock Property Management Limited ("APML") provide the results of the Australian Education Trust (AET or the Trust) for the year ended 30 June 2012. AET is a property trust investing in early learning property assets.

KEY HIGHLIGHTS SUMMARY

- Statutory profit of $23.2m compared to a profit of $2.3 million on the pcp.
- Distributable income of $17.8 million, an increase of 65% on the previous corresponding period ("pcp").
- Rental income growth of 2.8% for FY12.
- Distribution growth in excess of CPI based lease income.
- Finance costs reduced by $4.8 million or 29% for the year.
- Non-recoverable, recurring property expenses reduced by 58% for the year.
- Reduction in overall gearing to 38.6% with an interest cover ratio of 2.7x.
- NTA growth of 2.8%.
- 99% occupancy across the portfolio.
- Independent valuations provided a 6% increase in value for those assessed.
- Market capitalization increased by 29% from $140 million to $180 million as at 30 June 2012.
- FY13 distribution forecast of approximately 10.3 cpu, (up from FY12 9.7 cpu maintainable).

FINANCIAL SUMMARY

The table below provides a summary of AET's 30 June 2012 financial position in comparison to the previous corresponding period:

Table 1: Financial Summary

As at 30 June	2012	2011	Variance %
Total Assets	$357.5m	$353.9m	1.0
Investment Property	$347.4m	$344.1m	1.0
Gross Debt	$134.0m	$140.0m	-4.4
Net Assets	$212.6m	$206.9m	2.8
Gearing[1]	38.6%	40.7%	-2.1
Units on Issue	175.5m	175.5m	-
NTA per unit	$1.21	$1.18	2.8

PORTFOLIO PERFORMANCE

Key portfolio performance criteria as at 30 June 2012:

Table 2: Portfolio Performance

As at 30 June	2012	2011
Value of Investment Property	$347.4m	$344.1m
Annualised Net Rental Income as at 30 June	$34.3m	$33.6m
Average Increase in Lease Rental Income year on year	2.8%	3.1%
Property Yield – Freehold Properties	9.3%	9.3%
Property Yield – Leasehold Properties	14.5%	15.0%
Total Property Yield	9.6%	9.6%
Vacancy Rate	0.9%	0.9%
Weighted Average Lease Expiry ("WALE")	9.2	10.0

[1] *Gearing is calculated by borrowings / investment properties*

Responsible Entity: Austock Property Management Limited
ABN: 46 111 338 937 AFSL: 281544
Level 12, 15 William Street Melbourne VIC 3000
Phone: 61 3 8601 2000 Fax: 61 3 9200 2282
Email: property@austock.com **www.austock.com**

PORTFOLIO PERFORMANCE

The key portfolio highlights over the 2011-2012 period included:
- 132 properties independently re-valued, achieving a 6% overall increase in value;
- 9 of the 9 Early Termination Centres all renewed;
- Assignment of NZ leases to Kidicorp without incentive, rent reduction or inducement;
- Weighted Average Lease Expiry ("WALE") of 9.2 years;
- Occupancy of 99%;
- All development sites sold;
- Rental growth of 2.8% over FY12;
- Limited capex exposure by virtue of triple net leases.

The Trust instructed a total of 132 independent property valuations during the year across Australia and New Zealand. The total increase in value was 6%. Increases in value were generally achieved across all states in Australia, with Victoria and NSW showing increases of between 8-10%, Queensland evidences a 2% increase, and this is consistent with what we believe to be a depressed commercial real estate market in that location.

An increase in valuations for 12 properties conducted in New Zealand was offset by an increase in the exchange rate conversion for those assets. The valuations provided a 4% increase however, that translated into a 1% reduction in value after conversion to Australian currency.

Valuations undertaken in accordance with our banking arrangements require that an alternate use value is reported. The total value of AET's alternative use valuations is 57.7% of AET's going concern valuations, providing a significant buffer over and above borrowing levels (which are currently 38.6% of going concern values). The alternate use value measures the value of each site in the unlikely event that early learning ceases as the highest and best use.

PROPERTY SUMMARY

AET's early learning property portfolio as at 30 June 2012 is summarised as follows:

Table 3: Property Summary

As at 30 June 2012	No of Properties	Carrying Value $000's	Current Rent (pa) $000's[2]
Operating Properties			
Australia - Tenanted by GoodStart	193	224,633	22,080
Australia - Other Tenants	76	82,183	8,621
New Zealand – Tenanted by Kidicorp	55	39,589	3,624[3]
Available for Sale / Lease	3	1,040	-
Total Properties	327	347,445	34,325

[2] *Includes head-lease rent on leasehold properties of $1.1m*
[3] *Based on NZD rent of $4,626,000 at an exchange rate of 1.2763 as at 30 June 2012*

Goodstart - Tenant of 193 Early Learning Properties

The not-for-profit group Goodstart Early Learning Limited ("Goodstart") is the tenant of 193 of the Trust's properties. Goodstart is a consortium of the major not-for-profit groups Mission Australia, the Benevolent Society, Social Ventures Australia and the Brotherhood of St Laurence.

Other Tenants

The Trust has 27 appropriately qualified tenants leasing the remainder of its Australian property portfolio in addition to Goodstart. The tenants leasing 10 or more properties include: Mission Australia, Nurture One and G8 Education Limited. These tenants continue to work on improving occupancies and profitability which will lead to an improvement in their business performance.

New Zealand

Kidicorp Limited is the tenant of the Trust's 55 New Zealand properties. Kidicorp has a long history of providing early learning services in the New Zealand market and remains profitable with strong occupancy levels.

Non-Operational Properties

As at 30 June 2012, the Trust owns 3 Australian properties that are currently non-income producing. Management continues to market these properties, with a focus on achieving rental income rather than sale which is expected to yield the best return to the Trust.

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). The key commercial terms of the syndicated facility as at 30 June 2012 are as follows:

Table 4: Debt Finance Summary

Facility Limit	$135 million (down from $141m pcp)
Drawn Amount	$134 million (down from $140m pcp)
Facility Maturity	December 2013
Financiers	NAB & ANZ (50% equal share)
Loan to Value Ratio Covenant	Current LVR of 38.9% v covenant of 55% - buffer of $57m or 30%
Interest Cover Ratio	Current 2.7x compared v covenant of 1.6x
Alternate Use Ratio	Currently 57.7% of investment value – buffer of $65.7m or 33%

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

Hedging Arrangements

AET has two separate hedging arrangements totalling $120 million which expire in December 2013 which are detailed below. These rates are exclusive of lender margins.

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

Based on the current drawn debt of $134 million, AET has hedged 90% of its interest rate exposure against interest rate movements and the weighted average hedge rate is 5.4% pa.

As at 30 June 2012, the mark to market valuation of the hedges was $4.1m. This will diminish as the hedging termination date of December 2013 nears. The current interest rate environment is currently favourable, where the hedges could be restructured to decrease the interest expense however, at the expense of either a longer hedging period or a cash payment. The hedging options available include (i) Do nothing; (ii) Blend & extend the existing swaps; (iii) Pay out and re-set the swaps at the lowest possible rate; or (iv) Maintain the status quo and lock in new arrangements effective from Dec 2013. Unitholders should note that option (iii) would require the use of existing capital reserves (either cash or debt) to reset the hedges to the lowest possible rate, if this was considered to be in the best interests of the Trust.

In considering these options, a restructuring would need to be an appropriate long term use of investors' capital which would provide benefits to both distribution and unit price/NTA per unit.

Cost of Debt

As at 30 June 2012, AET's current weighted average cost of debt is 7.7% pa and including amortisation of borrowing costs is 9.2% pa. In the new distribution guidance, Management has made an assumption that underlying interest rates (BBSW) will be 4%. The current BBSW rate (3 month) is approximately 3.6%.

Management is actively monitoring its capital management position in order to achieve the most suitable and cost effective outcome for Unitholders. This includes the relative merit of a before end of term refinancing. The objectives of the refinancing would be to (i) provide longer tenure than currently available; and (ii) a more competitive cost of debt funds. To date, the discussions with existing and new sources of finance have proven to be positive, as the Trust has now established a strong track record with respect to results, decision making and banking relationships. Management will also look toward non-traditional forms of debt as an alternative where the tenure and overall cost may be favourable to the Trust.

FINANCIAL SUMMARY

The table below provides a comparison of the results for the year ended 30 June 2012 and the previous corresponding year:

Table 5: Financial Summary

Full year ending 30 June ($m's)	Notes	2012	2011
Revenue			
Lease income	1	34.0	33.1
Property outgoings recoverable	2	5.4	5.2
Other income	3	0.7	0.6
		40.1	38.9
Expenses			
Finance costs	4	11.9	16.7
Property expenses	2	7.5	8.2
Responsible entity's remuneration		2.1	1.9
Other expenses	5	0.8	1.3
		22.3	28.1
Distributable income		17.8	10.8
Amortisation of lease incentive asset and liability (Excluded from lease income)		(0.1)	(0.2)
Straight line rental adjustments (Excluded from lease income)		0.4	0.6
Change in fair value of hedging instruments	6	(2.8)	(1.3)
Net revaluation increment/(decrement) of investment properties	7	5.6	(2.8)
Loss on sale of investment properties		(0.1)	(0.5)
New Zealand Development Site Claim	8	2.4	-
Realised foreign exchange losses		-	(2.7)
Realised losses on early termination of derivative contracts		-	(1.5)
Unrealised foreign exchange losses		-	(0.1)
Net profit attributable to Unitholders		23.2	2.3

Notes

1. Lease income has increased to $34.0 million for the year ending 30 June 2012 from $33.1 million in the prior year. This is due to increased lease income due to CPI lease increases ($1.1 million) partially offset by reduced lease income from sold properties ($0.2 million). Across the portfolio, the annual CPI rent increase ranged between 1.6% and 3.6% with an average increase of 2.7% in Australia and between 1.6% and 5.3% with an average increase of 3.2% in New Zealand.

2. AET receives property outgoings from its tenants on a monthly basis which is then used for paying all of the property outgoings in relation to these properties. The property outgoings revenue of $5.4 million is fully offset by a corresponding expense of $5.4 million. Property expenses also incurred by AET include non-recoverable property outgoings of $0.8 million primarily in respect of land tax in Queensland and $1.3 million of rent payable on AET's leasehold properties. During the year, AET received a positive outcome which has resulted in a significant reduction in AET's annual non-recoverable property outgoings. This resulted in an ongoing annual saving of approx $0.4 million and a $0.2 million refund which was received in relation to the prior year.

3. Other income of $0.7 million comprises $0.3 million of interest income and $0.4 million relating to historical recoveries. Management has been able to recover previous year's costs relating to proposals for the assignment of leases from ABC NZ of $0.2 million and unpaid rent from a previous tenant of approximately $0.2 million. Both of these items have a positive impact on the FY12 distributable income amount, however should be viewed as one off and non-recurring for future financial years.

4. Finance costs decreased to $11.9 million for the year ended 30 June 2012 compared with $16.7 million in the prior year. This comprises both interest expense of $10.7 million and amortisation of deferred borrowing costs of $1.2 million. Interest expense decreased by $4.4 million due to the combination of:

   a. lower levels of borrowings in this period (weighted average balance of $135 million compared with $167 million in the previous year) due largely to the $30.4 million capital raising conducted in April 2011; and

   a. lower interest rates during the year due to the debt refinancing which occurred in December 2010. The average interest rate during the year was 7.8% pa compared with 8.9% pa in the previous year.

   Amortisation of borrowing costs relates to the capitalisation of $2.6 million in relation to the establishment fees, legal fees, management fees and other administration loan costs of the December 2010 refinancing which were being amortised evenly over the three year term of the debt facility. Based on the likelihood of refinancing by December 2012, an additional amount of $0.3 million was amortised in this financial year.

5. Other expenses of $0.8 million include such items as valuation fees ($0.4 million), registry maintenance fees ($0.1 million), custodian fees ($0.1 million), legal fees and consultant fees ($0.1 million) and other sundry expenses.

6. AET has two hedging arrangements in place to protect against adverse interest rate movements. As at 30 June 2012, due to a lower interest rate yield curve than when the arrangements were entered into, the fair value of the hedging arrangements were out of the money by $4.1 million. This is a negative movement of $2.8 million from the position as at 30 June 2011.

7. During the year ended 30 June 2012, 132 external property valuations were conducted, with 120 in Australia and 12 in New Zealand.

   a. Valuations of the 120 Australian properties increased by $7.6 million or 6%, largely driven by rental increases on these properties since previous valuations and some improvement in capitalisation rates. The largest valuation increases were achieved in Victoria ($3.6 million or 10%) and New South Wales ($2.9 million or 8%).

   b. Valuations of the 12 New Zealand properties decreased by $40,000 or 1%, however this was primarily due to negative exchange rate movements between the current and previous valuation dates.

   c. In addition, Directors Valuations have been adopted with respect to six properties resulting in a reduction of $1.6 million to more accurately reflect the fair value of these properties.

8. AET has recovered NZ$3 million (~A$2.4 million) from ABC NZ in relation to the settlement of the claim against ABC NZ in respect to losses suffered by AET on the New Zealand development sites. The proceeds have been received in full and applied to debt reduction.

BALANCE SHEET

Set out below is AET's balance sheet as at 30 June 2012 and 2011:

Table 6: Balance Sheet

As at 30 June	Notes	2012	2011
		$'m	$'m
Current assets			
Cash and cash equivalents		8.8	8.6
Trade and other receivables		0.1	0.1
Investment properties expected to be sold within 12 months	1	0.8	2.3
Other current assets	2	1.2	1.1
Total current assets		10.9	12.1
Non-current assets			
Investment properties	3	343.4	338.9
Investment properties - straight line rental asset	4	3.2	2.9
Total non-current assets		346.6	341.8
Total assets		357.5	353.9
Current liabilities			
Trade and other payables	5	2.0	2.6
Accrued Interest		1.0	1.1
Distribution payable		4.6	3.7
Derivative financial instruments	6	2.8	0.5
Other current liabilities		0.2	0.4
Total current liabilities		10.6	8.3
Non-current liabilities			
Borrowings	7	133.0	137.9
Derivative financial instruments	6	1.3	0.8
Total non-current liabilities		134.3	138.7
Total liabilities		144.9	147.0
Net assets		212.6	206.9
Equity			
Contributed equity		195.0	195.0
Undistributed profit		17.6	11.9
Total equity		212.6	206.9

Notes:

1. Investment properties to be sold within 12 months comprises $0.8 million of non-income producing investment properties to be sold within the next twelve months comprising 2 closed freehold properties.
2. Other current assets of $1.2 million predominantly comprises $0.8 million of lease incentive assets relating to the provision of rent-free periods to new tenants as part of the ABC2 process. These assets are amortised $0.1 million per annum over the remaining term of these leases.
3. The movement in investment properties of $4.5 million is the combination of revaluation increments of $5.7 million partially offset by the disposals of investment properties (6 properties were settled during the year) of $1.2 million.
4. The majority of AET's leases have an annual review indexed to CPI, however, there are some properties with a fixed rent review date. Under Accounting Standards, AET is required to account for these leases by increasing lease income and recognising a straight line rental asset in the first half of the lease term and conversely decreasing lease income and the straight line rental asset in the second half of the lease term.
5. Trade and other payables of $2.0 million are comprised of trade creditors of $0.6 million, GST payables of $0.8 million and accruals of $0.6 million.
6. AET has two hedging arrangements in place to protect it against adverse interest rate movements. As at 30 June 2012, due to a lower interest rate yield curve than when the arrangements were entered into, the fair value of the hedging arrangements were out of the money by $4.1 million.
7. Borrowings as at 30 June 2012 of $133.0 million comprise $134.0 million drawn debt under AET's syndicated debt facility offset by $1.0 million of unamortised transaction costs in relation to the new facility. The movement in borrowings of $4.9 million during the period is due to the debt repayment of $6.0 million made during the year partially offset by movements in unamortised transaction costs of $1.1m. The debt repayment comprises proceeds from asset sales of $2.9 million, New Zealand development site proceeds of $2.4 million and the balance from cash reserves.

DISTRIBUTIONS

Distributions for AET in FY12 amounted to 10.0 cpu, which included a non-recurring distributable amount of 0.3 cpu. Management has adopted a disciplined approach to cost reduction and will continue to actively manage its cost reduction program in regards to non-recoverable expenses.

Management has forecast FY13 distributions to be approximately **10.3 cpu**, based on continued tenant performance. There may be potential upside over and above the forecast which may be driven by capital management initiatives such as early refinancing of AET's debt facility and restructuring of AET's hedging arrangements.

Distributions will continue to be paid on a quarterly basis.

KEY OPERATIONAL ACHIEVEMENTS

Management has continued its approach to maximising distributable income to Unitholders. Over FY12, Management has focused on its cost reduction program that saw not only a decrease in non-recoverable costs, but also income returned from prior periods. This resulted in an additional 0.3 cpu distribution payment to Unitholders.

Other actions undertaken this financial year included:

- Reduction in recurring non-recoverable property expenses by 58% for the year;
- Positive outcome achieved with 9 of the 9 Goodstart early termination centre leases renewed;
- Sale and settlement of the remaining development sites;
- Assignment of 56 NZ leases to Kidicorp without incentive, rent reduction or inducement;
- Reduction in gearing to 38.6%;
- The Trust outperformed the total ASX200 and A-REIT 2012 indices by 51% and 35% respectively, with market cap increasing by 26% from $140 million to $180 million; and
- Recipient of three industry awards in October/November 2011 for its management of AET, including PIR's "AR-REIT of the Year", the Commonwealth Bank's Property Trust Award and the API Victorian Property Trust Industry Award.

12 MONTH OUTLOOK

AET's objective is to provide investors with a stable and predictable income stream, backed by proven underlying property values that provide capital growth over the long term. CPI indexed long-term triple net leases support this objective.

Management provides the following forecast for FY13:

- Distribution forecast for FY13 of approximately **10.3 cpu**, up from the FY12 maintainable level of 9.7cpu (excluding non-recurring items). FY13 forecast is based on continued tenant performance;
- Refinancing of AET's debt expected in FY13. Potential for a reduction in margins will drive this outcome and may enhance the forecast distribution. Management may also look toward longer term and potentially non-traditional sources of debt to reduce the interest expense;
- Interest rate markets are currently attractive given AET's existing hedging profile. A renegotiation of the current swaps (current mark to market value of -$4m) may also enhance the distribution forecast, subject to the prudent use of investors' capital;
- The current low interest cash rate environment will continue to highlight the relative attraction of AET's distribution yield. Management will continue to promote AET with the objective of creating more demand for the units;
- CPI growth will drive earnings growth. The current and relatively low inflation level may be offset by carbon tax effect (if any); and
- Management will continue to highlight the distribution yield and NTA trading discount as potential upside in the value of AET to the wider market.

MANAGEMENT FOCUS

Management will maintain a disciplined approach to its strategies to enhance AET's performance:

- Ensure AET's activities remain 'true to the label' and recognise investor's expectations;
- Maintain current strategy of conservative gearing, maximising distributable income via decreasing non-recoverable expenses, appropriate capital management initiatives and growing rental income;
- Continue to promote AET to institutions/research with a view to building further demand for the units;
- Continue to explore suitable opportunities for growth with a focus on quality real estate and backed by well capitalised tenants that are accretive to unitholder value;
- Where appropriate, consider the recycling of capital where asset values or their utility have been maximized; and
- Maintain the business and communications model based on transparency and high corporate governance standards.

CORPORATE GOVERNANCE

Management employs a model that separates the power and decision making of the Corporate Entity from the roles and decision making of the Responsible Entity. It is the Responsible Entity that deals with all matters relating to the Trust, via a Board of Directors that is dominated by independent, non-executive Directors. Management believes that this separation of powers is a differentiating factor in the management of the Trust which should provide additional reassurance to investors, in comparison to competitors.

The Board of Directors is supported and assisted by an independent Audit and Compliance Committee that monitors Compliance with Accounting and Regulatory Standards, risk management and appointment of Auditors and complaints amongst other things. All members of the committee are independent of the Corporate Entity. The Committee oversees all of the financial reporting including the annual audit and half year review and prepares annual compliance statements for the Board and regulators such as the Australian Securities and Investments Commission. In addition, the Compliance function is audited externally by auditor, PricewaterhouseCoopers.

Management believes that it has a sound structure but most importantly, an appropriate Corporate Governance culture that ensures unitholder interests are maintained to the highest standard.

INVESTOR RELATIONS

Unitholders are invited to contact the Trust's Investor Relations Manager, Lula Liossi with any queries regarding the management of the Trust. Boardroom Pty Limited is the Trust's registry and can be contacted on 1300 737 760 with respect to any queries in relation to investors' unitholdings. All of the Trust's publications are available on its website www.educationtrust.com.au, including the Trust Profile that periodically summarises the Trust's overall financial position and asset base, under the website heading of "Reports & Publications/Other Reports".

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

Nick Anagnostou
Chief Executive Officer
Australian Education Trust

Travis Butcher
Chief Financial Officer
Australian Education Trust

For further information contact:
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Investor Relations Manager
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aet
Australian Education Trust
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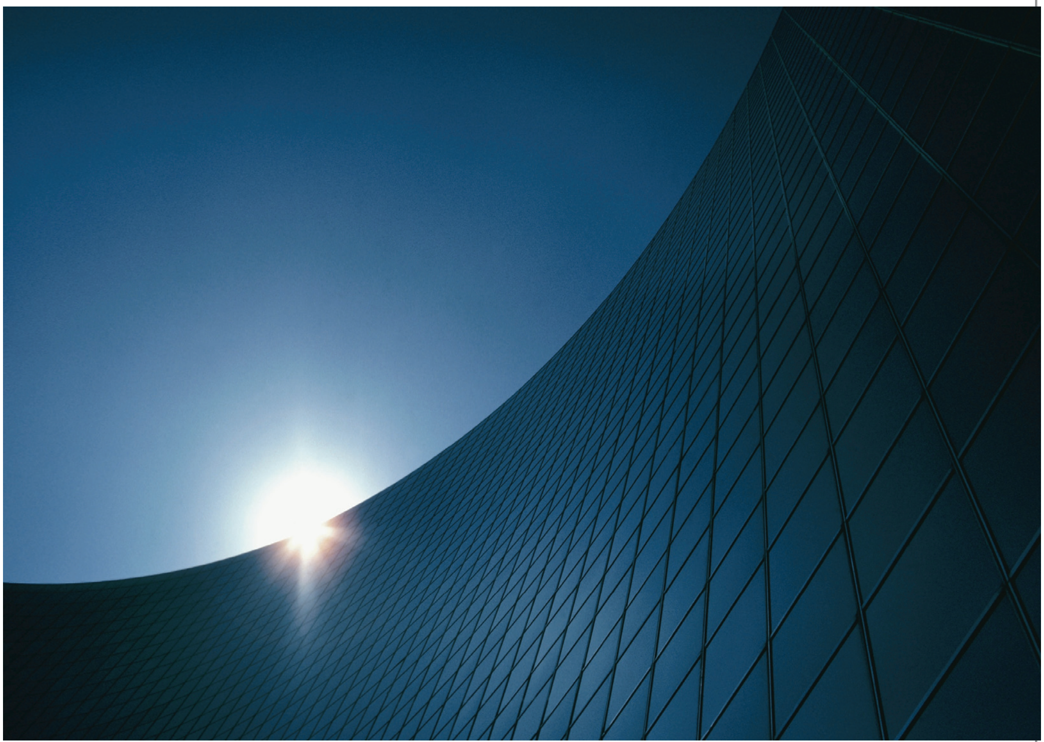

Australian Education Trust
ABN 58 102 955 939 ARSN 102 955 939
and Controlled Entity

ANNUAL FINANCIAL REPORT
30 June 2012

Austock Property

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

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CORPORATE GOVERNANCE STATEMENT

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

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

Principle 1: Lay solid foundations for management and oversight

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

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

Principle 2: Structure the Board to add value

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

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

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 3: Promote ethical and responsible decision making

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

ASX recommendation/disclosure obligation		Trust's response
3.1	Establish a Code of Conduct	Directors and employees of the Responsible Entity are subject to a Code of Conduct which has been adopted by Austock Group. The Board is committed to ensuring that all directors and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.
3.2	Establish a Diversity Policy	Directors and employees of the Responsible Entity are subject to a Diversity Policy which was adopted by Austock Group on 30 May 2011.
3.3	Disclose measurable objectives for achieving gender diversity and progress towards achieving them	Austock Group has not set any measurable objectives for achieving gender diversity. As part of its focus on returning the Austock Group to profitability and restoring shareholder wealth, the number of employees within the group has reduced significantly and are expected to remain stable. The directors of Austock Group do not consider it necessary or appropriate to set measurable objectives for achieving gender diversity while employee numbers remain low. However, as Board and employee vacancies are filled, attention will be given to identifying opportunities for improving gender diversity across the group.
3.4	Disclose proportion of women employed in whole organisation, in senior executive positions and on the board	The Trust provides the following information in relation to the proportion of women employed within the Austock Group and Austock Property division:
3.5	Availability of information	A copy of the Austock Group Code of Conduct and Diversity Policy are available on the Trust's website.

	Austock Group	Austock Property division
Women in organisation:	38%	54%
Women in senior executive positions:	17%	0
Women on the Board:	0	0

Principle 4: Safeguard integrity in financial reporting

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

ASX recommendation/disclosure obligation		Trust's response
4.1	Establish an Audit Committee	The Board established an Audit and Compliance Committee in February 2005 whose responsibilities include monitoring the Responsibility Entity and the Trust's compliance with the *Corporations Act 2001*, the Trust's Constitution and Compliance Plan. This is notwithstanding that a separate compliance committee is not required under s.601JA of the *Corporations Act 2001*. The current members of the Committee are Mr Warner Bastian (Chairman), Mr Michael Johnstone and Mr David Penman, all of whom are considered independent. Mr Bastian and Mr Penman are not members of the Board but possess a level of technical expertise appropriate for audit committee membership.

CORPORATE GOVERNANCE STATEMENT (continued)

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

Principle 5: Make timely and balanced disclosure

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

Principle 6: Respect the rights of shareholders

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

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

Principle 7: Recognise and manage risk

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

ASX recommendation/disclosure obligation		Trust's response
7.1	Establish policies for the oversight and management of material business risks	The Responsible Entity has recently upgraded its Risk Management Program to comply with the requirements of the new Australian Standard on Risk Management (AS/NZ ISO 31000) and implemented a Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806).
7.2	Design and implement a risk management and internal control system to manage material business risks and report thereon to Board	Day to day responsibility for risk management has been delegated to Management, with review occurring at both Responsible Entity Board level and Austock Group Board level. In accordance with the Risk Management Program, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. Management's risk management process is reviewed by an external consultant every two years, with the last review having been undertaken in 2010. Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Trust's management of its material business risks.

CORPORATE GOVERNANCE STATEMENT (continued)

ASX recommendation/disclosure obligation		Trust's response
7.3	Assurance from Chief Executive Officer and Chief Financial Officer	The Chief Executive Officer /Fund Manager and Chief Financial Officer have certified to the Board that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
7.4	Availability of information	A summary of the Risk Management Program is available on the Trust's website.

Principle 8: Remuneration fairly and responsibly

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

ASX recommendation/disclosure obligation		Trust's response
8.4.3	Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes	Directors and employees are not remunerated by the Trust and do not receive equity in the Trust as a form of remuneration. Accordingly, it is considered unnecessary to have a policy which prohibits transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes.
8.4.4	Availability of information	A copy of the Constitution is available on the Trust's website.

DIRECTORS' REPORT

The Directors of Austock Property Management Limited ("the Responsible Entity"), the Responsible Entity of the Australian Education Trust and its controlled entity ("the Trust"), present their report together with the financial report of the Trust for the year ended 30 June 2012.

THE RESPONSIBLE ENTITY

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

Structure of Trust/Responsible Entity

Directors of the Responsible Entity

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

Name	Period of Directorship
Mr Victor (Vic) David Cottren	Appointed 22nd December 2004
Mr Michael Francis Johnstone	Appointed 22nd December 2004
Mr Nicholas (Nick) James Anagnostou	Appointed 4th August 2008

Company Secretary's Qualifications and Experience

The Trust has Joint Company Secretaries with details as follows:

- Amanda Gawne, BCom, LLB (Melbourne University), Grad Dip CSP, ACIS - Appointed 22 December 2004. Amanda has extensive company secretarial experience in large private and publicly listed organisations.
- Adrian Hill, BSc, LLB (Monash University) - Appointed 15 May 2009. Adrian joined Austock Group Limited in 1998 as General Counsel. Austock Group is the parent of Austock Property Management Limited, the Responsible Entity of the Australian Education Trust. During his time at Austock, Adrian has served on boards and compliance committees for funds management businesses.

Remuneration of the Responsible Entity

During the financial year the Responsible Entity received fees totalling $2,081,364 (2011: $2,750,918).

PRINCIPAL ACTIVITIES

The Trust is a specialist social infrastructure property owner which as at 30 June 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 - Tenanted by Goodstart	193	224,633	22,080
Australia - Other Tenants	76	82,183	8,621
New Zealand - Tenanted by Kidicorp	55	39,589	3,624[2]
	324	**346,405**	**34,325**
Non-operational Properties			
Available for Sale/Lease	3	1,040	-
Total Properties as at 30 June 2012	**327**	**347,445**	**34,325**

[1] *Includes head-lease rent on leasehold properties of $1.1m*
[2] *Based on NZD rent of $4,626,000 at an exchange rate of 1.2763*

DIRECTORS' REPORT (continued)

Tenants

The Trust has 27 appropriately qualified tenants, 26 in Australia and 1 in New Zealand. Major tenants are the not-for-profit group Goodstart Early Learning Limited ("Goodstart") which leases 64% of the Trust's properties and Kidicorp Limited which leases the New Zealand properties that comprises 11% of The Trust's portfolio.

The Trust monitors its tenants' performance from data received periodically in accordance with their leases.

Lease Structure

The majority of the Trust's leases are structured as follows:

- Triple net in structure, the tenant is responsible for rent and outgoings, structural repairs, general repairs and maintenance, rates, taxes (except Queensland land tax). In addition, the tenant is required to redecorate/refurbish the property once every 5 years as directed by the Trust.
- A typical lease term is 15 years from commencement plus two 5 year options;
- Most leases include a 5 year notice period regarding option take-up by the tenants; and
- Rental growth is indexed annually to CPI with a market review at year 11 of the lease; and
- The leases contain security clauses in the form of a bank guarantee to be provided by its tenants, typically 6 months' rent.

As at 30 June 2012 the Trust holds approximately $20 million in bank guarantees.

Portfolio Update

- As at 30 June 2011 the Trust owned 333 properties. During the year to 30 June 2012, 6 properties were sold, 3 non-operating and 3 operating properties, the proceeds of which were applied to debt reduction. Management believed that the operating properties would require significant capital expenditure in the forthcoming years and were not subject to triple net leases. The sale of these operating properties was concluded as appropriate deployment of capital as the assets had reached optimal value in the medium term.
- There were no acquisitions during the period.
- As at 30 June 2012, the Trust owns 327 properties of which 3 Australian properties are non-income producing. Management is marketing these properties for sale/lease.
- As part of Goodstart's assignment of leases in May 2010, Goodstart had a right under the leases to terminate 9 AET properties pursuant to early termination clauses up until 31 May 2012. Goodstart have not exercised the right to terminate any of the 9 properties for which it had early termination rights, subject to minor rental adjustments. Those rights have now lapsed.

REVIEW AND RESULTS OF OPERATIONS

A summary of the key results this financial year include:

- Distributable Income* of $17.8 million, an increase of 65% on the previous corresponding period ("pcp").
- Gearing reduced to 38.6%.
- Statutory profit of $23.2 million compared to a profit of $2.3 million pcp.
- 6% overall increase achieved on properties externally revalued during the financial year.
- Unit price has increased from $0.80 at 30 June 2011 to $1.02 at 30 June 2012, an increase of 28%.
- Net tangible asset (NTA) per unit increased from $1.18 at 30 June 2011 to $1.21 at 30 June 2012.
- Reduction in costs of 21% compared to pcp.
- Weighted Average Lease Expiry at 30 June 2012 of 9.2 years.
- Limited property vacancy of 1%.

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

DIRECTORS' REPORT (continued)

Full year ended 30 June ($m's)	2012	2011
Revenue		
Lease income	34.0	33.1
Property outgoings recoverable	5.4	5.2
Other income	0.7	0.6
	40.1	**38.9**
Expenses		
Finance costs	11.9	16.7
Property expenses	7.5	8.2
Responsible entity's remuneration	2.1	1.9
Other expenses	0.8	1.3
	22.3	**28.1**
Distributable Income *	**17.8**	**10.8**
Amortisation of lease incentive asset & liability (Lease income)	(0.1)	(0.2)
Straight line rental adjustments (Lease income)	0.4	0.6
Change in fair value of derivative financial instruments	(2.8)	(1.3)
Net revaluation increment/(decrement) of investment properties	5.6	(2.8)
Gain/(Loss) on sale of investment properties	(0.1)	(0.5)
Realised foreign exchange gain/(losses)	-	(2.7)
Unrealised foreign exchange gain/(losses)	-	(0.1)
Realised losses on derivative financial instruments	-	(1.5)
NZ Development Site Claim	2.4	-
Net profit/(loss) attributable to Unitholders	**23.2**	**2.3**

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

Key points to note are:

- Lease income is indexed annually to CPI, with average rental growth during the year of 2.8%
- Expense reduction of $5.8 million has been the key driver of improved distributable income due to the following factors:
  - Reduced finance costs of $4.8 million as a result of lower levels of debt and lower interest rates.
  - Continued expense minimisation, in particular the reduction in non-recoverable property expenses.

DISTRIBUTIONS

The distribution for the year ended 30 June 2012 was 10.00 cents per unit (2011: 4.25 cents per unit).

Distributions declared by the Trust since the end of 30 June 2011 were:

Period	Paid/ Payable	Cents per Unit	Amount $'000
Quarter ending 30 September 2011	20 October 2011	2.25	3,948
Quarter ending 31 December 2011	20 January 2012	2.45	4,300
Quarter ending 31 March 2012	20 April 2012	2.65	4,650
Quarter ending 30 June 2012	20 July 2012	2.65	4,650
Total		**10.00**	**17,548**

STATE OF AFFAIRS

Capital Management and Financial Position

As at 30 June 2012 the total assets of the Trust were $357.5 million, gross borrowings were $134 million and net assets were $212.6 million. The net tangible asset per unit is $1.21 (30 June 2011: $1.18). The Trust has gearing (Borrowings / Investment Properties) of 38.6%. The basis for valuation of the Trust's assets is disclosed in Note 1 to the financial statements.

The Trust has 175,465,397 units on issue as at 30 June 2012.

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

DIRECTORS' REPORT (continued)

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

Facility Limit	$135 million as at 30 June 2012
Drawn Amount	$134 million as at 30 June 2012
Facility Maturity	December 2013
Maximum Loan to Value	55% Freehold & 50% of Leasehold Interests
Interest Cover Ratio	Not to be less than 1.6 x measured on a six monthly basis
Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio

As at 30 June 2012, The Trust complied with all of its debt covenant ratios and obligations.

Management is actively monitoring its capital management position in order to achieve the most suitable and cost effective outcome for Unitholders.

Hedging Arrangements

The Trust has interest rate hedging arrangements with its financiers, as follows:

Interest Rate Swap

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

Interest Rate Cap/Collar

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

Based on the current drawn debt of $134 million, The Trust has hedged 90% of its interest rate exposure against interest rate movements.

Management actively monitors in hedging arrangements in order to achieve the most suitable and cost effective outcome for Unitholders.

Distribution Reinvestment Plan

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

ENVIRONMENTAL REGULATION

The Trust is not subject to any significant environmental regulations under Commonwealth, State or Territory legislation other than those relevant to the specific assets held by the Trust. However, the Directors believe that the Trust has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Trust.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 9 July 2012, Austock Group Limited announced that it had entered into an agreement with Folkestone Limited to sell the Austock Property business which includes Austock Property Management Limited, the Responsible Entity of Australian Education Trust. The sale is subject to a number of conditions precedent including approval by Austock Group Limited shareholders.

An announcement was made to Unitholders on 9 July 2012, outlining the transaction and benefits to Unitholders. The transaction is subject to a vote of Austock Group shareholders on 12 September 2012.

The sale is not expected to have an effect on Unitholders and no changes in respect to the strategy and focus of the Trust. The move to Folkestone will not result in any costs allocated to the Trust or its Unitholders.

DIRECTORS' REPORT (continued)

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

INTEREST OF THE RESPONSIBLE ENTITY

Interests of both the Responsible Entity and its Directors in the Trust are disclosed in Notes 16 and 17 to the financial statements.

UNITS ON ISSUE

The number of interests in the Trust as the end of the financial year consists of 175,465,397 fully paid ordinary units (2011: 175,465,397).

The Trust neither acquired nor cancelled any units on issue during the period, including up to the date of this report.

No options have been granted over any unissued units in the Trust.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Trust's performance this financial year is consistent with a property trust whose sole purpose is to maintain its property portfolio, manage its financial and capital management position, minimise its costs and pay all of its distributable income to its Unitholders.

Management continues to work on minimising costs across the Trust, especially in regards to finance costs. Re-financing of the Trust will be a priority over the next six months as will a review of its hedging position.

The Trust now has a predictable income stream with CPI indexed growth.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

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

Name and qualification	Age	Experience and special responsibilities
Mr Victor (Vic) David Cottren Independent Director and Chairman Bachelor of Commerce (Melbourne) Fellow of Australian Insurance Institute Fellow of the Australian Society of Certified Practising Accountants Fellow of the Australian Institute of Company Directors	70	Vic was appointed on 22 December 2004. Vic has over 50 years industry experience, with an extensive background in share broking, financial planning, life insurance, superannuation and investment management gained with AMP, Australian Eagle Insurance Company, Norwich Union, The Investors Life Group and National Australia Bank. He held various senior posts including Chief Executive and Director within these companies and their subsidiaries. Since 1995, Vic has worked as a consultant to financial service companies in relation to investment, superannuation and financial planning. Vic was also appointed as a Professorial Fellow at RMIT University in 1993 with responsibility for researching and establishing Australia's first undergraduate degree in financial planning. Vic is also a Director of Austock Life Ltd.

DIRECTORS' REPORT (continued)

Name and qualification	Age	Experience and special responsibilities
Mr Michael Francis Johnstone Independent Director Bachelor of Town & Regional Planning Licensed Land Surveyor Advanced Management Program (Harvard)	70	Michael was appointed on 22 December 2004. Michael has almost 40 years of global business experience in Chief Executive and General Management roles and more recently in non executive Directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialized in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. Michael is currently a Non Executive Director of a number of companies in both listed and private environments, including board appointments in the not for profit sector.
Mr Nicholas (Nick) James Anagnostou Executive Director Bachelor of Business in Property Associate of the Australian Property Institute Certified Fund Manager Qualified Valuer Licensed Estate Agent (Vic)	43	Nick was appointed Chief Operating Officer on 4 August 2008 and then Chief Executive Officer on 11 July 2011. Nick joined Austock Property in December 2005 as Fund Manager for the Australian Education Trust. Nick has more than 20 years of experience in the Australian commercial property and funds management industries. Nick holds a Bachelor of Business in Property and is an Associate of the Australian Property Institute. He is a Certified Funds Manager, a qualified property valuer, a Licensed Estate Agent and was previously a Director of an international advisory group where he focussed on Premium and 'A' grade office markets. He is also on the Executive Committee of Property Funds Association of Australia.

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

DIRECTORS' MEETINGS

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

	Board Meetings	
	A	B
Mr Victor David Cottren	12	12
Mr Michael Francis Johnstone	12	12
Mr Nicholas James Anagnostou	12	12

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

AUDIT AND COMPLIANCE COMMITTEE MEETINGS

The members of the Audit and Compliance Committee are:

- Mr Warner Kenneth Bastian (Independent Chairman)
- Mr David Penman (Independent Member)
- Mr Michael Francis Johnstone (Independent Member)

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

DIRECTORS' REPORT (continued)

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

	Audit and Compliance Committee Meetings	
	A	B
Mr Warner Kenneth Bastian	5	3
Mr Michael Francis Johnstone	5	5
Mr David Penman	5	4

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

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

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

REMUNERATION REPORT

Remuneration of Directors of the Responsible Entity

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

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

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

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

Loans to Directors of the Responsible Entity

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

DETAILS OF THE UNITHOLDINGS IN THE TRUST

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

Name	MF Johnstone	VD Cottren	NJ Anagnostou
Opening balance of units held	65,000	570,000	13,000
Acquisitions of units	-	-	-
Disposals of units	-	-	-
Closing balance of units held	**65,000**	**570,000**	**13,000**

DIRECTORS' REPORT (continued)

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

Indemnification

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

The Trust has not indemnified any auditor of the Trust.

Insurance Premiums

The Responsible Entity has paid insurance premiums in respect of its officers for liability and legal expenses insurance contracts for the year ended 30 June 2012.

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

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

PROCEEDINGS ON BEHALF OF RESPONSIBLE ENTITY

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

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

NON-AUDIT SERVICES

Details of non-audit services provided to the Trust by the independent Auditor during the year ended 30 June 2012 are contained in Note 22 to the financial statements.

ROUNDING

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

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

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

Victor David Cottren
Chairman
Austock Property Management Limited
Melbourne, 15 August 2012

AUDITORS' INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Australian Education Trust for the year ended 30 June 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 audit; and

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

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

Charles Christie
Partner
PricewaterhouseCoopers

15 August 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Group	Notes	2012 $'000	2011 $'000
Revenue			
Lease income		34,285	33,432
Property outgoings recoveries		5,371	5,222
Interest income		307	420
Net property revaluation increment	7	5,662	-
New Zealand development site claim	7	2,363	-
Realised foreign exchange gains		41	-
Unrealised foreign exchange gains		16	-
Other income		373	188
Total revenue		**48,418**	**39,262**
Expenses			
Finance costs	2 (c)	11,945	16,701
Property outgoings		6,186	7,114
Responsible Entity's remuneration		2,081	1,851
Rent on leasehold properties		1,276	1,131
Other expenses	2 (b)	833	1,271
Net property revaluation decrement	7	-	2,814
Loss on sale of investment properties	2 (a)	85	465
Change in fair value of derivative financial instruments		2,799	1,339
Realised foreign exchange losses		-	2,690
Realised losses on derivative financial instruments		-	1,493
Unrealised foreign exchange losses		-	54
Total expenses		**25,205**	**36,923**
Net profit attributable to Unitholders		**23,213**	**2,339**
Other comprehensive income		-	-
Total comprehensive income attributable to unitholders		**23,213**	**2,339**
Earnings per unit		**cents**	**cents**
Basic earnings per unit	4	13.23	1.65
Diluted earnings per unit	4	13.23	1.65

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

CONSOLIDATED BALANCE SHEET

Consolidated Group	Notes	2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalent	14 (a)	8,850	8,582
Trade and other receivables	5	64	141
Other current assets	6	1,168	1,081
Investment properties expected to be sold within 12 months		770	2,261
Total current assets		10,852	12,065
Non-current assets			
Investment properties	7	343,448	338,964
Investment properties straight line rental asset		3,227	2,877
Total non-current assets		346,675	341,841
Total assets		357,527	353,906
LIABILITIES			
Current liabilities			
Trade and payables	8	2,986	3,680
Distribution payable	9	4,661	3,707
Derivative financial instruments	12 (a)	2,790	474
Other current liabilities	10	181	439
Total current liabilities		10,618	8,300
Non-current liabilities			
Borrowings	11	133,008	137,853
Derivative financial instruments	12 (b)	1,348	865
Total non-current liabilities		134,356	138,718
Total liabilities		144,974	147,018
Net assets		212,553	206,888
EQUITY			
Contributed Equity	13	195,013	195,013
Undistributed profit		17,540	11,875
Total equity		212,553	206,888

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Group	Note	Units on Issue $'000	Undistributed Profit $'000	Total $'000
Consolidated Group				
Balance at 1 July 2010		166,314	17,027	183,341
Right issue proceeds		30,369	-	30,369
Right issue costs		(1,670)	-	(1,670)
Profit attributable to unitholders		-	2,339	2,339
Other comprehensive income		-	-	-
Distribution paid or provided for	3	-	(7,491)	(7,491)
Balance at 30 June 2011		**195,013**	**11,875**	**206,888**
Balance at 1 July 2011		195,013	11,875	206,888
Profit attributable to unitholders		-	23,213	23,213
Other comprehensive income		-	-	-
Distribution paid or provided for	3	-	(17,548)	(17,548)
Balance at 30 June 2012		**195,013**	**17,540**	**212,553**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Group	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Lease income received (inclusive of GST)		43,991	40,220
Cash payments in the course of operations (inclusive of GST)		(15,610)	(16,739)
Interest received		307	420
Finance costs paid		(10,900)	(22,032)
Net cash inflow from operating activities	14 (b)	**17,788**	**1,869**
Cash flows from investing activities			
Proceeds from sale of investment properties		2,913	5,787
New Zealand Development Site Claim		2,363	-
Payments for construction of investment property damaged by flood		(631)	-
Insurance proceeds from investment property damaged by flood		428	-
Net cash inflow from investing activities		**5,073**	**5,787**
Cash flows from financing activities			
Proceeds from borrowings		-	171,000
Repayment of borrowings		(6,000)	(208,036)
Payments for closing of derivative financial instruments		-	(768)
Net proceeds from issue of units		-	28,699
Distributions paid		(16,593)	(3,798)
Net cash outflow from financing activities		**(22,593)**	**(12,903)**
Net increase/(decrease) in cash held		**268**	**(5,247)**
Cash at the beginning of the financial year		**8,582**	**13,829**
Cash at the end of the financial year	14 (a)	**8,850**	**8,582**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue by the Directors on 15 August 2012. The Directors have the power to amend and reissue the financial statements.

a) Basis of Preparation

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

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

Compliance with International Financial Reporting Standards

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

New and Amended Standards Adopted by the Trust

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early Adoption of Standards

The Trust has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Critical Accounting Estimates

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

b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Education Trust as at 30 June 2012 and the results of all subsidiaries for the year then ended. The Australian Education Trust and its subsidiaries together are referred to in this financial report as the Trust.

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

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

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

c) Principles of Consolidation (continued)

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

Details of the subsidiary are contained in Note 16 to the financial statements. The subsidiary has a June financial year-end.

d) Investments in Controlled Entities

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

e) Comparative Information

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

f) Revenue and Expenditure Recognition

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

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

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

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

Revenue is recognised for the major business activities as follows:

Lease Income

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

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

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

Lease Incentives

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

Interest Income

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

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

g) Revenue and Expenditure Recognition (continued)

Responsible Entity's remuneration

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

h) Investment Properties

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

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

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

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

Valuations:

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

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

- a willing, but not anxious, buyer and seller on an arm's length basis;
- a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and
- it only takes into account instructions given by the Responsible Entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Responsible Entity.

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

i) Income Tax

Under current income tax legislation, the Trust is not liable for Australian income tax, provided Unitholders are presently entitled to all of the Trust's taxable income at 30 June each year and any capital gain derived from the sale of assets is fully distributed to Unitholders. Tax allowances for building, plant and equipment depreciation are distributed to Unitholders in the form of tax deferred components of distributions. The Trust is taxed on a flow through basis.

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

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

j) Borrowing Costs

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

k) Provisions

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

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

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

l) Cash and Cash Equivalents

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

m) Financial Assets

Classification

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

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

Recognition and Derecognition

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

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

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

m) Financial Assets (continued)

Measurement

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

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

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

Loans & Receivables

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

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

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

Offsetting Financial Instruments

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

n) Trade Receivables

Trade receivables are recognised at fair value, less provision for impairment. Trade receivables are due as specified within the individual property's lease.

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

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

o) Trade and Other Payables

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

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

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

p) Financial Liabilities

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

q) Borrowings

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

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

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

r) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Trust's derivatives do not qualify for hedge accounting and therefore changes in the fair value of any derivative instrument are recognised immediately in the Consolidated Statement of Comprehensive Income.

s) Distributions

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

t) Impairment of Assets

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

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

u) Contributed Equity

Ordinary units are classified as equity.

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

v) Goods and Services Tax

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

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

w) Goods and Services Tax

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

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

x) Earnings Per Unit (EPU)

Basic Earnings Per Unit

Basic earnings per unit are calculated by dividing:

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

Diluted Earnings Per Unit

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

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

y) Foreign Currency Translation

Functional and Presentation Currency

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

Transactions and Balances

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

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

z) Rounding of Amounts

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

aa) Critical Accounting Estimates and Judgements

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

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

aa) Critical Accounting Estimates and Judgements (continued)

Key Estimates — Valuation of Investment Properties

The valuation methodologies used were capitalisation, discounted cashflows and direct comparison approaches, and were consistent with the requirements of relevant Accounting Standards. Based on the revaluation of 132 properties this financial year, the Trust has revalued 100% of its portfolio since 31 December 2010. With the exception of 6 properties where Directors valuations have been adopted, the fair value of the operating investment property portfolio as at 30 June 2012 is entirely based on the most recent independent valuation.

ab) Segment Reporting

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

ac) Parent Entity Financial Information

The financial information for the parent entity, Australian Education Trust, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in Subsidiaries, Associates and Joint Venture Entities

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

Financial Guarantees

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

ad) Going Concern

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

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

ae) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

I. AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB9 (December 2010)* (effective from 1 January 2013).

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

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

ae) New Accounting Standards and Interpretations (continued)

II. AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities, revised* AASB 127 *Separate Financial Statements and* AASB 1128 *Investments in Associates and Joint Ventures and* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards* (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principal that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The Trust does not expect the new standard to have any impact on its composition.

AASB11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint venture will account their share of revenues, expenses, assets and liabilities in much the same was as under the previous standard. AASB 11 also provides guidance that participates in joint arrangements but do not share joint control. As the Trust has no joint arrangements, management does not expect this to have any impact on the Trust's financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB10 and AASB11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Trust will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Trust does not expect these amendments to have any impact on the financial statements.

The Trust does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

III. AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB13* (effective 1 January 2013).

AASB13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Trust has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard may impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

IV. Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australia Accounting Standards arising from* AASB119 *(September 2011)* and AASB 2011-11 *Amendments to AASB119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013).

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

ae) New Accounting Standards and Interpretations (continued)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Trust does not expect these amendments to have any impact on the financial statements.

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

2. INCOME STATEMENT ITEMS

Consolidated Group	Notes	2012 $'000	2011 $'000
(a) Loss on sale of investment properties			
Proceeds from sale of properties		2,876	5,888
Less: Carrying value of properties sold plus costs of disposal		(2,961)	(6,353)
Net loss on sale of investment properties		**(85)**	**(465)**
(b) Other expenses			
ASX fees		41	33
Consultant fees		19	206
Custodian and compliance costs		89	78
Property valuation costs		371	327
Legal fees		91	351
Impairment of receivables		70	140
Sundry expenses		21	22
Unit registry fees		61	47
(c) Finance costs			
External		11,945	16,701

3. DISTRIBUTIONS

Distributions were payable during the financial year as follows:

Period	Paid/ Payable	Cents per Unit	2012 Amount $'000	Cents per Unit	2011 Amount $'000
Year ending 30 June 2010		-	-	0.67	904
Total		-	-	0.67	904
Quarter ending 30 September	20 October 2011	2.25	3,948	-	-
Quarter ending 31 December	20 January 2012	2.45	4,300	-	-
Quarter ending 31 March	20 April 2012	2.65	4,650	2.15	2,902
Quarter ending 30 June	20 July 2012	2.65	4,650	2.10	3,685
		10.00	17,548	4.25	6,587
Total		**10.00**	**17,548**	**4.92**	**7,491**

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

4. EARNINGS PER UNIT ("EPU")

Consolidated Group	2012 Cents	2011 Cents
Basic EPU	13.23	1.65
Diluted EPU	13.23	1.65

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

Consolidated Group	Number of '000	Number of '000
Weighted average number of ordinary units used in calculating basic EPU	175,466	141,963
Bonus element of unit options which are dilutive	-	-
Adjusted weighted average number of ordinary units used in calculating diluted and distributable EPU	**175,466**	**141,963**
	$'000	**$'000**
Earnings used in calculating basic EPU	23,213	2,339
Earnings used in calculating diluted EPU	**23,213**	**2,339**

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

5. TRADE AND OTHER RECEIVABLES

Consolidated Group	Notes	2012 $'000	2011 $'000
Lease debtors		179	186
Provision for impairment		(115)	(45)
		64	141

Trade receivables are recognised at fair value less any provision for impairment. Trade receivables are due in accordance with the individual property's lease terms.

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

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

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

5. TRADE AND OTHER RECEIVABLES (continued)

Trade Receivables that are Past Due but not Impaired:

As at 30 June 2012, trade receivables of $23,163 (2011: $74,534) were due but not impaired. The ageing of these receivables is as follows:

	31-60 days	61-90 days	90+ days
2012			
Consolidated Group	23	-	-
2011			
Consolidated Group	16	2	57

Impairment of Receivables:

As at 30 June 2012, an impairment loss of $70,000 was recognised in the Consolidated Statement of Comprehensive Income, resulting in a balance of the provision for impairment of $115,000.

Related Party Receivables:

For terms and conditions of related party receivables, refer to Note 16.

Fair Value and Credit Risk:

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

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

Foreign Exchange and Interest Rate Risk:

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 19.

6. OTHER CURRENT ASSETS

Consolidated Group	2012 $'000	2011 $'000
Prepayments	431	248
Lease incentive asset	737	833
	1,168	**1,081**

7. INVESTMENT PROPERTIES

Consolidated Group	2012 $'000	2011 $'000
Freehold properties - at valuation	327,741	323,701
Leasehold properties - at valuation	19,704	19,381
Construction and development sites - at valuation	-	1,020
Total investment properties	347,445	344,102
Less: Investment properties expected to be sold within 12 months	(770)	(2,261)
Less: Straight Line Rental Asset	(3,227)	(2,877)
Carrying amount at the end of the year	**343,448**	**338,964**
Movement in investment properties:		
Balance at the beginning of the year	338,964	344,217
Net construction costs of investment property damaged by flood	204	-
Disposal of properties	(2,873)	(6,014)
Investment properties expected to be sold in 12 months	1,491	3,575
Net revaluation increment/(decrement)	5,662	(2,814)
Carrying amount at the end of the year	**343,448**	**338,964**

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

7. INVESTMENT PROPERTIES (continued)

I. 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 independent update. Total acquisition costs include incidental costs of acquisition such as stamp duty and legal fees. Refer to Note 1(f) for further details on valuations.

II. 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.

III. Independent valuations as at 30 June 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 year, 132 external property valuations were conducted, 120 in Australia and 12 in New Zealand.

Valuations on the 120 Australian properties increased by $7.6 million or 6% on the previous external valuations. The 101 Australian freehold operating properties increased by $7.1 million or 6% and the 19 leasehold operating properties increased by $0.5 million or 4%.

In addition to the external valuations, 6 Directors valuations have been adopted resulting in a decrement of $1.6 million, where there was evidence of impairment and that using the last external valuation would not be appropriate.

Valuations of the 12 New Zealand properties decreased by $0.04 million or 0.8%, however this was largely due to the unfavourable exchange rate movements from the date of previous valuation. In New Zealand dollars the valuations of the New Zealand properties increased by $0.3 million or 4%.

The Trust has revalued 100% of its portfolio since 31 December 2010. As at 30 June 2012, the fair value of the operating investment property portfolio is based on the most recent independent valuation with the exception of 6 properties which have had Directors valuations.

Net revaluation increment also includes a decrement due to straight line rental adjustments of $0.4 million with a corresponding increase in Straight Rental Asset.

During the year the Trust has recovered NZ$3 million (~A$2.4 million) from ABC Development Learning Centres (NZ) Limited in relation to the settlement of the claim against ABC Development Learning Centres (NZ) Limited in respect to losses suffered by the Trust on the New Zealand development sites. The proceeds have been received in full and applied to reduce debt.

8. TRADE AND OTHER PAYABLES

Consolidated Group	2012 $'000	2011 $'000
Trade creditors	638	662
Accrued interest	1,038	1,148
GST payable	843	764
Accruals	467	1,106
	2,986	3,680

Fair Value and Credit Risk:

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

Financial Guarantees:

There are no financial guarantees in place.

Interest Rate, Foreign Exchange and Liquidity Risk:

Detail regarding interest rate, foreign exchange and liquidity risk exposure is disclosed in Note 19.

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

9. DISTRIBUTION PAYABLE

Consolidated Group	2012 $'000	2011 $'000
Distribution payable	4,661	3,707
	4,661	**3,707**

10. OTHER CURRENT LIABILITIES

Consolidated Group	2012 $'000	2011 $'000
Rental income received in advance	181	439
	181	**439**

11. BORROWINGS

Consolidated Group	2012 $'000	2011 $'000
Bank loans - secured	134,000	140,000
Less: up front transaction costs	(2,600)	(2,669)
Plus: amortised up front transaction costs	1,608	522
	133,008	**137,853**

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

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

Facility Limit	$135 million as at 30 June 2012
Drawn Amount	$134 million as at 30 June 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 30 June 2012, the Trust complied with all of its debt covenant ratios and obligations.

Hedging Arrangements

The Trust has interest rate hedging arrangements with its financiers, as follows:

Interest Rate Swap

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

Interest Rate Cap/Collar

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

Based on the current drawn debt of $134 million, The Trust has hedged 90% of its interest rate exposure against interest rate movements.

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

11. BORROWINGS (continued)

Interest rate, foreign exchange and liquidity risk

Refer to Note 19 for information on interest rate, foreign exchange and liquidity risk.

Fair values

The carrying amounts of the Trust's Borrowings approximate their fair value.

Unused financing facilities

Refer to Note 14(c) for details of unused financing facilities.

Assets pledged as security

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

Consolidated Group	2012 $'000	2011 $'000
Assets pledged as security:		
Collateral that has been pledged for secured liabilities is as follows:		
i) Financial assets pledged		
Cash and cash equivalents	8,850	8,582
Trade and other receivables	64	141
ii) Other assets pledged		
Other current assets	1,168	1,081
Investment properties	347,445	344,102
Total assets pledged	**357,527**	**353,906**

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

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

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

11. BORROWINGS (continued)

Covenants:

The main requirements of the facility is that the Trust maintains maximum debt to property value ratio of 55% for freehold properties and 50% for leasehold properties and a minimum Financial Charges Ratio (net earnings before interest to interest) of 1.6x for the six month period to 30 June 2012.

The Trust was in compliance with all covenants as at 30 June 2012.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated Group	2012 $'000	2011 $'000
(a) Current		
Derivative financial instruments - interest rate swaps & cap/collar contracts	2,790	474
	2,790	**474**
(b) Non-Current		
Derivative financial instruments - interest rate swaps & cap/collar contracts	1,348	865
	1,348	**865**

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

Refer to Note 11 for further information on these contracts.

13. CONTRIBUTED EQUITY

Consolidated Group	Units on Issue No '000	Units on Issue $'000
Balance at 1 July 2010	134,974	166,314
Units Issued	40,492	30,369
Transaction Costs	-	(1,670)
Balance at 30 June 2011	**175,466**	**195,013**
Balance at 1 July 2011	175,466	195,013
Units Issued	-	-
Balance at 30 June 2012	**175,466**	**195,013**

During the year ending 30 June 2012, there were no units issued (2011: there were 40,492,014 units issued as a result of the Rights Issue).

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

Capital Risk Management:

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

The proportion of capital is largely determined by the loan-to-value ratio as specified under the Trust's debt facility (refer Note 11). The maximum debt to property value ratio is 55% for freehold properties and 50% for leasehold properties. The Trust was in compliance with the loan-to-value ratio as at 30 June 2012.

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

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

14. CASH AND CASH EQUIVALENTS

Consolidated Group	2012 $'000	2011 $'000
(a) Components of cash and cash equivalents		
Cash	8,850	8,582
Total cash and cash equivalents	**8,850**	**8,582**
(b) Reconciliation of profit after income tax to net cash flows provided by operating activities		
Comprehensive profit	23,213	2,339
Loss on sale of investment properties	85	465
Unrealised foreign exchange (gains) / losses	(16)	54
Realised foreign exchange (gains) / losses	(41)	2,690
Change in fair value of derivative financial instruments	2,799	1,339
Realised losses on derivative financial instruments	-	1,493
Net property revaluation (increment) / decrement	(5,662)	2,814
New Zealand development site claim	(2,363)	-
Straight line rental adjustments	(350)	(585)
(Increase)/decrease in debtors	77	213
(Increase)/decrease in other current assets	(87)	347
Increase/(decrease) in other current liabilities	(258)	(2,251)
Increase/(decrease) in trade and other payables	391	(7,049)
Net cash flows provided by operating activities	**17,788**	**1,869**
(c) Financing facilities		
Committed financing facilities available to the Trust:		
Bank loans - secured	135,000	142,000
Amounts utilised	(134,000)	(140,000)
Available loan facilities	1,000	2,000
Cash	8,850	8,582
Financing resources available at the end of the year	**9,850**	**10,582**
Maturity profile of financing facilities:		
Due within one year	-	-
Due between one year and five years	135,000	142,000
Due after five years	-	-
	135,000	142,000

Refer to Note 11 for details on the conditions of the financing facilities.

15. 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 in both Australia and New Zealand. Total revenue comprises revenue from Australia of $41.5 million (2011: $35.3 million) and revenue from New Zealand of $6.9 million (2011: $4.0 million). Investment properties held by the Trust comprise Australian properties of $307.8 million (2011: $304.1 million) and New Zealand properties of $39.6 million (2011: $40.0 million).

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

16. RELATED PARTY DISCLOSURES

The Trust Group

The consolidated financial statements include the financial statements of Australian Education Trust and its wholly owned subsidiary AET New Zealand Education Trust ("AETNZ"). AETNZ was established in Queensland, Australia with the issue of 2 units at $1.00 each to the Trust on 10 October 2005. The Trust owns 100% of the 20,100,000 units (2011: 16,000,000) on issue in AETNZ at a carrying value of $20,100,000 (2011: $16,000,000).

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

Consolidated Group	2012 $'000	2011 $'000
Interest from subsidiary trust	1,712	3,451
Expense reimbursement from subsidiary trust	32	25
Loan to subsidiary trust	21,104	30,477

The amount due from AET New Zealand Education Trust is a long term loan with no fixed date for repayment. Interest is payable on the loan balance and is based on the average interest rate on loans held by the Parent Entity.

On 28 June 2012, $4.1 million of inter-trust debt was converted to equity at the price of $1 per unit.

Responsible Entity

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

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

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

Consolidated Group	2012 $'000	2011 $'000
Amounts paid or payable during the year		
Responsible Entity asset management fees	1,784	1,702
Responsible Entity cost recoveries	297	149
Responsible Entity debt refinancing fees	-	900
	2,081	2,751
Amounts included in accruals or payables at balance date	**523**	**536**

Custodian

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

Consolidated Group	2012 $'000	2011 $'000
Amounts paid or payable during the year		
Custodian fees	89	78
Amounts included in accruals or payables at balance date	24	24

Terms and Conditions of Transactions with Related Parties

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

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

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

16. RELATED PARTY DISCLOSURES (continued)

Units Held in the Trust by Related Entity

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

Name	ASIF
Opening balance of units held	7,730,980
Acquisitions of units	-
Disposals of units	-
Closing balance of units held	7,730,980

An amount of $204,870 was payable at balance date to ASIF in relation to the 30 June 2012 quarterly distribution.

Payment to Related Entity

For the year ended 30 June 2012, the Trust has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history does not suggest otherwise. This assessment will be undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. When assessed as required the Trust raises such a provision.

17. KEY MANAGEMENT PERSONNEL

The Directors of the Responsible Entity are considered to be Key Management Personnel (KMP)

Chairman – Non-executive	Vic Cottren	Appointed 22 Dec 2004
Non-executive Director	Michael Johnstone	Appointed 22 Dec 2004
Executive Director	Nick Anagnostou	Appointed 4 Aug 2008
Other KMP	Travis Butcher	Appointed 1 Oct 2008 – Chief Financial Officer

Remuneration:

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

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

Units held in the Trust by Directors:

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

Name	MF Johnstone	VD Cottren	NJ Anagnostou
Opening balance of units held	65,000	570,000	13,000
Acquisition of units	-	-	-
Disposal of units	-	-	-
Closing balance of units held	65,000	570,000	13,000

18. CAPITAL AND LEASE COMMITMENTS

Capital expenditure commitments – centre acquisitions and development

Estimated capital expenditure commitments contracted at balance date but not provided for:

Consolidated Group	2012 $'000	2011 $'000
not later than 1 year	-	-

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

18. CAPITAL AND LEASE COMMITMENTS (continued)

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	2012 $'000	2011 $'000
Receivable:		
not later than 1 year	35,033	33,885
later than 1 year but no later than 5 years	149,136	144,652
later than 5 years	162,624	196,430
	346,793	374,967

Leasehold property commitments

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

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

Consolidated Group	2012 $'000	2011 $'000
Payable:		
not later than 1 year	1,065	1,031
later than 1 year but no later than 5 years	4,823	4,668
later than 5 years	14,227	15,643
	20,115	21,342

19. FINANCIAL RISK MANAGEMENT

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

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

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

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

19. FINANCIAL RISK MANAGEMENT (continued)

Risk Exposures and Responses

I. Market Risk

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

– *Interest Rate Risk*

The Trust's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest rate risk if the borrowings are carried at fair value. During 2012 and 2011, the Trust's borrowings at variable rate were denominated in Australian Dollars.

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

Consolidated Group	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	8,850	8,582
	8,850	**8,582**
Financial liabilities		
Borrowings (Gross)	134,000	140,000
	134,000	**140,000**
Net exposure	**(125,150)**	**(131,418)**

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

Consolidated Group	2012 %	2011 %
Financial assets		
Cash and cash equivalents	3.88%	5.03%
Financial liabilities		
Borrowings	7.70%	7.94%

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

Refer to Note 11 and Note 12 for details on the fair value of derivatives as at the reporting date.

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

A loan amount of $14 million is unhedged and as at 30 June 2012, the weighted average variable interest rate is 7.70% pa.

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

Risk Exposures and Responses (continued)

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Net Profit Increase/(decrease)		Equity Increase/(decrease)	
Consolidated Group	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Judgements of reasonably possible movements:				
Increase in variable interest rates of 1.00%	1,749	2,356	1,749	2,356
Decrease in variable interest rates of 0.50%	(786)	(1,557)	(786)	(1,557)

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

– *Foreign currency risk:*

The Trust has exposure to foreign currency movements through its investment in New Zealand properties.

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

With respect to property investments in New Zealand, there is currently no relevant hedging in place. Of the total value of property investments held by the Trust, 11.4% is represented by properties held in New Zealand. The intention is to hold New Zealand properties on an on-going basis. In accordance with accounting standards, movements in foreign exchange rates are recognised at the time the properties are revalued to fair value.

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

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

Consolidated Group	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	131	226
	131	226
Financial liabilities		
Payables	56	5
	56	5
Net exposure	75	221

	Net Profit Increase/(decrease)		Equity Increase/(decrease)	
Consolidated Group	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Judgements of reasonably possible movements:				
AUD/NZD + 15.00%	(5,950)	(6,053)	(5,950)	(6,053)
AUD/NZD - 15.00%	5,950	6,053	5,950	6,053

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

Risk Exposures and Responses (continued)

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

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

– *Price risk*

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

II. Liquidity risk:

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

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2012. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Market value is not materially different from the break value. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing as at 30 June 2012.

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

Consolidated Group	2012 $'000	2011 $'000
6 months or less	9,223	8,063
6 to 12 months	1,395	237
1 to 5 years	135,348	140,865
Later than 5 years	-	-
	145,966	149,165

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

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

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

Risk Exposures and Responses (continued)

Consolidated Group	6 months or less $'000	6 to 12 months $'000	1 to 5 years $'000	Later than 5 years $'000	Total $'000
2012					
Financial assets					
Cash and cash equivalents	8,850	-	-	-	8,850
Receivables / Prepayments	495	-	-	-	495
	9,345	-	-	-	**9,345**
Financial liabilities					
Payables	7,828	-	-	-	7,828
Interest-bearing liabilities	-	-	134,000	-	134,000
Derivative financial instruments	1,395	1,395	1,348	-	4,138
	9,223	**1,395**	**135,348**	-	**145,966**
Net exposure	**122**	**(1,395)**	**(135,348)**	-	**(136,621)**
2011					
Financial assets					
Cash and cash equivalents	8,582	-	-	-	8,582
Receivables / Prepayments	389	-	-	-	389
	8,971	-	-	-	**8,971**
Financial liabilities					
Payables	7,826	-	-	-	7,826
Borrowings	-	-	140,000	-	140,000
Derivative financial instruments	237	237	865	-	1,339
	8,063	**237**	**140,865**	-	**149,165**
Net exposure	**908**	**(237)**	**(140,865)**	-	**(140,194)**

III. Credit Risk

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

Receivables are received within the terms of the individual property lease, except for the amount due to the Parent Entity from AET New Zealand Education Trust which has no fixed date of repayment (refer to Note 16).

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

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

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

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

IV. Fair Value measurements

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

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

Risk Exposures and Responses (continued)

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

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

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

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

The following table presents the Trust's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

Consolidated Group	Level 1	Level 2	Level 3	Total
2012				
Derivatives used for hedging	-	-	-	-
Total Assets	-	-	-	-
Liabilities				
Derivatives used for hedging	-	4,138	-	4,138
Total Liabilities	-	**4,138**	-	**4,138**
2011				
Derivatives used for hedging	-	-	-	-
Total Assets	-	-	-	-
Liabilities				
Derivatives used for hedging	-	1,399	-	1,399
Total Liabilities	-	**1,399**	-	**1,399**

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

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes of similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

Net fair values

- Recognised financial instruments:

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

- Unrecognised financial instruments:

  The Trust has no off-balance sheet financial instruments.

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

20. NET TANGIBLE ASSETS

Consolidated Group	2012	2011
Net tangible assets ($'000)	212,553	206,888
Units used (No'000)	175,465	175,465
Net tangible assets at carrying value per unit ($)	1.211	1.179

21. CONTINGENT LIABILITIES

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

22. AUDITORS REMUNERATION

Consolidated Group	2012 $	2011 $
Audit and other assurance service		
Audit or review of financial report – PricewaterhouseCoopers, Australia firm	61,000	58,843
Audit of compliance plan – PricewaterhouseCoopers, Australia firm	4,000	4,200
Taxation services		
Taxation – PricewaterhouseCoopers, Australia firm	23,327	23,327
Total audit remuneration	**88,327**	**86,370**

23. PARENT ENTITY FINANCIAL INFORMATION

Summary Financial Information

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

Consolidated Group	2012 $'000	2011 $'000
Balance Sheet		
Current assets	13,252	15,934
Total assets	358,325	358,626
Current liabilities	6,894	9,005
Total liabilities	144,433	146,220
Shareholders' equity		
Contributed equity	187,520	187,520
Undistributed profits	26,371	24,885
	213,891	212,406
Profit/(loss) for the year	19,032	4,283
Total comprehensive income	19,032	4,283

Guarantees Entered into by the Parent Entity

As at 30 June 2012, the parent entity has not provided guarantees in relation to its subsidiary, AET New Zealand Education Trust.

Contingent Liabilities

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

Contractual Commitments for the Acquisition of Property, Plant or Equipment

The parent entity did not have any contractual commitments for the acquisition of the property, plant or equipment as at 30 June 2012 or 30 June 2011.

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

24. SUBSEQUENT EVENTS

On 9 July 2012, Austock Group Limited announced that it had entered into an agreement with Folkestone Limited to sell the Austock Property business which includes Austock Property Management Limited, the Responsible Entity of Australian Education Trust. The sale is subject to a number of conditions precedent including approval by Austock Group Limited shareholders.

An announcement was made to Unitholders on 9 July 2012, outlining the transaction and benefits to Unitholders. The transaction is subject to a vote of Austock Group shareholders on 12 September 2012.

The sale is not expected to have an effect on Unitholders and no changes in respect to the strategy and focus of the Trust. The move to Folkestone will not result in any costs allocated to the Trust or its Unitholders.

The financial report was authorised on 15th August 2012 by the Board of Directors of the Responsible Entity.

There have been no other significant events since 30 June 2012 that have or may significantly affect the results and operations of the Trust.

25. TRUST DETAILS

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

DIRECTORS' DECLARATION

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

1. the financial statements and notes, set out on pages 19 to 49 are in accordance with the *Corporations Act 2001*, including:
    - complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
    - giving a true and fair view of the Trust's financial position as at 30 June 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 year ended 30 June 2012 in accordance with the provisions of the Trust Constitution dated 8 July 2002 (as amended).

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

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

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

Victor David Cottren
Chairman
Austock Property Management Limited
Melbourne, 15 August 2012

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS

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

Report on the financial report

We have audited the accompanying financial report of Australian Education Trust (the Trust), which comprises the balance sheet as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Australian Education Trust and controlled entity (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO BOX 1331L
MELBOURNE VIC 3001, DX 77
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS (continued)

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated Trust's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included on page 16 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Education Trust for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Australian Education Trust (the Trust) for the year ended 30 June 2012 included on of Australian Education Trust's web site. The directors of Austock Property Management Limited, the Responsible Entity of the Trust, are responsible for the integrity of the of Australian Education Trust's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
15 August 2012

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 3RD AUGUST 2012

There were 175,465,397 fully paid ordinary units on issue, held by 2,711 Unitholders.

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

(a) on a show of hands every person present who is a Unitholder has one vote; and

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

Distribution of Unitholders

Number of Units Held	Number of Unitholders
1-1,000	254
1,001-5,000	585
5,001-10,000	621
10,001-100,000	1,110
100,001 and over	141
Totals	**2,711**
Holdings less than a marketable parcel	119

Substantial Unitholders

Name of Substantial Unitholder	Number
Orbis Group	32,639,712
Acorn Capital Limited	13,185,746
Mr Louis Pierre Ledger	9,577,989
Resolution Capital Limited	9,060,106

Twenty Largest Unitholders

Holder Name	Number of Units	Fully Paid Percentage
National Nominees Limited	27,043,333	15.412
J P Morgan Nominees Australia Limited	14,956,869	8.524
Mr Louis Pierre Ledger	9,577,989	5.459
Trust Company Limited	7,730,980	4.406
Citicorp Nominees Pty Limited	7,621,669	4.344
HSBC Custody Nominees (Australia)	6,831,689	3.893
Sandhurst Trustees Ltd	6,280,000	3.579
Chemical Trustee Limited	4,550,000	2.593
Buratu Pty Ltd	1,940,000	1.106
Acres Holdings Pty Ltd	1,649,310	0.940
Sandhurst Trustees Ltd	1,633,640	0.931
UBS Wealth Management Australia	1,611,241	0.918
Mr Robert Adamson	1,443,725	0.823
YAGM Pty Ltd	1,431,140	0.816
Redbrook Nominees Pty Ltd	1,400,000	0.798
Maycot Pty Ltd	1,275,000	0.727
Redbrook Nominees Pty Ltd	1,266,333	0.722
Mr Raymond Martin & Mrs Deborah Martin	1,130,000	0.644
Citicorp Nominees Pty Limited	1,055,668	0.602
Melbourne Corporation Of Australia Pty Ltd	949,000	0.541
	101,377,586	**57.776**

On market buy back

There is no current on-market buy back.

DIRECTORY

Responsible Entity and principal place of business of the Trust	Austock Property Management Limited Level 12 15 William Street Melbourne VIC 3000
Directors of the Responsible Entity	Victor David Cottren (Chairman) Michael Francis Johnstone Nicholas James Anagnostou
Solicitors	Macrossans Lawyers Level 23 AMP Place 10 Eagle Street Brisbane Qld 4000
Share Registry	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000
Auditors/Taxation Advisors	PricewaterhouseCoopers Freshwater Place 2 Southbank Boulevard Southbank VIC 3000
Bank	National Australia Bank Limited 500 Bourke Street Melbourne VIC 3000
	Australia & New Zealand Banking Group 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	Amanda Jane Gawne Level 12 15 William Street Melbourne VIC 3000
	Adrian Seamus Hill Level 12 15 William Street Melbourne VIC 3000

Australian
Education Trust
ARSN 102 955 939