



# Australian Education Trust

## 2008 Annual Results Presentation

**Vic Cottren, Acting Chairman -**  
Austock Property Management Limited

**Peter Barren, Chief Financial Officer -**  
Australian Education Trust

**Nick Anagnostou, Fund Manager -**  
Australian Education Trust



# Agenda

Introduction – Vic Cottren

Financial Results

Business Overview

Outlook



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# Income Statement

**Net profit increase to \$40.9m or by 74%**

	2008 \$'000	2007 \$'000
<b>Revenue</b>		
Property income	40,198	30,288
Other income	2,090	2,250
Unrealised foreign exchange gains	12,527	-
Change in fair value of interest rate swaps	5,569	-
Net property revaluation increment	16,734	7,392
<b>Total Revenue</b>	<b>77,118</b>	<b>39,930</b>
<b>Expenses</b>		
Interest	18,891	11,209
Change in fair value of foreign exchange contracts	12,272	-
Other expenses	5,117	5,181
<b>Total Expenses</b>	<b>36,280</b>	<b>16,390</b>
<b>Net Profit before Tax &amp; Distributions to Unitholders</b>	<b>40,838</b>	<b>23,540</b>
Income tax benefit	19	-
<b>Net Profit Attributable to Unitholders</b>	<b>40,857</b>	<b>23,540</b>
Distributions to Unitholders	18,491	17,063
<b>Changes to Net Assets Attributable to Unitholders</b>	<b>22,366</b>	<b>6,477</b>
Weighted Average Units on issue ('000)	133,527	115,674
Units on Issue ('000)	134,973	123,209
<b>Basic EPU on weighted units</b>	<b>30.60 c</b>	<b>20.35 c</b>

- Growth in property income reflects growth in centre numbers
- Revaluation of 176 properties resulted in 9.6% increase in value
- Inclusion in 2008 of unrealised FX and derivative gains and losses due to o/seas borrowings and interest rate swaps
- Interest cost reflects weighted average cost of 7.54% for 2008



# Distributions

## Distributions of 13.7 cents decreased by 6.2% in 2008

	2008 \$'000	2007 \$'000
<b>Net Profit Attributable to Unitholders</b>	<b>40,857</b>	<b>23,540</b>
Adjusted for:		
Unrealised foreign exchange losses/(gains)	(12,527)	292
Change in fair value of forex contracts	12,272	-
Change in fair value of interest rate swaps	(5,569)	-
Net property valuation increment	(16,734)	(7,392)
Property revaluation costs	428	388
<b>Net Profit Distributable to Unitholders</b>	<b>18,727</b>	<b>16,828</b>
<b>Total Distributions</b>	<b>18,491</b>	<b>17,063</b>
Basic distributable EPU on weighted units	14.02 c	14.55 c
<b>Distributions per Unit paid/payable</b>	<b>13.70 c</b>	<b>14.60 c</b>

- Adjustments from accounting profit to distributable income
- Decrease in distribution per unit due to:
  - increasing variable interest rates
  - interest uplift of 1% on Notes
  - static level of supplementary rental income
  - increase in the no of units on issue



# Balance Sheet

Total Assets increased by \$82m or 21%

	2008 \$'000	2007 \$'000
<b>Current Assets</b>		
Cash and Cash Equivalents	4,423	415
Trade & Other Receivables	7,874	7,964
Other Current Assets	11,831	13,341
<b>Total Current Assets</b>	<b>24,128</b>	<b>21,720</b>
<b>Non-Current Assets</b>		
Investment Properties	438,484	364,250
Derivative Financial Instruments	5,240	-
<b>Total Non-Current Assets</b>	<b>443,724</b>	<b>364,250</b>
<b>Total Assets</b>	<b>467,852</b>	<b>385,970</b>
<b>Current Liabilities</b>		
Trade & Other Payables	6,292	3,237
Distribution Payable	3,644	4,559
Other Current Liabilities	8	63
<b>Total Current Liabilities</b>	<b>9,944</b>	<b>7,859</b>
<b>Non-Current Liabilities</b>		
Long-term Financial Liabilities	245,009	219,226
Derivative financial instruments	12,272	-
<b>Total Non-Current Liabilities</b>	<b>257,281</b>	<b>219,226</b>
<b>Total Liabilities (excluding net assets attributable to Unitholders)</b>	<b>267,225</b>	<b>227,085</b>
Net Assets Attributable to Unitholders	200,627	158,885
<b>Total Liabilities</b>	<b>467,852</b>	<b>385,970</b>
NTA per unit	\$ 1.49	\$ 1.29

- Other current assets includes \$11.2m of properties to be sold
- Investment properties increased from \$368m to \$450m at June 2008.
- Borrowings of \$260m from \$147m note facility and \$112m cash advance facility
- Net Assets increase reflects new capital of \$20m and a property revaluations increase of \$16.7m
- Gearing 57.8% (2007: 59.9%)



# Investment Properties

Carrying value of property investments increased by 22% in 2008

	2008 \$'000	2007 \$'000
<b>Investment Properties</b>		
<b>Opening Balance</b>	364,250	211,986
Acquisition of Properties	69,109	149,167
Disposal of Properties (Carrying Value)	(4,334)	(13,981)
Investment Properties to be sold in 12 months	(7,275)	8,478
Net Revaluation Increment	16,734	7,392
Reduction in carrying value per A-IFRS	-	(1,347)
Write back of accrued rent per A-IFRS	-	2,555
<b>Closing Balance</b>	<b>438,484</b>	<b>364,250</b>
Carrying Value		
Investment Properties to be sold in 12 months	11,157	3,882
Investment properties - Non-Current	438,484	364,250
<b>Total Investment Properties</b>	<b>449,641</b>	<b>368,132</b>

- Acquisitions accounted for 80% of the increase and valuations for 20% of the increase
- Increase in property holdings due to:
  - acquisition of an additional (net) 49 properties
  - revaluation of 176 centres



# Debt Arrangements

## Long Term Debt Secured



- \$147m US Senior Secured Note Issue allocated in July 2007 for between 7 & 10 yrs

## Term Facility Extended



- \$115m Debt Facility extension

## Weighted Average Interest Rate



- 8.08% as at 30 June 2008
- Estimated to be 8.6 to 8.8% for 2008/09

## Hedging Profile



- 77% Hedged at 30 June 2008
- Options currently being considered for hedging profile

## Comparative Cost of Funds & Hedging

	Jun 2008	Dec 2007	Jun 2007
Weighted average cost of debt	8.08%	7.31%	6.84%
Proportion fixed/hedged	77%	87%	59%
Weighted average maturity of hedges	3.8 years	4.3 years	3.2 years



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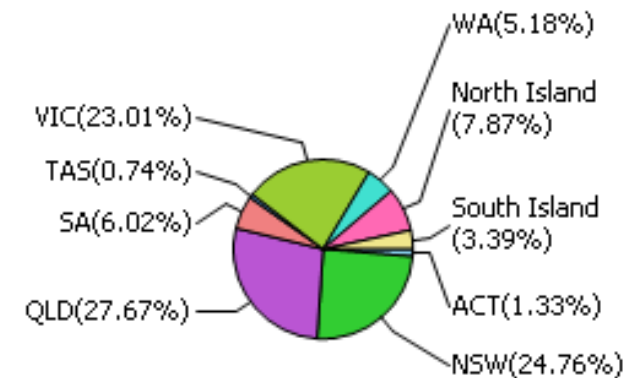
# Centre Number Activity

## Portfolio Profile

- 437 properties across Aust & NZ as at June 08
- Previous growth forecast of ~95 centres reduced to 49 for the year
- Activity was predominantly in H1 2008
- Existing pipeline of 5 properties, 3 of which are leasehold investments\*.
- Expected sales of a small number of properties
- Continued active portfolio management to identify existing value add opportunities

\* As at 11 August 2008

**Geographic Spread of Investment Value within Aust & NZ**



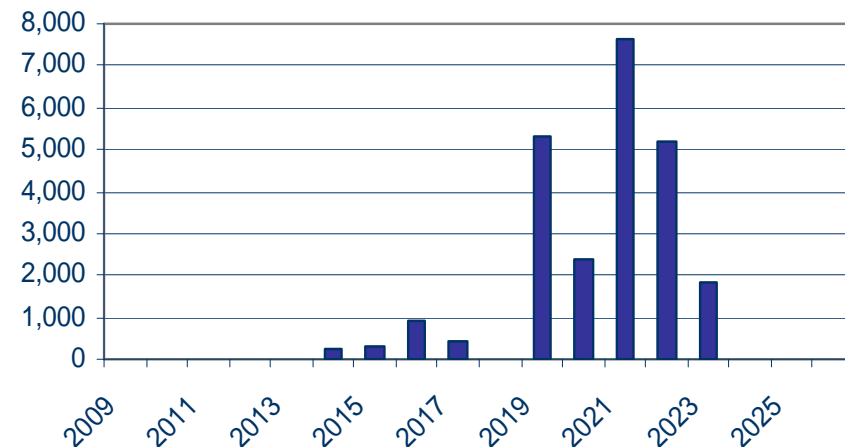


# Characteristics of the Property Portfolio

## Key Portfolio Metrics

- Strong rental growth due to CPI indexed leases (~4% p.a.)
- 99% Occupancy
- WALE 12.5 years
- No significant vacancy until 2019
- Ave. purchase yield (2008) - 8.19%
- Portfolio Yield 8.7%
- No rental arrears
- Geographically diverse portfolio

AET Lease Expiry by LDC 2009-2026





# Market Conditions

## Real Estate Market Conditions

### Sector

- AET operates within the sub \$3m category
- No lumpy assets - average value is circa \$1m
- Sector continues to show good demand for securely leased investment property
- Most recent on market evidence highlights childcare centre yields below 8%

### Outlook

- Expected further growth in market rentals
- Rent growth via CPI leases should underpin asset values
- Disposals – asset sales of circa \$11m expected
- 99% occupancy not expected to fall



# Property Revaluations

Revaluation gain of \$16.7m (or 9.60%) spread across 176 properties as at 30 April and 30 June 2008.

Revaluation as at 30 April & 30 June 2008		Book Value	Independent Valuation	Variance	Variance
	Property No.s	\$'000	\$'000	\$'000	%
New South Wales	52	54,498	59,645	5,147	9.44%
Queensland	41	43,011	49,010	5,999	13.95%
South Australia	12	7,714	8,640	926	12.00%
Victoria	40	43,516	47,150	3,634	8.35%
Western Australia	16	13,772	14,345	573	4.16%
Tasmania	2	1,996	2,130	134	6.71%
ACT	2	3,115	3,300	185	5.94%
New Zealand NI	4	2,114	2,122	8	0.38%
New Zealand SI	7	4,605	4,733	128	2.78%
<b>Totals</b>	<b>176</b>	<b>174,341</b>	<b>191,075</b>	<b>16,734</b>	<b>9.60%</b>
<b>Revaluation as at 30 June 2007</b>	<b>69</b>	<b>62,117</b>	<b>69,509</b>	<b>7,392</b>	<b>11.90%</b>



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# Outlook

## Earnings Guidance



- Approx 9.0 cents per unit (2008: 13.7cpu)

## Factors Impacting Decrease in Distribution



- Interest uplift of 1.0% on Notes
- Higher variable interest rates
- Increased bank margin on debt
- Supplementary rental income no longer forecast

## Variable Factors



- Movement of variable interest rates
- Negotiation of supplementary rental income
- Profit on sale of property disposals



# Key Strengths

## AET Retains Its Strong Underlying Fundamentals

### Income



Increasing income via CPI linked cashflow  
Limited discretionary capex spending

### Asset Base



Solid NTA at \$1.49  
Diversified asset base  
Strong recurrent income

### Occupancy



WALE of ~12.5 Years  
99% Occupancy  
No rental arrears

### Industry Performance



Increasing government sector support  
Continued strong demand for childcare

### Business Model



Straightforward & uncomplicated business model



# Agenda

Appendix



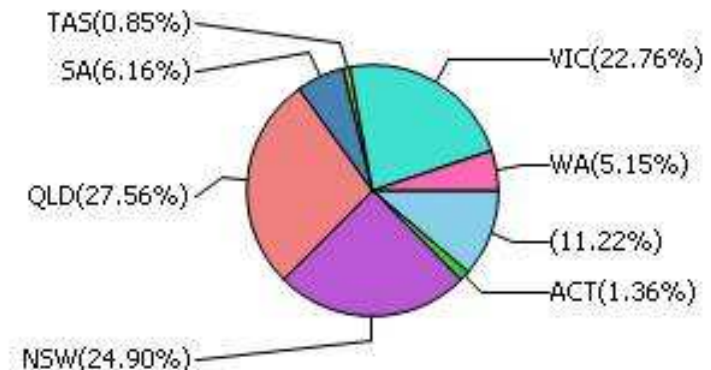
# Characteristics of the Property Portfolio

## Key Portfolio Attributes

- 437 properties across Aust & NZ
- Geographically diverse portfolio
- 95% leased to ABC Learning Centres
- No Material Rental Arrears
- Strong Recurrent Income
- CPI indexed Income
- Stable Tenant Base
- 15 Year Triple Net Leases - Minor capex exposure only\*
- No Income Exposed to Development Risk
- 5 Years notice on all expiries\*

\* ABC Leases only

Geographic Spread of Investment Value within Australia





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