

## ASX Announcement

11 December 2008

## ABC Learning Centres Update

Australian Education Trust (AET) (ASX:AEU) provides the following update to its announcement of 27 November 2008, in relation to its exposure to ABC Learning Centres Limited (Administrators Appointed) (Receivers and Managers Appointed) and a number of its subsidiaries (ABC).

The receivers of ABC, McGrathNicol, have made an announcement regarding the on going review of the ABC business which has been followed by an announcement by the Deputy Prime Minister, Julia Gillard, on behalf of the Federal Government.

These outcomes, as they relate to ABC's operations and their effect on AET's portfolio, are as follows:

- Of the 656 centres previously identified as to continue in 2009, a further 64 centres will continue to trade into 2009 as part of ABC Learning, bringing the total to 720 centres. 201 centres in this category form part of AET's portfolio;
- A further 241 centres will continue in 2009 with the financial support of the Federal Government, of which 87 form part of AET's portfolio;
- 55 centres will close from 1 January 2009 of which 19 form part of AET's portfolio;
- 21 centres will be transitioned to the Defence Force of Australia (No effect on AET);
- 22 AET centres remain unaccounted for on the lists provided by the Receiver;

A summary of AET's portfolio post the respective announcements, is as follows:

- 83% of AET's portfolio will continue to produce existing income levels into 2009. This may increase to a maximum of approximately 94% of the portfolio, dependant upon the success of the transitional arrangements for centres that will benefit from Government support together with further enquiries of the Receiver in relation to the 'unaccounted for' centres and the re-leasing of closed centres.
- ABC's New Zealand operations are not in Receivership or Administration. We have been advised that this business is operating profitably.
- Only 5% of AET's centres are faced with immediate closure and we are endeavouring to source new tenants for those properties.

These outcomes are positive for the Fund as they maintain the majority of the Fund's income in the immediate short term.

There are good prospects that, subject to the transitional arrangements, the discussions with the Federal Government and the success of a short term leasing program, the Fund could return to a position where in excess of 90% of its assets are producing income at either existing or market determined levels, in the short term.

This is represented in the table below:

	No. Centre Properties	% of AET Portfolio
<b>Operating Property</b>		
Australian ABC Centres Continuing	201	46.31%
New Zealand ABC Centres Continuing	58	13.36%
Australian Non-ABC Centres Continuing	<u>17</u>	<u>3.92%</u>
	<b>276</b>	<b>63.59%</b>
<b>Operating Property with Government Support</b>		
Australian ABC Centres with Government Support	<u>87</u>	<u>20.05%</u>
	<b>87</b>	<b>20.05%</b>
<b>Non-Operational Property</b>		
Australian Operating Centres to close 31 December 08	19	4.38%
Non-Operating Centres Closed by the Receiver	<u>5</u>	<u>1.15%</u>
	<b>24</b>	<b>5.53%</b>
<b>Development Sites to be Disposed Of</b>		
Development Sites in Australia	14	3.23%
Development Sites in New Zealand	<u>11</u>	<u>2.53%</u>
	<b>25</b>	<b>5.76%</b>
<b>Properties that Remain Unaccounted For</b>		
Australian ABC Centres Not Accounted For in Receivers Statements	<u>22</u>	<u>5.07%</u>
	<b>22</b>	<b>5.07%</b>
<b>Total Properties</b>	<b>434</b>	<b>100.00%</b>

The development sites in Australia and New Zealand which were purchased with the benefit of an Agreement to Lease to ABC, will now be sold. These sales will return capital to the Fund which in turn will increase the overall percentage of assets producing income and reduce gearing levels for the Fund.

There are a number of positive outcomes for the Fund with respect to these announcements. The involvement by the Federal Government is welcomed and will provide support to what is an important social service currently under pressure. The funding arrangements provide greater certainty than have existed to date and allow the centres to continue operating post 31 December 2008. The government's funding arrangements provide an opportunity for a transitional period in which AET's 87 centres may be transitioned to other suitable operators.

The Fund has received an overwhelming level of interest in its centres and it will continue to field interest from prospective occupants. Management is already in discussions with a series of alternate operators with respect to its centres.

### Support for Government Intervention

The 241 centres that will receive Government support represent approximately 17,000 childcare places and will have a direct effect on the employment prospects for both ABC staff and parents. With respect to these centres, AET looks forward to working with the Federal Government in assessing appropriate solutions for the centres in what are complex circumstances.



## **Additional Outcomes for AET**

In addition to these announcements, the Receiver provided notice to the Fund that it no longer intends to occupy five other AET properties providing a total of 24 centres that are due to close between now and 31 December. These are reflected in the table and statistics noted above. These centres are located in Victoria, New South Wales, Queensland, South Australia and Western Australia. The 24 centres due to close represent annualised income to the Fund of approximately \$2.3m p.a. however, it is expected that following a leasing campaign alternative operators will be sourced and a similar income level should be achievable following period of vacancy.

## **Operator Interest in AET Centres**

The Fund will continue to assess appropriate childcare centre operators in order to maintain childcare places, where possible. The Fund is actively fielding enquiries with respect to its centres and is now in a position to further those enquiries given the clarity provided by the announcements.

Management will provide further updates as appropriate with particular reference to the 'unaccounted for' centres as previously noted.

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The Australian Education Trust is a Listed Property Trust that independently invests to the benefit of its unitholders in childcare and other assets. As at 30 June 2008, it owned 437 childcare centre properties across Australia and New Zealand of which approximately 95% are leased on the basis of long term triple net leases to ABC. The variance with the table above reflects sales undertaken by the trust since 30 June 2008. The Trust has assets of \$467m with properties geographically diversified across Australian and New Zealand with a primary concentration across the Australian east coast.

Nick Anagnostou  
Director, Fund Manager

For further information contact:  
Lula Lioffi  
Investor Relations  
03 8601 2668