Australian Education Trust

Australian Education Trust

Business Overview and Outlook

Nicholas Anagnostou – Fund Manager
March 2007

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Agenda

AEU Purpose & Strategy

Recent Performance

Market Overview & Activities Update

The Future

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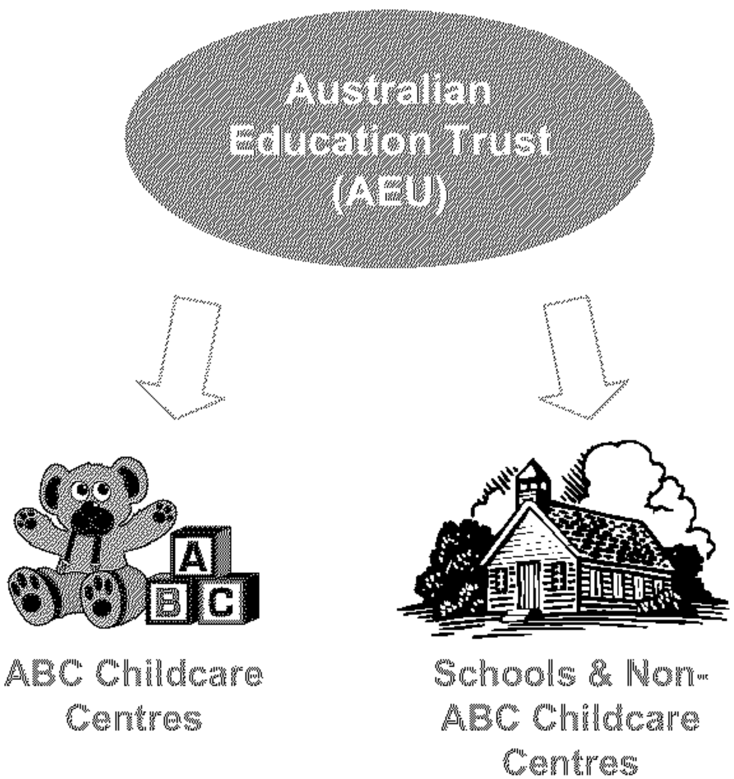
Fund Purpose & Strategy

AEU is a listed property trust that invests in social infrastructure, and in particular childcare and education property assets.



- AEU is aligned to ABC Learning Centres Ltd, however this does not mean AEU will only invest in ABC tenanted assets
- AEU will predominantly invest in childcare centres and education related property with quality tenants
- 300+ properties geographically spread around Australia and New Zealand with a top 100 company as tenant
- ASX-listed and capitalised at A$230 million with A$303 million in funds under management (Dec 06)

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Key Results

Building on Strong 2007 First Half Results

- Total property numbers have grown strongly from 249 to 303. AEU settled 68 properties and disposed of 14
- Net Profit up 62.5% on PCP to $7.6m
- Distributions for half year of 7.3 cents, up from 6.5 cents
- Completed Capital Raising of $40 million providing additional liquidity
- Research coverage grown to include UBS, Paterson's, ABN Amro Morgans, Wilson HTM and Austock
- Strong acquisition pipeline plus Kids First acquisition
- Appointment of Mike McFarlane as an Independent Director

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Earnings on Track

AEU's earnings and distributions in line with management forecasts

$'000	6 Mths to 31-Dec-06	6 Mths to 30-Jun-06	6 Mths to 31-Dec-05	Year to 30-Jun-06
Revenue	14,506	10,843	8,095	18,938
Unrealised Revaluation of Property	-	5,224	-	5,224
Expenses	6,885	4,358	3,142	7,500
Profit before Income Tax	**7,621**	**11,709**	**4,953**	**16,662**
Income Tax and Adjustment	-	(48)	264	216
Net Profit Attributable to Unitholders	**7,621**	**11,757**	**4,689**	**16,446**
Less Unrealised Revaluation	(173)	5,224	-	5,224
Distributable Income	**7,794**	**6,533**	**4,689**	**11,222**
Total Distributions	8,069	6,149	4,827	10,976
Weighted Average Units on Issue ('000)	108,263	82,753	74,260	78,511
Units on Issue at period end ('000)	123,209	85,399	74,260	85,399
Basic EPU on weighted units (cents)	7.04 c	14.21 c	6.31 c	20.95 c
Distributable Income per Unit (cents)	7.20 c	7.89 c	6.31 c	14.30 c
Distributions per Unit (cents)	7.30 c	7.20 c	6.50 c	13.70 c
No of Childcare Centres	303	249	171	249

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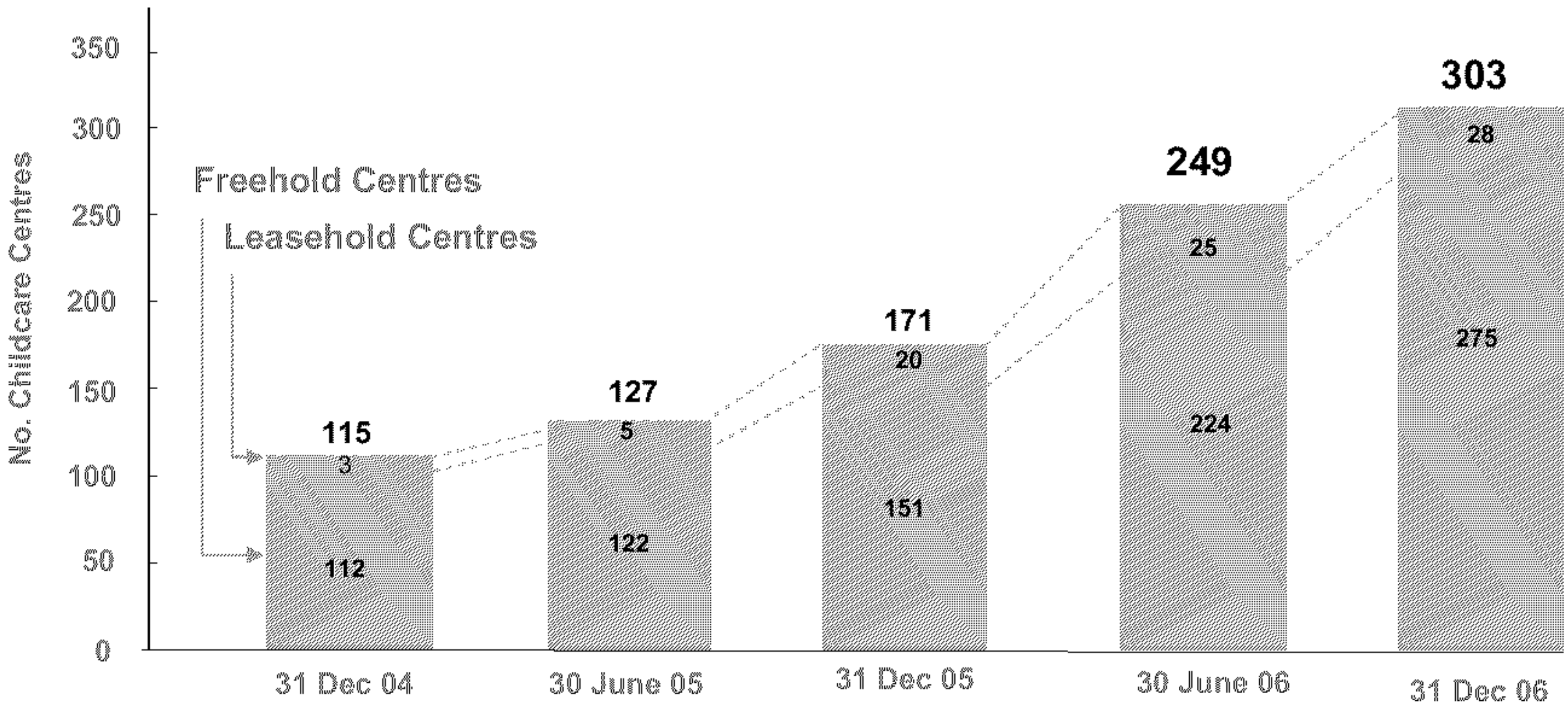
Centre Number Growth

AEU continues to grow centre numbers in 2007, and now holds 349 centres across the portfolio as at 23 March 2007.



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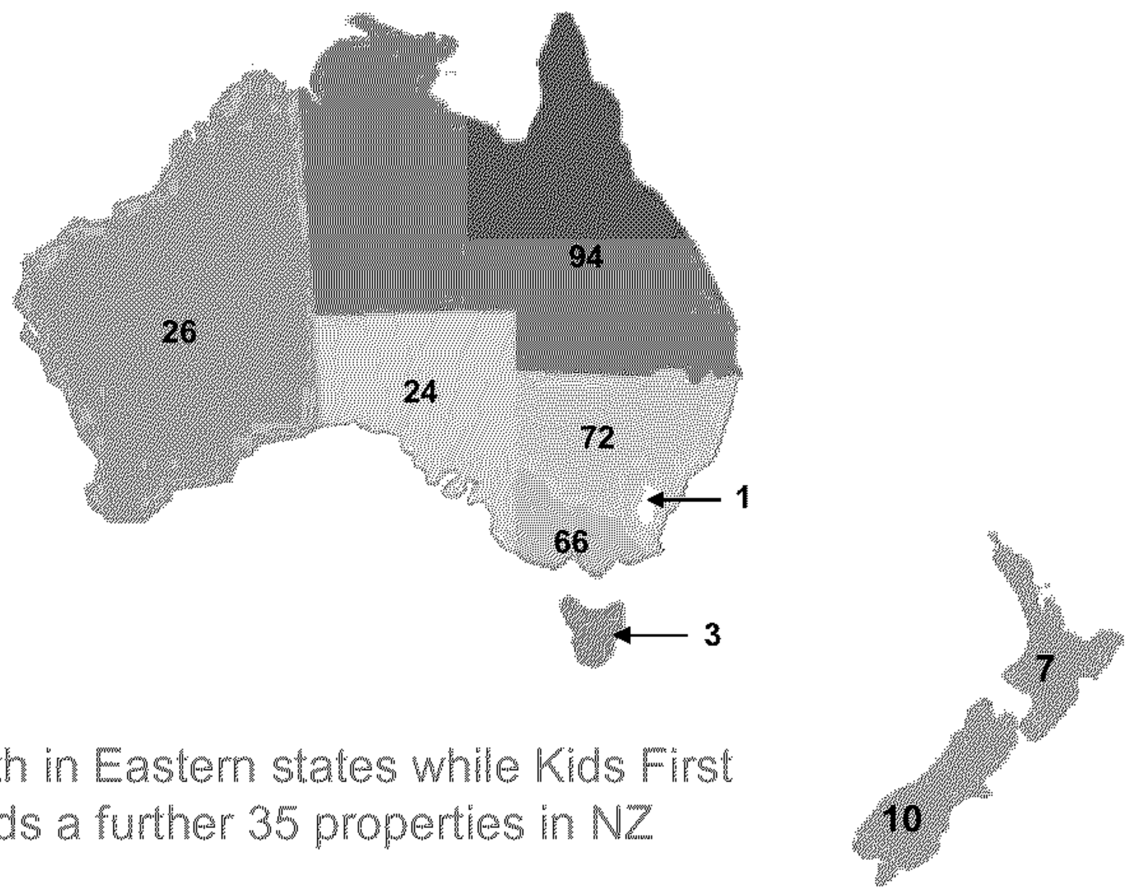
Property Portfolio

AEU has centres spread geographically across Australia and New Zealand located primarily in metropolitan & major regional centres:



Reflects growth in Eastern states while Kids First acquisition adds a further 35 properties in NZ

* As at 31 December 2006

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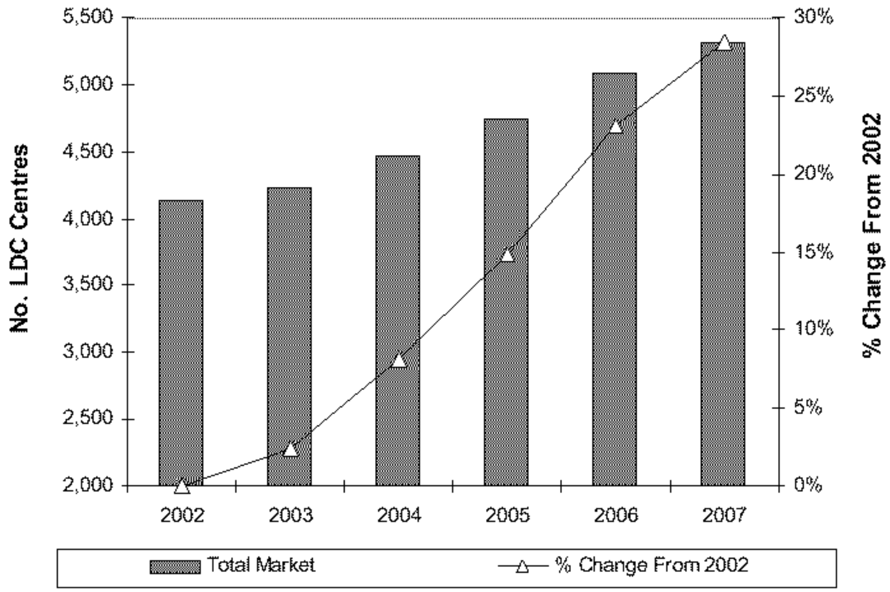
Competitive Landscape

Total Childcare & Growth 2002-2007



Source: ABS, NCAC

- March 2007 – 5,315 regulated long day care centres in Australia
- Increase of ~ 28% since 2002
- Community centres have only increased 1% over this period
- Additional demand is being met by private operators
- June 2006 – ABC operates 950 long day care centres
- ABC has ~ 19% of the long day care market (Dec 2006)
- AEU owns approx 6% of Australian Market

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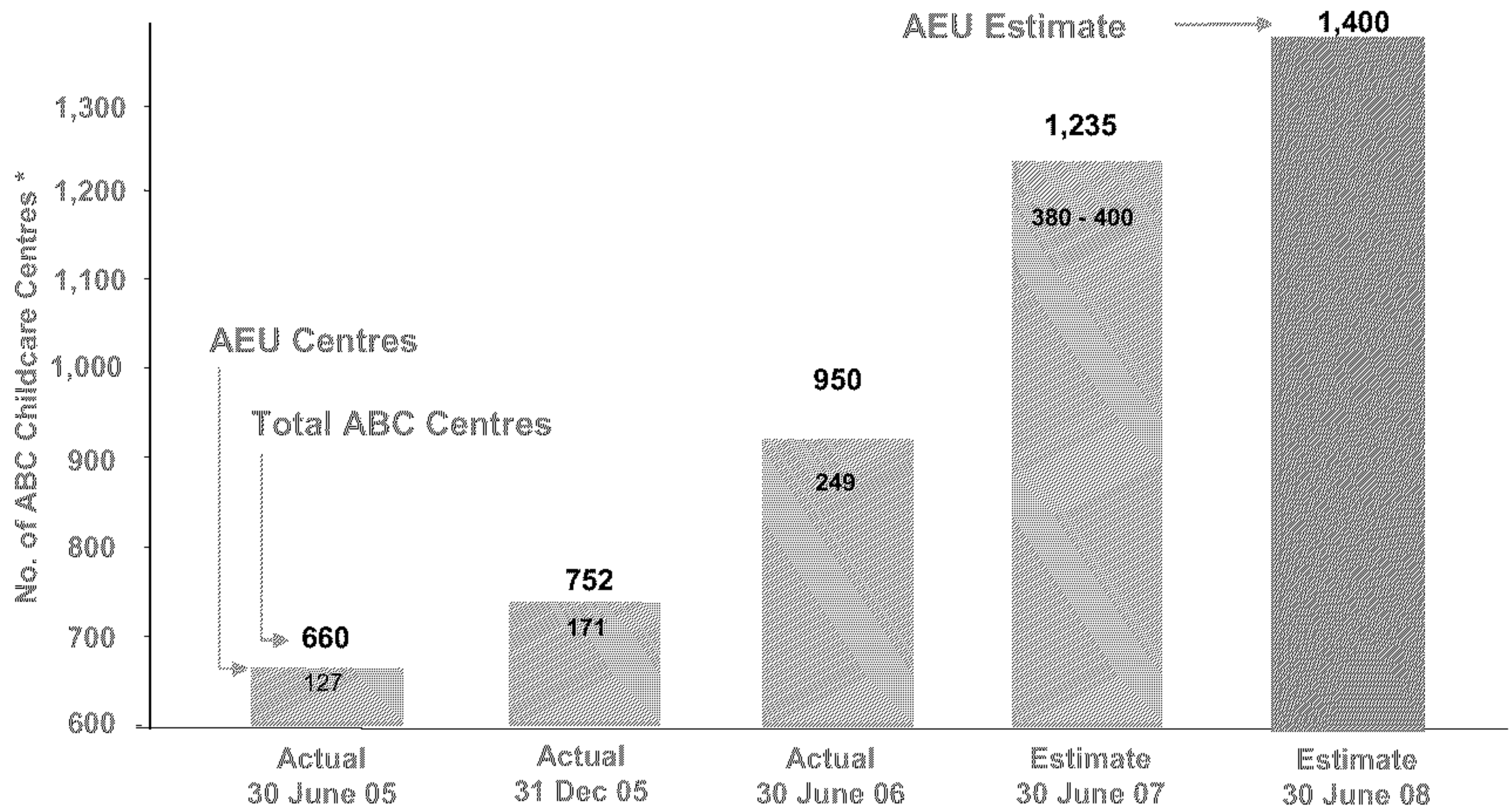
ABC Centre Growth

AEU expects to own ~ 31% of ABC's property portfolio by 30 June 2007.



* Components of ABC centre numbers not to scale

Property Portfolio

AEU has grown the fund by acquiring properties across Australia and New Zealand:

Property Portfolio

Property Dynamics

Lease Structure

- Strong underlying property fundamentals based on land size, development potential and long term growth, diversified by location across Australia and New Zealand
- Located primarily in metropolitan & major regional areas
- Centres have progressed from converted houses to efficient purpose-built centres including corporate centres
- New construction provide more efficient centres with reduced levels of obsolescence, greater long term lettability and we expect, good capital growth prospects

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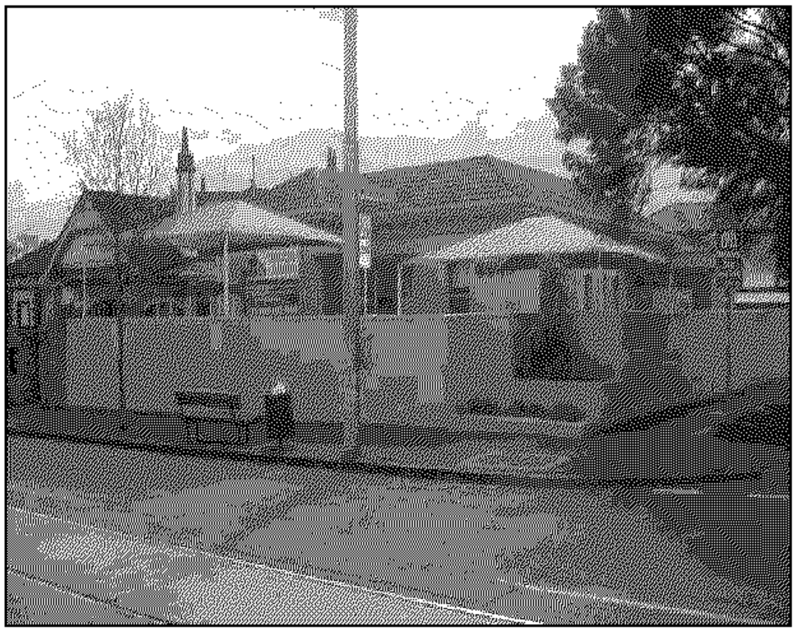
Property Portfolio

Child care centres have progressed from converted houses to purpose built centres:



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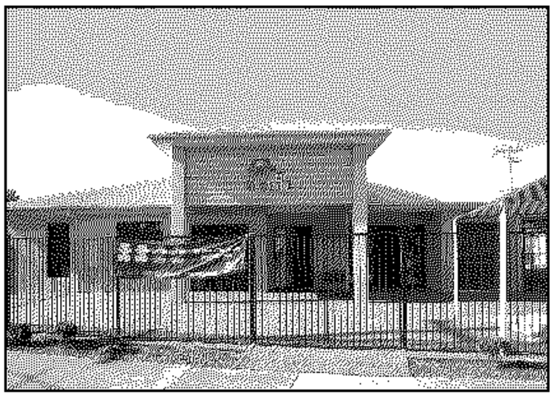
Centre Profile

Typical Centre Profile (Freehold)



	Typical	Extreme
Total Value:	$1.05m to $1.70m	$2.8m
No. Places:	75 to 120	140
Land Area:	2,000 to 2,500 sq.m.	4,100
Zoning:	Residential & Business zones	Strata Office
Building Size:	Approx 600 sq.m.	900 sq.m
Land Value:	B/w 30% - 50% of total value	90% - 100%
Net Rental	$90,000 - $144,000 p.a.	~$170,000
Lease	10 Years with 2 x 5 yr options	N/A
Initial Yield:	8.50%	7.0%
IRR (10 Yrs)	9.97%	9.50%

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Property Portfolio

Child Care centres now include purpose built centres on school properties:

* 90 place centre at Woogarrah NSW (AEU leasehold property)

Property Portfolio

The size and value of the individual properties in the portfolio are increasing:

Property Portfolio

Property Dynamics

Lease Structure

- Average carrying value of current portfolio in Australia - A$945K, Leasehold - A$440K and New Zealand – NZ$715K.
- Average size of freehold centres being acquired/developed is approx ~78 places with an average cost of approx $1,150K
- AEU investment in completed centres approx. 70% of the replacement cost of a new centre
- Sites with strong long term development potential due to size
- Investment value supported by independent valuation

Property Portfolio

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AEU has long term lease arrangements in place with ABC - a top 100 Coy:

Property Portfolio

Property Dynamics

Lease Structure

- Triple net lease (tenant responsible all maintenance & capex)
- **Freehold:** Long term (min 10+5+5) leases with fixed rent increases linked to exercise of options
- Initial ABC rental generally A$1,250 per childcare place on freehold properties
- **Leasehold:** Long term (20-30 yrs) ground leases with churches with combination of fixed increases and market reviews
- Initial rental on leasehold properties are a combination of ground rents and rent payable by ABC based on $1,250 per place

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Property Pipeline Details

AEU has a good pipeline remaining for FY2007 and a strong pipeline going into FY2008

FY 2007

As at 23 March 2007	Australia Existing Centres	Development Sites	Leasehold Centres	New Zealand Existing Centres	Development Sites	Total
Contracted	8	4	0	15	1	28
Under Negotiation	8	2	0	0	1	11
Sub-Total FY 2007	**16**	**6**	**0**	**15**	**2**	**39**

FY 2008

As at 23 March 2007	Australia Existing Centres	Development Sites	Leasehold Centres	New Zealand Existing Centres	Development Sites	Total
Contracted	5	- 13	0	0	0	18
Under Negotiation	15	10	10	4	10	49
Total FY 2008	20	23	10	4	10	67
Total FY2007 & FY2008	**36**	**29**	**10**	**19**	**12**	**106**

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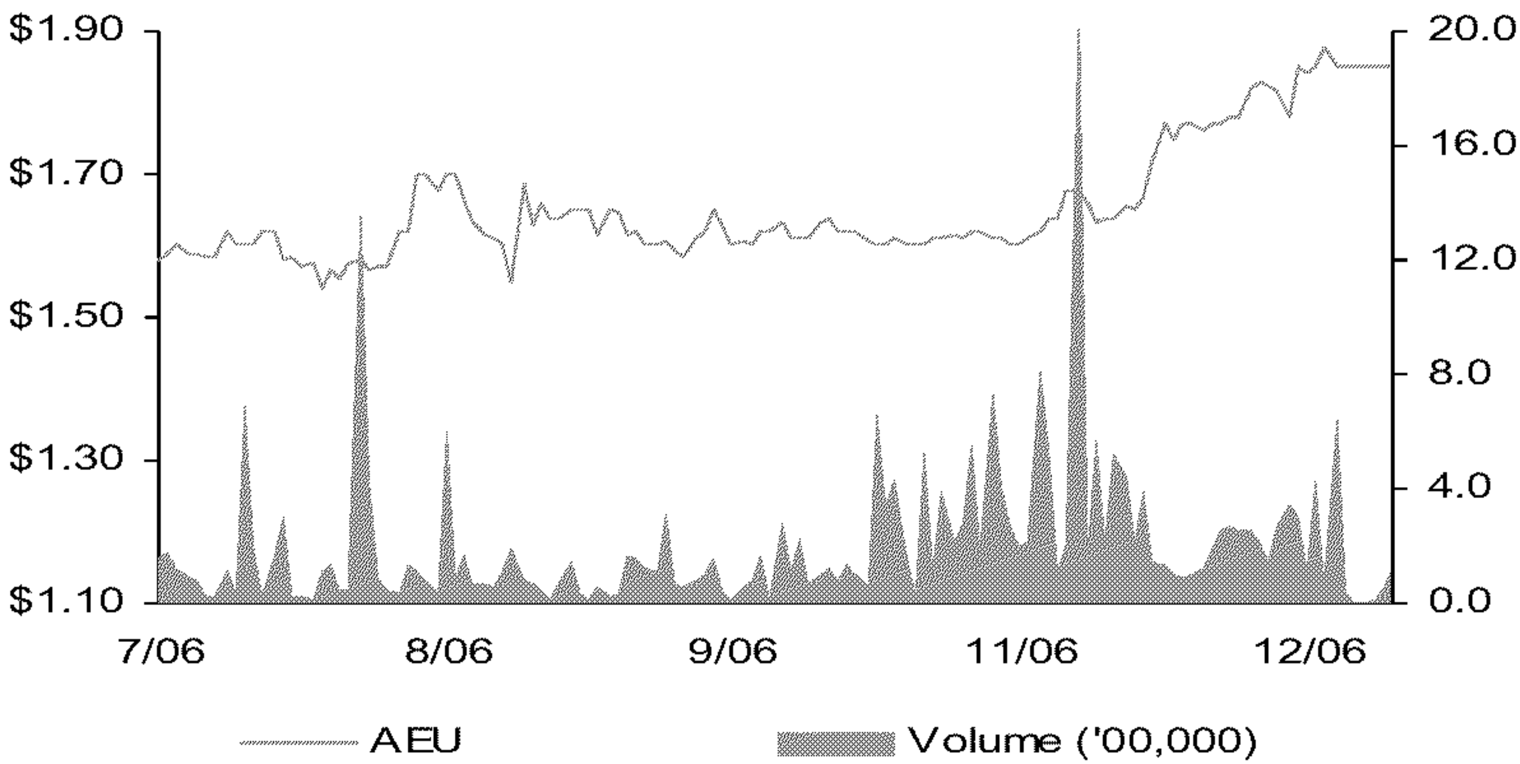
Unit price and Volume

Average daily trading volumes have increased 220% to ~ 295,000 in the second quarter from 130,000.



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Key Messages

Consistent Performance

- Forecast met in the last three 6 month periods
- Strong, predictable income stream

Increasing Scale

- Fund growth from 115 to 349 in 2.5 years
- Market Capitalisation $230m

Strong Pipeline

- Approx 100 centre opportunities over the next 12 month period

Strong Property Fundamentals

- 100% Occupancy, WALE 9.25 years, triple net leases, geographic diversification

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Appendix 1 - Earnings

$'000 Prepared under A-IFRS	6 Mths to 31-Dec-06	6 Mths to 30-Jun-06	6 Mths to 31-Dec-05
Revenue			
Lease Income	13,150	10,446	7,910
Interest Income	904	363	185
Gain on Sale of Properties	452	34	-
Net Property Revaluation Increment	-	5,224	-
Total Revenue	14,506	16,067	8,095
Expenses			
Finance Costs	4,942	2,635	1,988
Reduction of Carrying Value of Properties	449	396	454
Responsible Entity's Remuneration	805	594	397
Rent on Leasehold Properties	314	751	-
Restructure Costs	-	(122)	(128)
Other Expenses	375	104	431
Total Expenses	6,885	4,358	3,142
Net Profit before Tax & Financing Costs to Unitholders	**7,621**	**11,709**	**4,953**
Income Tax Expense and Adjustment	-	(48)	264
Net Profit Attributable to Unitholders	7,621	11,757	4,689
Distributions to Unitholders	8,069	6,149	4,827
Total Changes to Net Assets Attributable to Unitholders	**(448)**	**5,608**	**(138)**

- Continued growth in lease revenue with growth in centre numbers
- Gain on sale of 14 properties during the period of $452,000
- Further revaluation of part of property portfolio in June 2007
- A-IFRS straight line accounting results in increase in lease rental of $449K offset with reduction in carrying value of properties
- Average interest rate as at 31 Dec is 6.64%

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Appendix 2 - Balance Sheet

$'000 Prepared under A-IFRS	As At 31-Dec-06	As At 30-Jun-06
Current Assets		
Cash and Cash Equivalents	19,554	21,839
Trade & Other Receivables	5,414	4,382
Other Current Assets	16,799	16,320
Total Current Assets	**41,767**	**42,541**
Non-Current Assets		
Investment Properties	274,451	211,986
Other Non-Current Assets	1,657	850
Total Non-Current Assets	**276,108**	**212,836**
Total Assets	**317,875**	**255,377**
Current Liabilities		
Trade & Other Payables	2,621	5,979
Distribution Payable	4,436	6,149
Other Current Liabilities	190	190
Total Current Liabilities	**7,247**	**12,318**
Non-Current Liabilities		
Long Term Borrowings	158,654	129,079
Total Non-Current Liabilities	**158,654**	**129,079**
Total Liabilities (excluding net assets attributable to Unitholders)	**165,901**	**141,397**
Net Assets Attributable to Unitholders	151,974	113,980
Total Liabilities	**317,875**	**255,377**

- Cash of $19.5m from October Capital Raising
- Other Current Assets includes $10.0 of term deposit (held as debt security) and $3.4m of Investment properties to be sold
- Investment properties increased from $224.3m to $277.8m at December 2006
- Borrowings of $158.6m represents property gearing of 57.1%