

# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010



The Australian Education Trust ("Trust") is a managed investment scheme that is registered under the *Corporations Act 2001*. Austock Property Management Limited ("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
<b>1.1 Establish functions reserved to Board and those delegated to senior executives</b>	<p>The business of the Trust is managed under the direction of the Board of Directors of the Responsible Entity ("Board") with management of day to day operations delegated to Mr Nicholas Anagnostou, Chief Operating Officer / Fund Manager.</p> <p>The conduct of the Board is governed by the Constitution 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.</p>
<b>1.2 Process for evaluating performance of senior executives</b>	<p>There are 4 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 Operating Officer / Fund Manager and Chief Financial Officer and a business plan is agreed for the forthcoming year. An annual performance appraisal of the Chief Operating Officer / Fund Manager is conducted by Austock Group in July and KPIs that have been agreed are filtered down to individual team members. Biannual reviews are conducted to provide formal feedback to the Chief Operating Officer / Fund Manager regarding their individual and team's performance and to plan for the next 6 months. Performance is regularly reviewed at monthly meetings between an Austock Group representative and Chief Operating Officer / Fund Manager.</p> <p>Adopting this process, the performance of senior executives was evaluated during the financial year.</p>
<b>1.3 Availability of information</b>	<p>A copy of the Constitution of the Responsible Entity and Trust is available on the Trust's website.</p>

## 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.

ASX recommendation / disclosure obligation	Trust's response
<b>2.1 Majority of Board should be independent directors</b>	<p>Throughout the financial year the majority of the Board comprised independent directors.</p> <p>The current Board comprises three directors, of whom two – Mr Vic Cottren and Mr Michael Johnstone – are independent. The other member of the Board is Mr Nicholas Anagnostou who holds an executive role and is not considered independent.</p> <p>Mr Tim Boyle was an executive director for the period from 24 March 2010 to 9 July 2010 and was not considered independent.</p>
<b>2.2 Chair should be an independent director</b>	<p>Mr Cottren has been Chairman of the Board since 4 August 2008 and is regarded as independent.</p>
<b>2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual</b>	<p>The roles of Chairman and Chief Executive Officer are not held by the same individual. Since the resignation of Mr Vin Harink on 28 July 2008, the role of Chief Executive Officer has been vacant, however the most senior executive role is held by Mr Anagnostou, Chief Operating Officer / Fund Manager. For the period from 24 March 2010 to 9 July 2010, Mr Boyle held the executive role of Chairman, Austock Investments.</p>
<b>2.4 Establish a Nomination Committee</b>	<p>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 Limited.</p>

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## Principle 2: Structure the Board to add value (continued)

ASX recommendation / disclosure obligation	Trust's response
<b>2.5 Process for performance evaluation of Board, its committees and individual directors</b>	<p>The Trust does not have in place formal evaluation measures and processes for the Board, its committees and individual directors as the nature and size of the business to date has justified an informal process.</p> <p>The Board has directed the Company Secretary to produce a policy which outlines the process for performance evaluation of the Board, its committees and individual directors. That policy has yet to be adopted by the Board and implemented. A performance evaluation will be undertaken at the earliest opportunity following implementation of the policy.</p>
<b>2.6 Information on Directors</b>	<p>Details of each Director's relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors' Report. The number of meetings held and attended during the year are also set out in the Directors' Report.</p> <p>In determining the independence of directors, the Board has adopted the criteria set out in section 601JA(2) of the <i>Corporations Act 2001</i>.</p>
<b>2.7 Independent professional advice</b>	<p>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.</p>
<b>2.8 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors</b>	<p>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 Limited.</p> <p>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.</p> <p>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.</p>
<b>2.9 Availability of information</b>	<p>A copy of the policy on Board performance evaluation will be made available on the Trust's website once adopted by the Board. A description of the procedure for the selection and appointment of new directors will also be made available on the Trust's website at this time.</p>

## 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
<b>3.1 Establish a Code of Conduct</b>	<p>Directors and employees of the Responsible Entity are subject to a Code of Conduct which has been adopted by Austock Group Limited. 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.</p>
<b>3.2 Establish a Share Trading Policy</b>	<p>The Board has adopted a Share Trading policy which governs dealing in units of the Trust by directors, responsible officers and persons who, because of their office or employment with the Responsible Entity or a related body corporate, are likely to be in possession of unpublished price sensitive information in relation to the Trust. This includes restricting dealings in the Trust's units without prior approval and then not in the period of 1 month immediately preceding the announcement of the Trust's annual or half year results (as applicable).</p>
<b>3.3 Availability of information</b>	<p>A copy of the Austock Group Code of Conduct and Share Trading Policy are available on the Trust's website.</p>

## Principle 4: Safeguard integrity in financial reporting

This 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	<p>The Board has established an Audit and Compliance Committee whose responsibilities include monitoring the Responsibility Entity and the Trust's compliance with the <i>Corporations Act 2001</i>, 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.</p> <p>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.</p>
4.2 Structure of Audit Committee	<p>The Board notes that as the Trust was not included in the top 300 of the S&amp;P All Ordinaries Index at the beginning of the financial year it is not required to follow the recommendations on the composition, operation and responsibilities of an audit committee.</p> <p>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. The Board is of the view that it is preferable to have a non-compliant committee that is fully independent than to appoint non-independent directors to the committee.</p>
4.3 Formal Charter	The Audit and Compliance Committee has a formal charter which sets out its responsibilities.
4.4 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.
4.5 Selection and appointment of external auditor and for rotation of external audit engagement partner	<p>The Board is responsible for appointing the external auditor, subject to confirmation by Unitholders at a general meeting.</p> <p>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.</p> <p>The Audit and Compliance Committee is required to annually review the external auditor's performance and independence.</p> <p>In line with current professional standards, the external auditor is required to rotate Trust audit and review partners at least once every 5 years.</p>
4.6 Availability of information	A copy of the Audit and Compliance Committee Charter is available on the Trust's website. Information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners will be posted to the website shortly.

## 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.

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## 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
<b>6.1 Communications Policy</b>	<p>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.</p> <p>Information is communicated by:</p> <ul style="list-style-type: none"><li>• dispatching annual reports to Unitholders who request to receive it;</li><li>• dispatching Distribution Statements to all Unitholders which include details of distributions paid and the components of the distribution;</li><li>• 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; and</li></ul> <p>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 (which requires an auditor of a listed entity to attend the annual general meeting and answer questions on the audit).</p>
<b>6.2 Availability of information</b>	<p>A copy of the Communications Policy is available on the Trust's website.</p>

## Principle 7: Recognise and manage risk

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

ASX recommendation / disclosure obligation	Trust's response
<b>7.1 Establish policies for the oversight and management of material business risks</b>	<p>The Board has adopted a Risk Management Plan, developed in accordance with the Australian Standard on Risk Management (AS/NZS 4360:2004). The policy reflects the Board's commitment to identifying, monitoring and mitigating risks as well as capturing opportunities.</p>
<b>7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board</b>	<p>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 Plan, 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 – the last review was commenced in early 2010 and is yet to be finalised.</p> <p>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.</p>
<b>7.3 Assurance from Chief Executive Officer and Chief Financial Officer</b>	<p>The Chief Operating Officer / Fund Manager (the position of Chief Executive Officer being presently vacant) and Chief Financial Officer have certified in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act 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.</p>
<b>7.4 Availability of information</b>	<p>A copy of the Risk Management Plan is available on the Trust's website.</p>

## Principle 8: Remunerate fairly and responsibly

This Principle requires that the Trust ensure that the level and composition of 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. All fees and expenses of the Responsible Entity are approved by the Board.
8.2 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives	<p>Remuneration of directors and senior executives is a matter for the Board and Austock Group Limited. 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 provided with any remuneration by the Trust itself.</p> <p>A distinction is made between the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash, non-cash benefits 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.</p> <p>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.</p>
8.3 Information on Remuneration Committee members	N/a
8.4 Schemes for retirement benefits	The Responsible Entity does not pay retirement benefits, other than superannuation, for its non-executive directors.
8.5 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.
8.6 Availability of information	A copy of the Constitution and Share Trading Policy is available on the Trust's website.