



Australian Education Trust

ARSN: 102 955 939

Fund & Portfolio Update

8 August 2011



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

TABLE OF CONTENTS

AET KEY METRICS	2
Portfolio Summary	3
Portfolio Profile – Australia	4
Portfolio Profile – New Zealand	5
Capital Management	6
Debt Facility Key Commercial Terms at 30 June 2011	6
Hedging Arrangements	6
Lease Structure & Vacancy Profile	7
Lease Structure.....	7
Occupancy Profile.....	7
Typical Asset Profile.....	7
Valuation Methodology	8
Valuation Policy	8
Capital & Rental Values	8
A-REIT Asset Value Sector Comparison.....	8
Management Initiatives	9
Short Term Objectives	9
Medium Term Objectives	9
General Investment Objectives	9
Corporate Governance Policies and Procedures	9
Market & Industry Performance	10
AET unit price v S&P/ASX 200 and A-REIT index	10
Industry Overview – Long Day Care Statistics	10
Responsible entity	11
Board of Directors	12
Directory	13
Disclaimer	14

Purpose

This document has been prepared by Austock Property Management Limited as the Responsible Entity of the Australian Education Trust (AET or the Trust). The purpose of this document is to provide a profile of AET's portfolio and financial metrics based on audited 30 June 2011 accounts.

AET KEY METRICS

Financial Profile	As at 30 June 2011
Gross Assets	\$353.9m
Value of Investment Property	\$344.1m
Borrowings	\$140.0m
Net Assets	\$206.9m
Gearing (Borrowings/Investment Properties)	40.7%
Bank Calculated LVR	41.2%
Alternate Use Value of Property Portfolio	57%
Forecast ICR (FY12)	2.4x
Property Performance	
Annualised Net Rental Income	\$33.6m
Property Yield – Freehold Properties	9.3%
Property Yield – Leasehold Properties	15.0%
Total Property Yield (excludes head lease rent)	9.6%
Vacancy Rate (excluding development sites)	0.9%
% GoodStart Tenancy (by number of operating properties)	59.0%
Weighted Average Lease Expiry (“WALE”) (years)	10.0
Investor Summary	
Units on Issue	175.5m
NTA per unit	\$1.18
Forecast Distribution FY12 (cents per unit)	9.0
Market Cap (based on 80c unit price at 30 June 2011)	\$140.4m
FY12 Forecast Distribution Yield (based on 80c per unit)	11.3%

PORTFOLIO SUMMARY

As at 30 June 2011	No of Properties	Carrying Value \$m's	Current Rent ¹ (pa) \$m's
Operating Properties			
Australia – Tenanted by GoodStart	193	219.5	21.6
Australian - Other Tenants	78	82.1	8.5
New Zealand – Tenanted by ABC New Zealand	56	40.0	3.5 ²
Sub Total	327	341.6	33.6
Other non-income producing properties ³	6	2.5	-
Total Properties	333	344.1	33.6

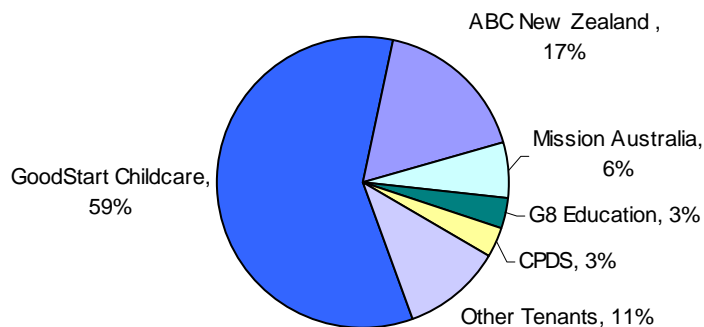
¹ Includes head-lease rent on leasehold properties of \$0.9m

² New Zealand dollar values are translated using the 30 June 2011 exchange rate of 1.2952

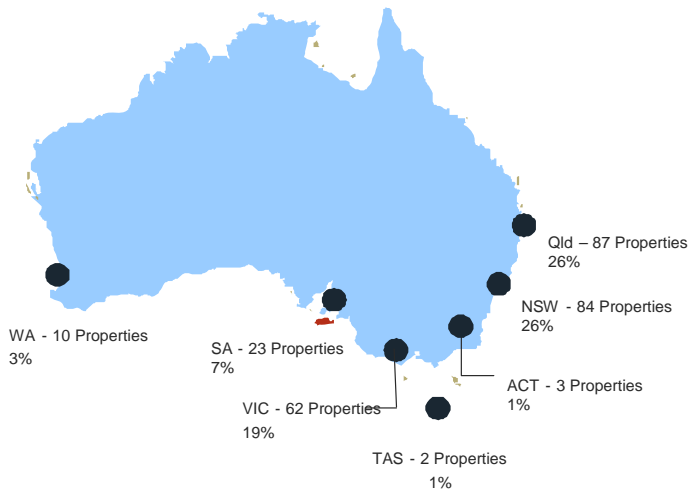
³ Non operational properties and development sites

- 193 leases to GoodStart Childcare
- Typical tenant bank guarantee – 6 months gross rent. GoodStart Childcare 'pooled' bank guarantee of approx \$12.9 million extending to 2035
- 26 tenants
- WALE of 10 years
- Vacancy of 1% (excluding development sites)
- Operating properties includes 31 leasehold properties with a value of \$19.4 million
- Property yield based on existing passing rent and last valuation of 9.6% (excluding head lease rent)

AET Tenant Diversification (by number of properties) as at 30 June 2011



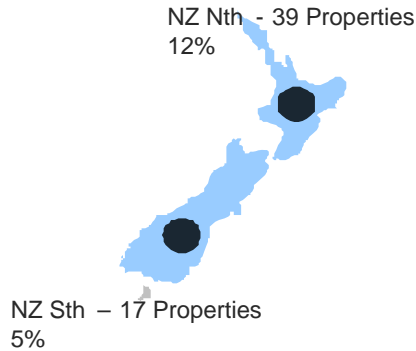
PORTFOLIO PROFILE – AUSTRALIA



Location		
Metropolitan	137	50%
Major Regional	82	30%
Regional	52	20%
Portfolio Value		
Carrying Value	\$301.6m	
% of Total Operating Investment Properties	88.3%	
Annual Rental Income	\$30.1m	

Portfolio	327 operating properties, 271 in Australia
Description	Childcare facilities providing long day care accommodation for 35-150 children. The buildings are typically designed to accommodate children from 6 weeks to 5 years of age. Typical construction material for purpose built centre - brick and concrete block walls, concrete flooring and metal clad roof.
Typical Configuration	<p>Internal: Up to five children's activity rooms with direct access to external play areas. Feature entry & foyer, central hallway, toilets for varying ages, shower, preparation areas, nursery, kitchen, ancillary staff area, reception, administration area, storage, and disabled toilet.</p> <p>External: Shade cloths to sandpits and general play areas, awning covered verandas adjoining external play areas, grass and rubber matting to external play areas, child proof fencing throughout, paving, landscaping, lighting and signage.</p> <p>Ancillary: on-site car parking spaces (required by planning regulations) in marked bays (incl. 1 disabled) ~ median 15, maximum 48.</p>
Regulatory Compliance	All tenants to meet required legislative requirements regarding building services, Occupational Health & Safety and Childcare licensing requirements of each State.
Location	Typically within established residential and commercial locations featuring medium to high traffic areas, good accessibility and access to public transport.
Building Size (Gross Building Area)	~ 500 square metres - Centre (min 150sqm, max 900sqm) ~ 250 square metres - Covered Verandas/Porch ~ 1,110 square metres - External Play Area
Land Size	~ 600sqm – 9,500sqm, median 2,000sqm
Licence Details	~ 35-150, median 75 childcare places
Underlying Zoning	Typically Residential
Age	~ 42% of portfolio built post 2000 ~ 58% of portfolio built prior 2000 Purpose Built ~ 77% Conversion ~ 23%
Leasehold	31 properties, 11.4% of portfolio
Freehold	240 properties, 88.6% of portfolio

PORTFOLIO PROFILE – NEW ZEALAND



Location		
Metropolitan	12	21%
Major Regional	26	46%
Regional	18	33%
Portfolio Value		
Carrying Value	\$40.0m	
% of Total Operating Investment Properties	11.7%	
Annual Rental Income	\$3.5m	

Portfolio	327 operating properties, 56 in New Zealand
Description	Childcare facilities providing long day care accommodation for 20-105 children. The buildings are typically designed to accommodate children from 6 weeks to 5 years of age. Purpose built construction material - brick and concrete block walls, concrete flooring, and a metal clad roof.
Typical Configuration	<p>Internal: Up to five children's activity rooms with direct access to external play areas. Feature entry & foyer, central hallway, toilets for varying ages, shower, preparation areas, nursery, kitchen, ancillary staff area, reception, administration area, storage, and disabled toilet.</p> <p>External: Shade cloths to sandpits and general play areas, awning covered verandas adjoining external play areas, astro-turf and rubber matting to external play areas, child proof fencing throughout, paving, landscaping, lighting and signage.</p> <p>Ancillary: on-site car parking spaces (required by planning regulations) in marked bays (incl. 1 disabled) ~ median 10, maximum 30.</p>
Regulatory Compliance	All tenants to meet with required legislative requirements regarding building services, Occupational Health & Safety and Childcare licensing requirements.
Location	Typically within established residential and commercial locations featuring medium to high traffic areas, good accessibility and access to public transport.
Building Size (Gross Building Area)	~ 229 square metres - Centre (min 100sqm, max 1,152sqm) ~ 50 square metres - Covered Verandas/Porch ~ 1,000 square metres - External Play Area
Land Size	~ 1,298 square metres (min 547sqm, max 10,756sqm)
Licence Details	~ 20-105, median 47 childcare places
Underlying Zoning	Typically Residential
Age	~ 21% of portfolio built post 2000 ~ 79% of portfolio built prior 2000 Purpose Built ~ 37.5% Conversion ~ 62.5%
Leasehold	0
Freehold	100%, 56 centres

CAPITAL MANAGEMENT

Debt Facility Key Commercial Terms at 30 June 2011

Facility Limit	\$180 million (as at 30 June 2011 reduced to \$142.0 million)
Current Drawn Amount	\$140 million as at 30 June 2011
Facility Term	3 Years ending December 2013
Financiers	NAB & ANZ (50% equal share)
Security	First ranking mortgages over each freehold property
Security Measures	Security Pooling based on independent specialist valuations
Margins	Scale of margins dependant upon AET's LVR position
Maximum Loan to Value Ratio	55% of Freehold & 50% of Leasehold Interests
Financial Charges Ratio/Interest Cover Ratio	Not to be less than 1.4x for FY11 and 1.6x for FY12 and beyond 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 2011, the Trust has a weighted average cost of debt funding of 8.0% pa.

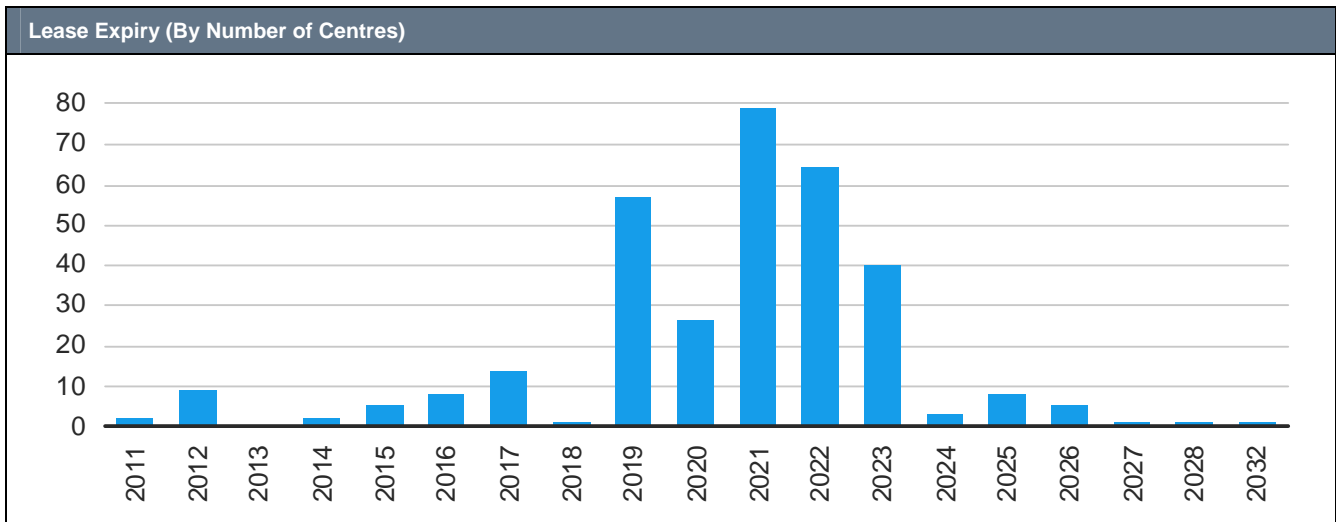
Hedging Arrangements

As part of the new syndicated debt facility the Trust has entered into interest rate hedging arrangements with the financiers, as follows:

- Interest Rate Swap
 - Notional Amount \$60 million
 - Fixed Rate 5.63% pa
 - Termination Date 31 December 2013
 - Financier - NAB
- Interest Rate Cap/Collar
 - Notional Amount \$60 million
 - Cap Rate 6.00% pa
 - Collar Rate 4.90% pa
 - Termination Date 31 December 2013
 - Financier - ANZ

Based on drawn debt of \$140 million as at 30 June 2011, AET has hedged 86% of its interest rate exposure against adverse interest rate movements.

LEASE STRUCTURE & VACANCY PROFILE



Lease Structure

- Triple Net Lease Structure
 - Triple net leases – all costs including outgoings (and tax) payable by the tenant;
 - Rent, structural repairs, general repairs and maintenance, rates, taxes and other assessments, insurance premiums and charges and property management expenses are met by the tenant; and
 - Tenant required to redecorate/refurbish the centre once every 5 years as directed by AET (acting reasonably).
- Typical lease term from commencement; 15 years plus two 5 year options
- Rental growth indexed annually to CPI with a market review at year 11
- Most leases have a 5 year notice period regarding option take-up by tenants

Occupancy Profile

- Vacancy of 1% (excluding development sites)
- 2012 potential vacancies include guaranteed rent flow to 2014
- No significant number of vacancies until 2019
- Weighted Average Lease Expiry of 10 years at 30 June 2011

Typical Asset Profile

- Underlying land value ~\$500,000 (~50% total investment value)
- Passing rental – varying from \$1,100 to \$1,750 per long day care licensed placed per annum
- Market rental – from \$1,100 to \$2,000 per long day care licensed place per annum

VALUATION METHODOLOGY

Valuation Policy

Investment properties are measured at fair value and revalued on a regular basis to ensure the carrying amount of each property does not differ materially from its fair value at the balance date. A full independent valuation of each property is carried out at least once every three years. The average weighted last valuation date for AET's assets is February 2010.

The fair value of investment property is updated to reflect market conditions at the end of a reporting period, twice annually. This represents best estimates as at the balance sheet date, and if investment property is sold in the future, the price achieved may be higher or lower than the most recent valuation.

The average carrying value per childcare property is approximately \$1 million and AET operates within a market place that remains relatively liquid with continued purchase activity.

AET does not conduct Directors valuations as an ordinary course of business. Financier Security Pool arrangements add further backing to the independent nature of AET's asset register values.

Capital & Rental Values

Each valuation assesses both capital and rental value on a mark to market basis. Rental and purchase markets exist for childcare centres on an existing use basis together with alternate uses from a capital value perspective.

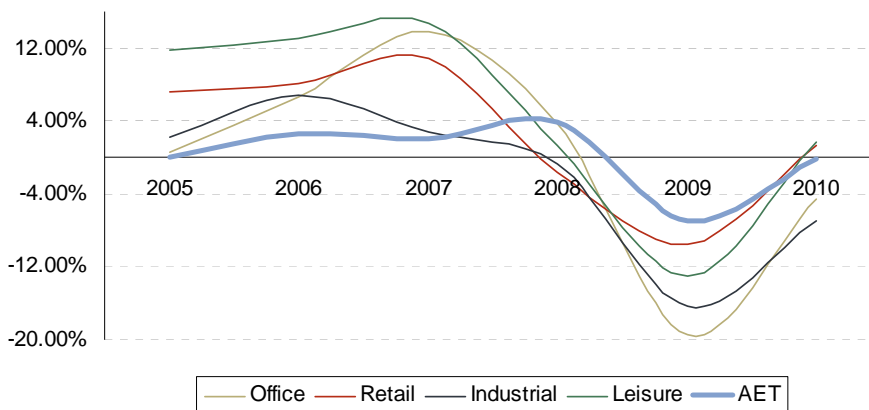
Management has a conservative valuation approach with a preference for assets that are leased at market levels rather than being reliant upon any measure of over renting to maintain distribution levels to investors. This guards against any shortfall in long term cashflow and underpins the capital values in the event that a centre falls vacant.

Relative to other asset classes, research and past performance indicates that movements in value for childcare assets is more restricted than for the more traditional commercial/industrial sector; indicating a lower level of volatility for childcare asset values, even through the difficulties experienced with the ABC Learning Centres Receivership, in comparison to other asset classes.

Analysis of AET over the 2005-2010 periods, in comparison to other Australian Listed REIT's shows the following general movements in value of investment properties.

A-REIT Asset Value Sector Comparison

Asset Value Changes per Annum by Sector



Source: AREIT Annual Reports

MANAGEMENT INITIATIVES

Short Term Objectives

- Continue to undertake initiatives to increase distributions in a sustainable manner
- Seek opportunities to increase liquidity of AET on ASX which may result in an increase in unit price
- Minimise property outgoings which are non-recoverable from tenants
- Re-introduce a stabilised AET to a large array of retail and institutional investors
- Complete the sale/lease of surplus properties (5) as at 30 June 2011
- Engage with banks to potentially include AET on their approved margin lending lists to attract new investors
- Engage with research houses to recommence coverage on AET
- Continue participation in childcare industry groups

Medium Term Objectives

- Through merger and acquisition activity, seek new opportunities for AET with a preference for quality real estate backed by well capitalised tenants
- Minimise the yield premium investors seek when investing in AET
- Continue high level of disclosure and interaction with investors
- Maintain a 'value add' approach to asset and capital management

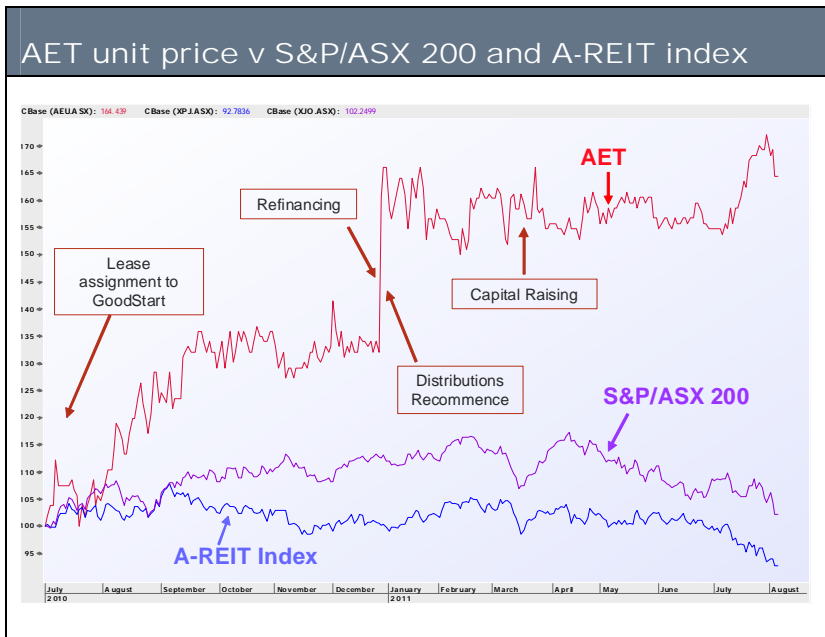
General Investment Objectives

- Protect Unitholder interests to the maximum extent possible
- Provide Unitholders with access to real estate investment in childcare and other complimentary property asset classes, including social infrastructure
- Provide an uncomplicated property investment platform for investors
- Provide a stable, growing income stream underpinned by long-term leases
- Provide geographical diversification through asset selection
- Provide an attractive income yield with increasing underlying property values
- Provide best practice management and industry expertise to enable portfolio and risk management policies to maximise returns and operating efficiencies

Corporate Governance Policies and Procedures

- AET uses best practice management and has implemented a number of corporate governance policies and procedures. For further information, visit the Trust's website at: www.educationtrust.com.au – Corporate Governance.

MARKET & INDUSTRY PERFORMANCE



Source: IRESS

Analysis over the 2010-2011 period shows AET unit price recovery as evidenced in the graph above compared to the ASX 200 and A-REIT index. Initiatives undertaken by Management in the last couple of years is reflected in the positive market sentiment for AET.

Industry Overview – Long Day Care Statistics

	2010	2005
Total No. Long Day Care (LDC) Centres	5,758	4,751
LDC as a % 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	76%	Not Assessed
No. Families Using Childcare	624,639	574,057
Childcare Benefit (max \$pa)	\$7,500	\$4,354

- ▶ 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
- ▶ Industry occupancy level 76%
- ▶ 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)
- ▶ Total spend on pre-school learning including childcare as a % of GDP, Australia ranks 24th

Source: DEEWR

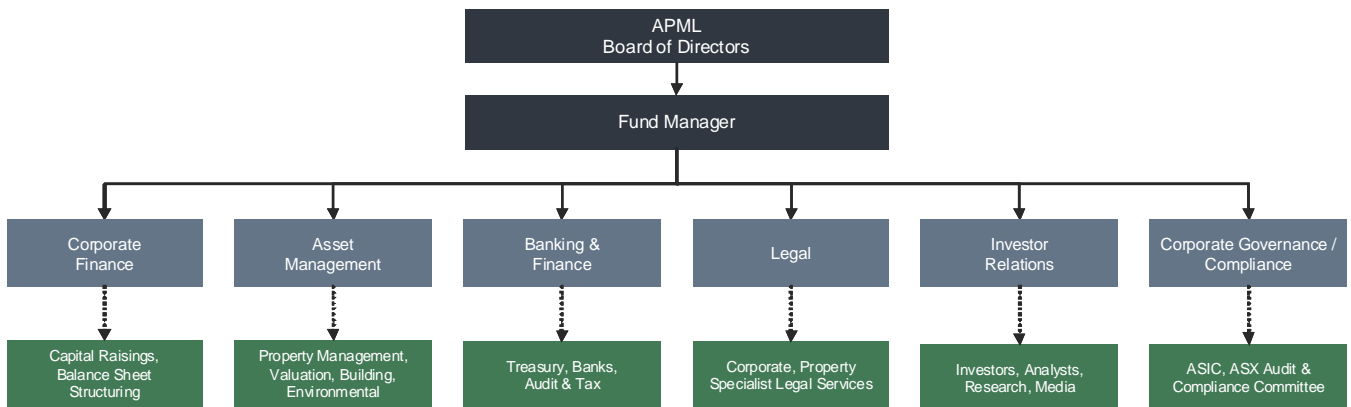
RESPONSIBLE ENTITY

Austock Property Management Limited (APML) is the Responsible Entity (RE) for the Australian Education Trust. APML holds an Australian Financial Services Licence (AFSL No. 281544) which allows the RE to administer funds at a retail and wholesale level, produce PDS's and raise funds for property investment purposes.

APML's model is based on independent decision making to ensure a high level of expertise across each investment discipline. Management delivers economies of scale and consistent systems that are aligned with Unitholder performance expectations.

Like other organisations whose core business involves the provision of professional services, APML's key asset is its people. This means quality and well-trained personnel with proven expertise within the Australian Real Estate Funds Management sector.

The key aspects of our business partnerships are transparency and accountability. We focus on trusted relationships with our partners based on defined deliverables and a long term commitment.



BOARD OF DIRECTORS

A Board of Directors with years of proven expertise in real estate, banking and finance, financial planning and investment management. A broad and multi-dimensional approach, together with significant investment experience, particularly in the banking and finance arena, ensures the Board has the necessary skills in mitigating risk and protecting capital, particularly in more difficult times.



Nicholas (Nick) Anagnostou
Executive Director & Chief Executive Officer

B.Bus (Prop), AAPI, CFM

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 real estate agency where he focussed on Premium and 'A' grade office markets. He is also on the Executive Committee of Property Funds Australia.



Victor (Vic) Cottren
Chairman and Non-Executive Director

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.

Vic was appointed on 22 December 2004. Vic has an extensive background in financial planning, life insurance & superannuation and investment management gained with such companies as AMP, Williams Tolhurst, Australian Eagle, Norwich Union, Investors Life Group and National Australia Bank. Vic filled various senior management posts, including chief executive and directorship positions within these companies and their subsidiaries prior to commencing his consulting business in 1995. He is a non-executive Director of Austock Group and several of its subsidiaries.



Michael Johnstone
Non-executive Director

Bachelor of Town & Regional Planning, Licensed Land Surveyor, Advanced Management Program (Harvard)

Michael was appointed on 22 December 2004. Michael has over 35 year's global experience in real estate finance, investment and development. Michael is currently a non-executive director of Dennis Family Holdings and Dennis Family Homes, a non-executive director of APN Funds Management and a member of the Investment Committee of APN Development Fund, a non-executive director and Chairman of bWired Pty Ltd, a non-executive director and Chairman of State Equity Group. Michael is also a member of the Audit and Compliance Committee of the Fund.

DIRECTORY

Responsible Entity and principal place of business of the Australian Education Trust

Austock Property Management Limited
Level 12, 15 William Street

Melbourne VIC 3000

RE Website: www.austock.com/property/austockproperty
Australian Education Trust Website:
www.educationtrust.com.au

Directors of the Responsible Entity

Nicholas James Anagnostou (Executive Director & Chief Executive Officer)
Victor David Cottren (Chairman)
Michael Francis Johnstone

Auditor/Tax Advisors

PricewaterhouseCoopers
Freshwater Place, 2 Southbank Boulevard
Southbank Vic 3006

Banks

National Australia Bank Limited
Level 1, 330 Collins Street
Melbourne VIC 3000

Australia & New Zealand Banking Corporation Limited
Level 29, 100 Queen Street
Melbourne Vic 3000

Custodian

The Trust Company Limited
213-217 St Pauls Terrace
Brisbane Qld 4001

Secretary of the Responsible Entity

Amanda Jane Gawne/Adrian Seamus Hill
Level 12, 15 William Street
Melbourne VIC 3000

Share Registry

Boardroom Pty Limited
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Sydney NSW 2000

Investor Relations

Lula Lioffi
Austock Property Management Limited
Level 12, 15 William Street
Melbourne VIC 3000
Ph: (03) 8601 2668

DISCLAIMER

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