



Australian Education Trust Financial Results 2010

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Overview – Key Metrics & Achievements



▶ De-Risking Program Almost Complete

Achieved

▶ Return to Normal Operations
Resolution of the ABC Receivership via 193 lease assignments

▶ Portfolio Rationalisation & Increased Security
Re-leased and/or sold over 75 properties
New Pooled Bank Guarantee totaling \$15.5m

▶ Reduction in Gearing
Now reduced from 63.7% to 50.9% through repayment of borrowings

▶ Re-establishment of Leases
Weighted Average Lease Expiry at 30 June 2010 of 10.8 years. Vacancy at 1.8%.

Result

▶ FY2010 - Net Operating income of \$6.4 million, impacted by the (now resolved) ABC Receivership

▶ Property Portfolio
Increased operating income on a like for like basis of 3.2%

▶ Disposal / Book Values
Disposal of Assets achieved at book values enabling the repayment of debt

▶ Revenue
\$38.7 million an increase of 3.2% for the year to 30 June 2010 (30 June 2009: \$37.5 million)

Overview – Portfolio Summary



Table 1: Portfolio Summary

| | No of Properties | Carrying Value \$000's | Current Rent (pa) \$000's |
|---|------------------|------------------------|---------------------------|
| Operating Properties | | | |
| GoodStart | 193 | 219,287 | 20,709 |
| ABC New Zealand (not in administration) | 56 ¹ | 41,727 | 3,551 ² |
| Other Tenants | 80 | 85,495 | 8,422 |
| | 329 | 346,509 | 32,682 |
| Development Sites | | | |
| Australia Available For Sale | 3 | 1,545 | |
| Australia Contracted/Settled subsequent to 30 June 2010 | 1 | 800 | |
| New Zealand Available For Sale | 1 | 121 | |
| Closed Properties | | | |
| Available for Sale/Lease | 5 | 2,210 | |
| Contracted/Settled subsequent to 30 June 2010 | 1 | 1,160 | |
| Total Properties as at 30 June 2010 | 340 | 352,345 | 32,682 |
| <i>¹: Consolidated property numbers based on leases</i> | | | |
| <i>²: Based on NZD rent of \$4,364,000 at an exchange rate of 1.23</i> | | | |

- Assigned 193 properties to the Non-for-profit GoodStart with no incentives, rent holidays or reductions
- Addition of 6 month pooled bank guarantee circa \$12.9 million extending to 2035 for the 193 GoodStart properties
- Spread of risk – 27 tenants
- Tenants with 10 or more properties include; Mission Australia, Childcare Property Development Services and Kindy Patch
- Proven book values based on independent valuations

Financial Results



Table 2: Financial Comparison 2009-2010

| | June 2010 | June 2009 | Variance |
|--|-----------|-----------|-----------|
| Total Assets ^[1] | \$369.0m | \$461.5m | -20.0% |
| Investment Property | \$352.3m | \$407.7m | -13.6% |
| Borrowings (based on conversion of foreign currency borrowings at hedged exchange rates) | \$179.4m | \$259.8m | -30.9% |
| Net Assets | \$183.3m | \$179.7m | +2.0% |
| Number of Properties | 340 | 415 | -18.1% |
| Gearing ^[2] | 50.9% | 63.7% | -20.1% |
| Units on Issue as at End of Period | 134.9m | 134.9m | No Change |
| NTA per unit | \$1.36 | \$1.33 | +2.3% |

^[1] Includes \$22.6 million relating to fair value of derivative financial instruments at 30 June 2009.

^[2] Gearing is calculated by borrowings / investment properties excluding cash.

- Sale of 73 properties generating net proceeds of \$54.4 million
- Total assets decreased by \$92.5 million due to sale of investment properties, reduced cash balances and closing out of derivative financial instruments during the year
- Net Assets increased as net sale proceeds were utilised to repay debt.
- Gearing reduced to 51% through repayment of \$83.3 million which achieved the second debt amortisation target of \$80 million

Financial Results



Table 3: AET Performance

| | June 2010 | June 2009 |
|--|-----------|-------------------------|
| Value of Investment Property (Operating Properties) | \$346.5m | \$368.3m ^[1] |
| Annualised Net Rental Income as at 30 June | \$32.7m | \$34.4m |
| Average Increase in Lease Rental Income year on year | 2.8% | 3.9% |
| Property Yield – Freehold Properties | 8.9% | 9.2% |
| Property Yield – Leasehold Properties | 13.6% | 11.7% |
| Total Property Yield | 9.4% | 9.3% |
| Vacancy Rate (excluding development sites) | 1.8% | 7.7% |
| % GoodStart Tenancy (by number of properties) | 58.7% | NA |
| Gearing ^[2] | 50.9% | 63.7% |
| Weighted Average Lease Expiry (“WALE”) | 10.8 | 11.6 ^[3] |
| Units on Issue | 134.9m | 134.9m |
| NTA per unit | \$1.36 | \$1.33 |

^[1] Includes impairment of \$13.3m.

^[2] Gearing is calculated by borrowings / investment properties and excludes cash.

^[3] Subject to ABC Receivership.

- Key performance criteria highlights stable nature of portfolio
- Investment and annual rental levels decreased due to sale of 31 operating properties
- Lease rental growth (CPI indexed) of 2.8%
- Minimal movement in property yields over 2009-2010 period as opposed to more traditional forms of commercial real estate

Financial Results – Profit & Loss



- Net operating income increased by 3% to \$6.4 million in FY10
- Lease income decreased due to loss of income from closed centres and development sites partially offset by rental increases.
- In FY10, property outgoings are accounted for on a gross basis
- Balance of property expenses predominantly relates to unrecoverable land tax in Queensland and Victoria and leasehold rent.
- Decrease in finance costs reflects lower level of borrowings during the year partially offset by higher interest rates.

Table 4: Consolidated Income Statement

| Full year ending 30 June (\$m's) | 2010 | 2009 |
|-----------------------------------|-------------|-------------|
| Revenue | | |
| Lease income | 34.1 | 36.5 |
| Property outgoings recoverable | 4.0 | 0.4 |
| Other income | 0.6 | 0.6 |
| | 38.7 | 37.5 |
| Expenses | | |
| Finance costs | 20.0 | 21.3 |
| Property expenses | 6.9 | 2.8 |
| Responsible entity's remuneration | 2.7 | 2.4 |
| Legal expenses | 1.3 | 1.4 |
| Impairment of receivables | - | 1.8 |
| Other expenses | 1.4 | 1.6 |
| | 32.3 | 31.3 |
| Net Operating Income | 6.4 | 6.2 |

Financial Results – Profit & Loss (Continued)



Table 5: Consolidated Income Statement

| Full year ending 30 June (\$m's) | 2010 | 2009 |
|--|------------|---------------|
| Net operating income | 6.4 | 6.2 |
| Gain / (Loss) on sale of investment properties | (2.0) | 1.5 |
| Net revaluation decrement of investment properties | (0.8) | (28.7) |
| Waiver / Consent Fee on Debt Refinancing | (2.6) | - |
| Change in fair value of financial derivatives | 0.7 | 7.4 |
| Realised / unrealised foreign exchange gains / (losses) | 6.2 | (16.2) |
| Realised losses on early termination of derivative contracts | (5.5) | - |
| Lease incentive / straight line rental adjustments | 1.3 | 0.7 |
| Other | (0.1) | 0.1 |
| Net profit / (loss) attributable to Unitholders | 3.6 | (29.0) |

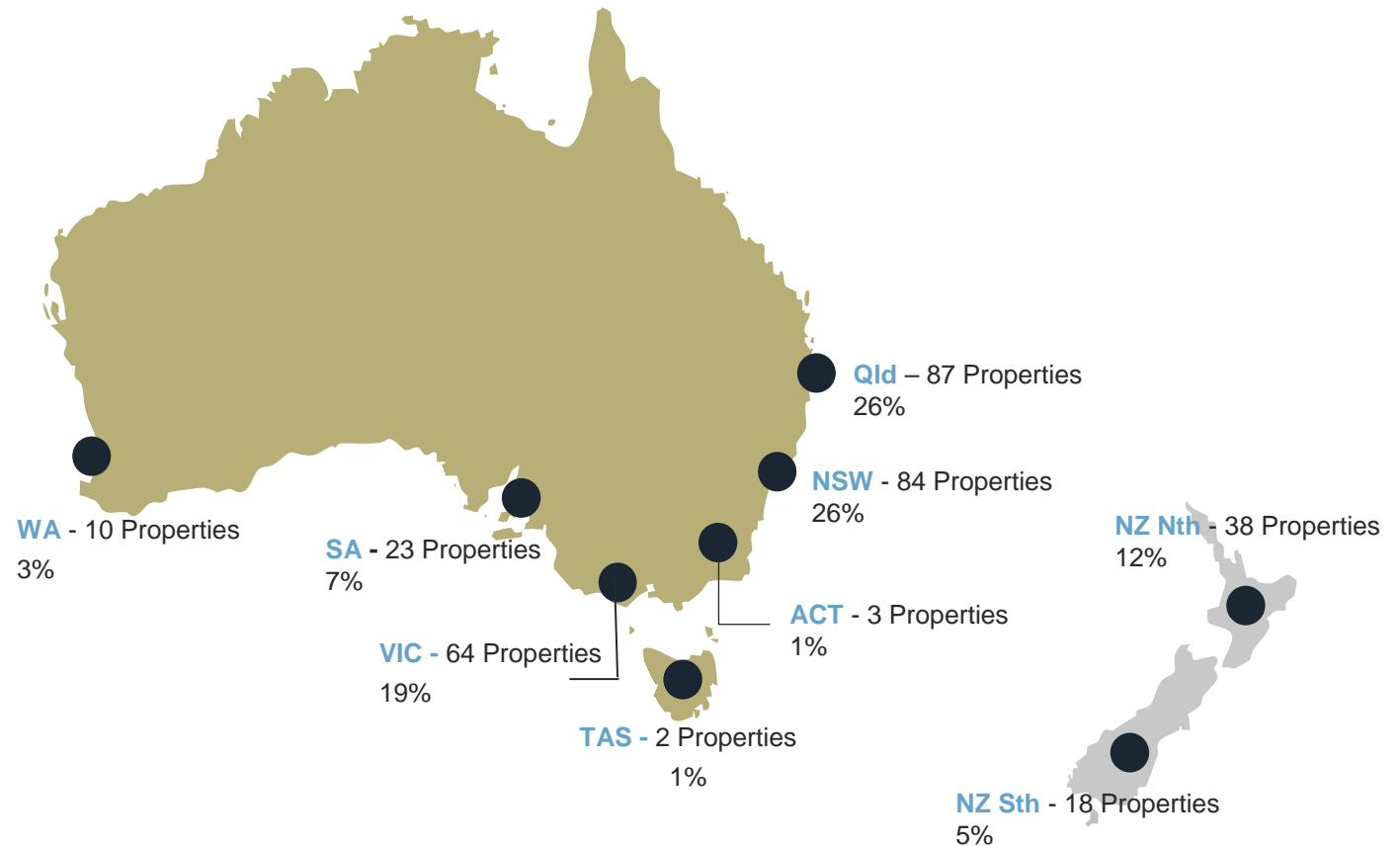
- Realised loss on sale of 73 properties amounted to \$2.0 million, predominantly comprising selling costs.
- Net revaluation decrement of \$0.8 million reflects adjustments made to investment properties based on results of 218 valuations compared with previous general decrement made at 30 June 2009. Additional decrements were made against closed properties / development sites
- A waiver fee of 1% of borrowings amounting to \$2.6 million was paid to NAB / Noteholders as part of refinancing.

Geographic Distribution



Figure 1: Geographic Distribution

- 329 operating properties 273 in Australia and 56 New Zealand
- Broad geographic spread minimising risk
- Properties are typically standalone and purpose built childcare properties
- Properties located at high flow-through traffic locations primarily in metropolitan and major regional areas
- Real estate market strong as evidenced by recent property sales



Lease Structure & Vacancy Profile



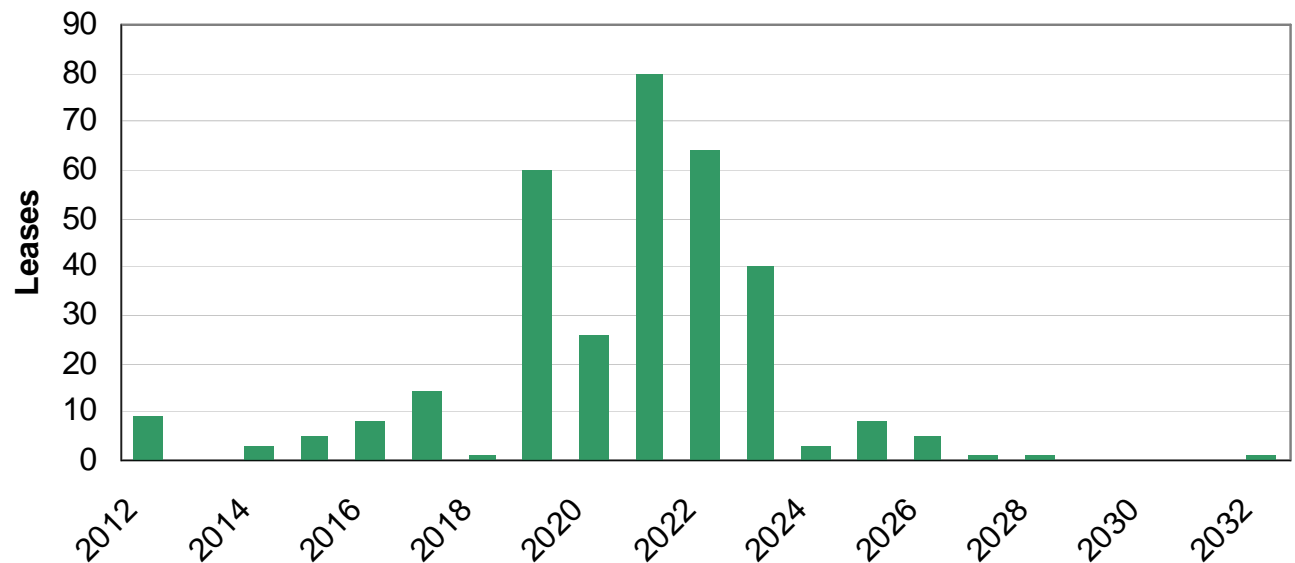
Lease Structure

- Triple Net Lease Structure
- Average Lease Term 15 Years
- Rental growth indexed annually to CPI
- Almost all leases have a 5 year notice period regarding option take-up.
- Refurbishment provision every 5 years

Vacancy Profile

- Existing vacancy of 1.8%
- No significant vacancy until 2019
- Weighted Average Lease Expiry of 10.8 years at 30 June 2010
- 2012 potential vacancy includes rent flow to 2014

Figure 2: Lease Expiry Sche

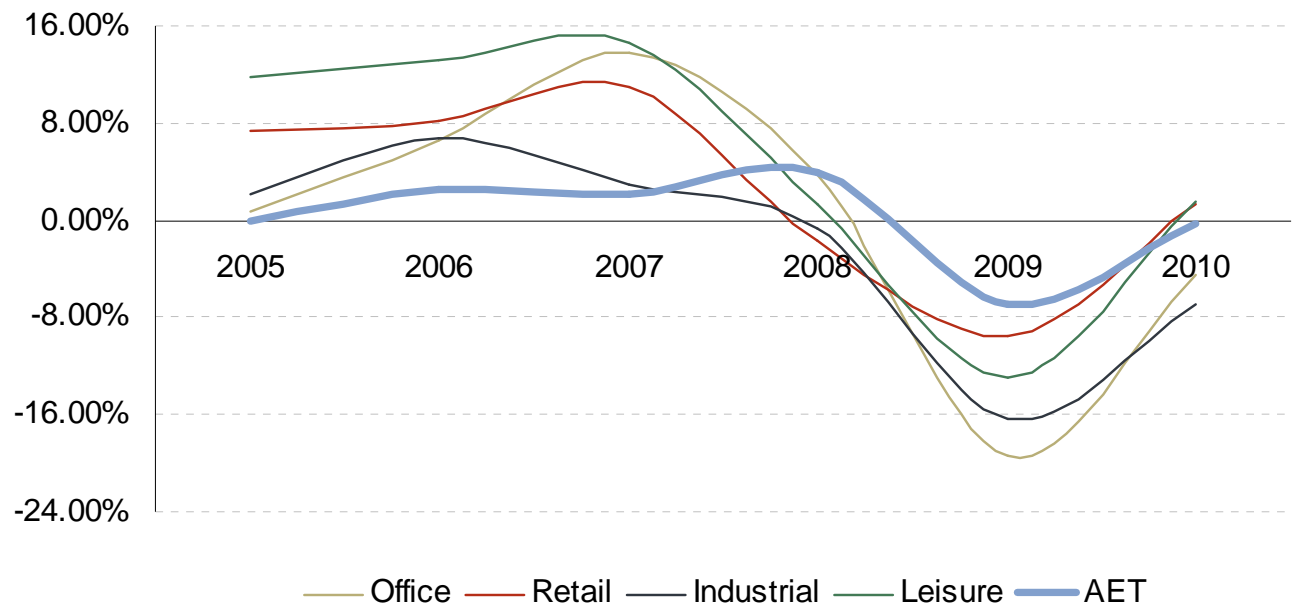


AREIT Asset Value Sector Comparison



- Relative to other asset classes, research indicates that movements in value for childcare assets is significantly less volatile than for more traditional commercial assets even through the difficulties experienced with the ABC Receivership.
- Analysis over the 2005-2010 period, in comparison to other Australian Listed REIT's shows the following general movements in value of investment properties.

Figure 3: Asset Value Changes per Annum by Sector



Source: AREIT Annual Reports

Industry Overview – Long Day Care Statistics 2010



Table 6: Day Care Statistics

| | 2010 | 2005 |
|---|---------|--------------|
| Total No. Long Day Care Centres | 5,758 | 4,751 |
| % Total Childcare Australia | 61% | 46% |
| No. Children Attending (All Care) | 871,107 | 804,107 |
| Ave. No Hours Attending (per week) | 26 | 19 |
| National Average Occupancy Level | 75% | Not Assessed |
| No. Families Using Childcare | 624,639 | 574,057 |
| Childcare Benefit (max \$pa) | \$7,500 | \$4,354 |

Source: DEEWR

- ▶ Childcare services industry has strong fundamentals with the Gov. investment of \$17.1 billion in the next 4 years
- ▶ Demand is driven by rates of childbirth, immigration and workforce movements such as 'dual-income households'
- ▶ Funding for childcare under Howard/Rudd/Gillard Governments although significant, remains at the lower end of OECD levels
- ▶ Forward prospects is the industry is expected to strengthen with government participation/regulation expected to be high
- ▶ Every \$1 spent on childcare funding returns ~\$8.30 in GDP and \$1.86 in Federal taxes
- ▶ Childcare rebate has moved from 30% to 50% (from \$4,354 to \$7,500 per child per year)

Overview – GoodStart



- GoodStart - New Tenant of 193 former ABC1 Childcare Properties
- Supported and funded by the Federal Government and has sourced funding from NAB as well as from the social capital sector
- Granted exemption from payroll tax, income tax, concessional FBT benefits and relief from one off stamp duties in some areas – estimated to be ~\$20m per annum to the GoodStart business
- GoodStart will operate approximately 670 properties under the ABC banner
- The four principal not-for-profit members represented on the GoodStart Board of Directors are Mission Australia, The Brotherhood of St Laurence, The Benevolent Society of Australia and Social Ventures Australia:



Mission Australia (Mission) is an organisation that assists the disadvantaged in the community. Mission's annual turnover in 2008/2009 was over \$300m and provided assistance for over 280,386 Australians. Mission Australia is already a tenant of the Fund.



Brotherhood
of St Laurence

Working for an Australia free of poverty

The Brotherhood of St Laurence (BSL) is an independent organisation with strong Anglican and community links which continues to work for an Australia free of poverty.

BSL provides services such as job training, placement programs, disability care, early childhood development programs as well as services for indigenous Australians, refugees and migrants. BSL had assets over \$85 million as at 30 June 2009.



The Benevolent Society is Australia's oldest charity established in 1813 with its main mission to give a voice to women, children, older people, those with disabilities and people experiencing poverty. At 30 June 2009 the charity had assets over \$80 million, with over 750 staff and volunteers Australia-wide.



social ventures australia

Social Ventures Australia (SVA) was established in 2002 by The Benevolent Society, The Smith Family, WorkVentures and AMP Foundation. SVA provides support to the portfolios of non-profit organisations, consults to the broader non-profit sector and develops social sector partnerships.



Outlook – The Way Forward



- More favorable and stable future for Unitholders based on:
 - successful assignment of the 193 leases to GoodStart;
 - gearing reduced to 51% through repayment of debt; and
 - in excess of 98% of properties are income producing.
- Immediate focus on re-financing AET's debt facility
- Re-commencement of distributions to Unitholders
- Expect AET to return to net operating income between \$7 million - \$8 million in 2011 - based on existing financing arrangements, tenant performance and a return to normalised expenses (excluding financing costs)

- Forward estimates with respect to AET's potential distribution will be dependant upon the timing and outcome of any potential refinancing
- Terms of refinancing are currently being negotiated
- Debt market contains some volatility with respect to margins and establishment fees
- Finance costs will continue to constrain earnings in the short to medium term:
 - the effect of expected bank fees and margins have grown substantially to underlying bank bill swap rate;
 - these expenses will offset to some degree the significant reduction in gearing and facility limits achieved through the recent sales/debt reduction program; and
 - AET will as part of any refinancing package, explore and where appropriate implement interest rate hedging policies.



Post resolution of the financing arrangements, AET should return to a normalised position having come out of the ABC failure in a significantly stronger position with:

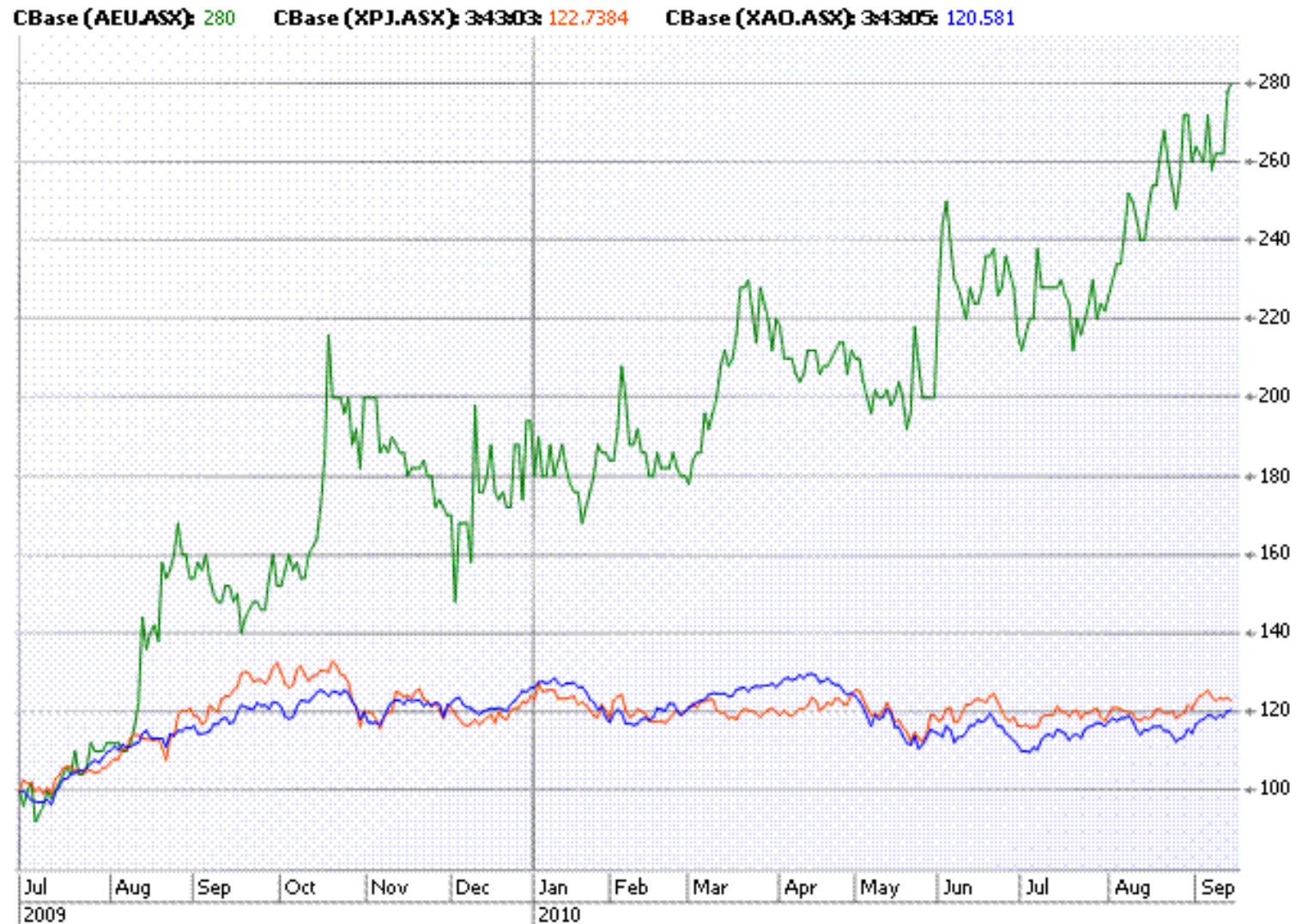
- Lower gearing
- Reduced exposure to any one single tenant
- Proven portfolio values
- Rationalised portfolio with minimal vacancy and long WALE
- Added security with pooled bank guarantees and cross default provisions

Management is focused on progressing AET's refinancing investigations and returning to a stable, predictable distribution stream for Unitholders

Market Perception – Unit Price Performance



Figure 4: AET ASX Performance Comparison



- Market perceives AET significantly de-risked as reflected in unit price performance over the last year



Q&A

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