



The Australian Social Infrastructure Fund

ASX ANNOUNCEMENT

18 February 2014

ASIF Results for the Half-Year Ended 31 December 2013

Folkestone Real Estate Management Limited (FREML) as the responsible entity for The Australian Social Infrastructure Fund (ASIF or Fund) (ASX:AZF) provides the results of the Fund for the half year ended 31 December 2013. ASIF is a property trust investing in social infrastructure assets.

KEY HIGHLIGHTS SUMMARY

- Distributable income of \$2.8 million, an increase of 16.7% on the previous corresponding period ("pcp").
- Distribution paid to investors of 9.5 cpu, an increase of 11.8% on the pcp.
- Statutory profit of \$3.2 million.
- NTA per unit of \$2.56 as at 31 December 2013, an increase of 3.2% from 30 June 2013.
- 100% occupancy across direct property portfolio.
- Gearing reduced to 31.8% as at 31 December 2013.
- Forecast FY14 distribution revised upwards to **20.0 cpu**, from 19.0 cpu previously forecast.

FINANCIAL SUMMARY

The table below provides a summary of ASIF's 31 December 2013 results in comparison to the previous corresponding period:

Half Year ending	Dec 2013	Dec 2012	Var. %
Total operating revenue	\$5.2m	\$5.3m	(1.9%)
Total operating expenses	\$2.4m	\$2.9m	(17.2%)
Distributable income	\$2.8m	\$2.4m	16.7%
Distribution (cpu)	9.5	8.5	11.8%

As at	Dec 2013	June 2013	Var. %
Total Assets	\$109.7m	\$107.3m	2.2%
Investment Property	\$85.2m	\$87.0m	(2.1%)
Securities Portfolio	\$23.4m	\$19.9m	17.6%
Borrowings ¹	\$34.9m	\$34.8m	0.3%
Net Assets	\$72.9m	\$70.6m	3.2%
Gearing ²	31.8%	32.4%	(0.6%)
NTA per unit	\$2.56	\$2.48	3.2%

PORTFOLIO PERFORMANCE

Key portfolio performance criteria as at 31 December 2013:

As at	Dec 2013
Value of Investment Property	\$85.2m
Annualised Net Rental Income	\$8.0m
Property Yield – Early Learning	9.5%
Property Yield – Medical & Self-Storage	8.8%
Total Property Yield	9.4%
Vacancy Rate	0%
Weighted Average Lease Expiry	7.3 years

¹ Borrowings includes cash overdraft

² Gearing is calculated by borrowings / total assets

FINANCIALS

For the Half Year Ended 31 December	Notes	2013 \$m	2012 \$m
Revenue			
Lease income	1	4.0	4.1
Property outgoings recoverable		0.6	0.7
Distributions & dividends		0.6	0.5
		5.2	5.3
Expenses			
Finance costs	2	0.9	1.3
Responsible entity's remuneration		0.6	0.6
Property outgoings		0.8	0.9
Other expenses		0.1	0.1
		2.4	2.9
Distributable income		2.8	2.4
Change in fair value of derivative instruments		-	0.2
Net revaluation increment of investment properties	3	0.1	0.7
Net gain on sale of investment property		0.3	-
Profit attributable to Unitholders		3.2	3.3

Notes:

- Lease income is typically indexed annually to CPI, with average rental growth of 2.4% across the year. However, the decrease in lease income is attributable to the sale of the Upper Coomera early learning centre in July 2013 and the Capalaba early learning centre in November 2012, both which contributed lease income in the prior period.
- Finance costs have decreased by \$0.4 million due to lower interest rates primarily due to a \$35.0 million interest rate swap at a rate of 5.7% pa maturing in September 2012. This was replaced by lower levels of hedging at a significantly lower rate. As at 31 December 2013, the all in cost debt was 5.4% pa.
- During the period only 1 external revaluation was commissioned resulting in a revaluation increment of \$40,000 or 3.5%. In the prior period, 8 external revaluations occurred. It is anticipated that 8 external revaluations will be conducted prior to 30 June 2014.

PROPERTY SUMMARY

ASIF's asset portfolio as at 31 December 2013 is summarised as follows:

	No of Properties	Carrying Value	% of Total Portfolio	Current Rent (pa)	Passing Yield
Early Learning Centres	47	\$67.5m	62%	\$6.4m	9.5%
Medical & Self-Storage Properties	2	\$17.7m	16%	\$1.6m	8.8%
Total Properties	49	\$85.2m	78%	\$8.0m	9.4%
		Carrying Value	% of Total Portfolio	Income (pa) ³	Yield
Securities Portfolio		\$23.4m	22%	\$1.2m	5.1%

PORTFOLIO PERFORMANCE – DIRECT PROPERTY

The Fund has five tenants across its portfolio of early learning centres, including Goodstart Early Learning which leases 39 of the Fund's centres. The self storage facility is tenanted by Guardian Storage and the medical centre by Primary Health (ASX: PRY).

The key portfolio highlights for the period included:

- 100% occupancy across the direct property portfolio. Occupancy as at 30 June 2013 was 98.0%;
- Weighted average lease expiry ("WALE") of 7.3 years as at 31 December 2013; and
- Centre at Upper Coomera, Queensland sold with settlement occurring in July 2013. This was a centre tenanted by Goodstart Early Learning who vacated pursuant to an early termination right under the lease. Upon the sale of this centre, a compensation amount of \$0.4 million became payable by Goodstart to the Fund. This is received in monthly instalments through to November 2015.

³ Based on annualising distributions received by ASIF for the half year ended 31 December 2013. As CIB is only commencing distributions for the second half of FY14 the income does not include any distributions from CIB.

PORTFOLIO PERFORMANCE – PROPERTY SECURITIES

The securities portfolio comprises of holdings in the Australian Education Trust (AET) (ASX: AEU), CIB Fund (CIB), Australian Property Growth Fund (APGF) and Stockland Direct Retail Trust No. 1 (SDRT1).

The key portfolio highlights for the period included:

- Participation by ASIF in the AET capital raising in November 2013 in order to maintain ASIF's proportionate holding at 4.4%. AET raised \$45 million in equity to fund its growth opportunities. ASIF acquired an additional 1.3 million units for a total consideration of \$2.0 million which was debt funded. Based on AET's forecast FY14 distribution of 12.0 cpu and issue price of \$1.52 per unit, the further investment is forecast to return 7.9% pa.
- AET units increased in value by 10.5% or \$1.1 million during the period to 31 December 2013.
- During the period, APGF continued with its orderly wind-up of its business. APGF made a capital payment of 10.0 cents per stapled security in December 2013 following the sale of ANZ Royal Bank Chambers Building in Collins Street, Melbourne, with ASIF receiving a capital return of \$0.2 million. A further payment was received by ASIF in January 2014 of \$0.2 million in relation to the funds management business. APGF's remaining assets are predominantly property developments in Ulladulla and the Gold Coast which are to be divested in the medium term.
- During the half, no distributions were received from the CIB Fund due to funds being retained for the completion of air-conditioning, carpet replacement and other capital works across the CIB portfolio. As these works have largely been completed, CIB is re-commencing distributions for the second half of FY14.

DEBT FUNDING

Debt

The Fund has a debt facility with the Australia and New Zealand Banking Group Limited (ANZ) with key commercial terms as follows:

Facility Limit	\$34.3 million (fully drawn)
Overdraft	\$2.0 million (\$0.6 million drawn)
Facility Term	December 2014 (with an option for 1 year at ASIF's election at least 90 days prior to termination date)
Loan to Value Ratio Covenant	37.9% v covenant of 52.5% (value based on 100% of secured property values and 50% value of Australian Education Trust units)
Interest Cover Ratio Covenant	4.0 times v covenant of 1.60 times (EBITDA) measured on a yearly basis

As at 31 December 2013, the Fund complied with all of its debt covenant ratios and obligations.

Management will look to extend/refinance the facility during 2014, but have the option to extend for a further year on existing terms.

The Fund hedges a proportion of its debt against movements in interest rates. A staggered periodic approach to hedging has been adopted with an emphasis on reducing volatility in forecasting short term earnings.

The hedging position of the Fund as at 31 December 2013 is as follows:

Period	Hedged Amount	Hedged Rate (pa)	% of Debt Hedged
FY14 January 2014 - June 2014	\$14m	3.74%	41%
FY15 July 2014 - June 2015	\$9m	3.62%	26%
FY16 July 2015 - June 2016	\$4m	3.15%	12%

Cost of Debt

The current all in cost of debt is 5.4% pa, which is based on prevailing interest rates, existing swap arrangements, bank margins and amortisation of establishment fees.



DISTRIBUTIONS

The distribution forecast for the year ending 30 June 2014 has been revised upwards to **20.0 cpu** from 19.0 cpu. The increase is a result of the CIB Fund recommencing distributions in the second half of FY14. The forecast is based on continued tenant performance. The Fund will continue to pay distributions on a quarterly basis one month in arrears.

OUTLOOK

ASIF continues with its strategy to provide investors with access to predictable and secure long term cash-flows with the opportunity for capital growth. This is the result of ASIF's stable financial position with no vacancies, long term leases, conservative gearing and debt financing secured up to December 2015.

Mark Stewien
Fund Manager
Folkestone Real Estate Management Limited

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+61 3 8601 2668

Travis Butcher
Chief Financial Officer, Funds
Folkestone Real Estate Management Limited

(The documents attached to this release comprise the information required by ASX Listing Rule 4.3A and should be read in conjunction with the half-year financial results to 31 December 2013.)

INVESTOR RELATIONS

Unitholders are invited to contact the Fund's Investor Relations Manager, Lula Lioffi for any further information. Boardroom is the Fund's registry and can be contacted on 1300 737 760 with respect to any queries in relation to investors unitholdings. The Australian Social Infrastructure Fund internet site, www.asifund.com.au is a source of information for Unitholders. It includes details of ASIF and its Manager, announcements, current activities and historical information. The site provides access to annual and half-year reports and also ASIF updates covering matters of relevance to investors.

Further information

The Australian Social Infrastructure Fund internet site, www.asifund.com.au is a source of information for Unitholders. It includes details of ASIF and its Manager, announcements, current activities and historical information. The site provides access to annual and half-year reports and also ASIF updates covering matters of relevance to investors.

About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate funds manager, investor and developer. Folkestone's on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform, with approximately \$700 million under management, offers listed and unlisted funds to private clients, high net worth individuals and institutional investors. For further information on Folkestone visit, www.folkestone.com.au.

Appendix 4D

Half Year Report

For the Period Ended 31 December 2013

Name of entity:

The Australian Social Infrastructure Fund

ABN:

29 094 185 092

1. Details of the reporting period

This report details the results of The Australian Social Infrastructure Fund (the “Fund”) for the half year ended 31 December 2013 (previous corresponding period: half year ended 31 December 2012).

2. Results for announcement to the market

			\$A'000			\$A'000
2.1	Revenue from ordinary activities	Down	506	8.2%	to	5,658
2.2	Profit (loss) from ordinary activities after tax attributable to members	Down	56	1.7%	to	3,233
2.3	Net profit (loss) for the period attributable to members	Down	56	1.7%	to	3,233
2.4	Interim Distributions – Quarter ending 31 December 2013 – 4.75 cents per unit					
2.5	Record date – 31 December 2013					
2.6	Brief explanation of the figures reported above: For further explanation of the results refer to the ASX Release and the Directors’ Report of the half-year report.					
2.7	Earnings Per Unit (EPU)			Dec 2013		Dec 2012
	Basic earnings per unit			11.37		11.56
	Diluted earnings per unit			11.37		11.56

3. Net tangible assets per unit

	Dec 2013	Jun 2013
Net tangible asset backing per ordinary unit	\$2.56	\$2.48

4. Details of entities over which control has been gained or lost during the period

None.

5. Details of distributions

Period	Paid	Cents per unit
Quarter ending 30 September 2013	21 October 2013	4.75
Quarter ending 31 December 2013	20 January 2014	4.75
Total		9.50

6. Distribution Reinvestment Plan

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

None.

9. Disputes with auditors or qualifications

Nil



Victor David Cottren
Chairman
Folkestone Real Estate Management Limited
Melbourne, 18 February 2014

The Australian Social Infrastructure Fund

HALF YEAR FINANCIAL REPORT | 31 DECEMBER 2013



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FUND HIGHLIGHTS

- Distributable income of \$2.8 million, an increase of 16.7% on the previous corresponding period (“pcp”).
- Distribution for the first half of 9.5 cents per unit (“cpu”), an increase of 11.8% on pcp.
- Statutory profit of \$3.2 million.
- NTA per unit of \$2.56 up by 3.2% on pcp.
- 100% occupancy across the direct property portfolio.
- Gearing reduced to 31.8% as at 31 December 2013.
- Forecast FY14 distribution of **20.0 cpu**, from 19.0 cpu previously forecast.

FINANCIAL HIGHLIGHTS

	Dec 2013	June 2013	June 2012
Total Assets	\$109.7m	\$107.3m	\$103.0m
Investment Property	\$85.2m	\$87.0m	\$85.2m
Gross Debt	\$34.9m	\$34.8m	\$36.6m
Net Assets	\$72.9m	\$70.6m	\$64.4m
Gearing	31.8%	32.4%	35.6%
Units on Issue	28.5m	28.5m	28.5m
NTA per unit	\$2.56	\$2.48	\$2.26

Chairman and Fund Manager's Report

The Directors of the Responsible Entity, Folkestone Real Estate Management Limited ("FREML") provide the results of The Australian Social Infrastructure Fund (ASIF or the Fund) for the half year ended 31 December 2013. ASIF is an ASX listed (ASX:AZF) property trust investing in social infrastructure assets.

Key Operational Achievements

During the half year, ASIF delivered an increase of 16.7% in distributable income, resulting in an increase in distributions to Unitholders to 9.5 cpu.

The net tangible asset ("NTA") per unit has increased by 3.2% to \$2.56 as at 31 December 2013.

ASIF's ASX price increased 12.6 per cent from \$2.14 per unit at 30 June 2013 to \$2.41 at 31 December 2013.

Portfolio Performance – Direct Property

The Fund has five tenants across its portfolio of early learning centres, including Goodstart Early Learning which leases 39 of the Fund's centres. The self-storage facility is tenanted by Guardian Storage and the medical centre by Primary Health (ASX:PRY).

The key portfolio highlights for the period included:

- 100% occupancy across the direct property portfolio up from 98.0% at 30 June 2013;
- Weighted average lease expiry ("WALE") of 7.3 years as at 31 December 2013; and
- Property at Upper Coomera, Queensland sold with settlement occurring in July 2013. This was a centre tenanted by Goodstart Early Learning who vacated pursuant to an early termination right. Upon the sale of this centre, compensation of \$0.4 million became payable by Goodstart to the Fund. This is received in monthly instalments through to November 2015.

Portfolio Performance – Property Securities

The securities portfolio comprises of holdings in the Australian Education Trust (ASX: AEU), CIB Fund (CIB), Australian Property Growth Fund (APGF) and Stockland Direct Retail Trust No. 1 (SDRT1).

The key portfolio highlights for the period included:

- Participation by ASIF in the AET capital raising in November 2013 in order to maintain ASIF's proportionate holding at 4.4%. AET raised \$45 million in equity to fund its growth opportunities. ASIF acquired an additional 1.3 million units for a total consideration of \$2.0 million which was debt funded. Based on AET's forecast FY14 distribution of 12.0 cpu and issue price of \$1.52 per unit, the further investment is forecast to yield 7.9% pa.
- AET units increased in value by 10.5% or \$1.1 million during the six months to 31 December 2013.
- During the six months, APGF continued with its orderly wind-up of its business. APGF made a capital payment of 10.0 cents per stapled security in December 2013 following the sale of ANZ Royal Bank Chambers Building in Collins Street, Melbourne, with ASIF receiving a capital return of \$0.2 million. A further payment was received by ASIF in January 2014 of \$0.2 million in relation to the funds management business. APGF's remaining assets are predominantly property developments in Ulladulla and the Gold Coast which are to be divested in the medium term.
- During the six months, no distributions were received from the CIB Fund due to funds being retained for the completion of air-conditioning, carpet replacement and other capital works across the CIB portfolio. As these works have largely been completed, CIB is re-commencing distributions for the second half of FY14.

Distributions

ASIF delivered a half year distribution of 9.5 cpu compared to 8.5 cpu in the corresponding prior half year. This was largely attributable to reduced finance costs.

The distribution forecast for the year ending 30 June 2014 has been revised upwards to 20.0 cpu from 19.0 cpu. The increase is a result of the CIB Fund recommending distributions in the second half of FY14. The forecast is based on continued tenant performance.

ASIF will continue to pay quarterly distributions one month in arrears.

Outlook

ASIF continues with its strategy to provide investors with access to predictable and secure long term cash-flows with the opportunity for capital growth. This is the result of ASIF's stable financial position with no vacancies, long term leases, conservative gearing and debt financing secured up to December 2015.

ASIF is well placed to grow its direct property portfolio in the broader social infrastructure space. Unitholders should note that any investment opportunity is assessed with respect to its consistency with the Fund's characteristics and overall objective.

Strategies are also being evaluated to build the profile and brand of ASIF.



Vic Cottren
Chairman



Mark Stewien
Fund Manager



The Australian Social Infrastructure Fund
FINANCIAL STATEMENTS | 31 December 2013

DIRECTORS' REPORT

For the half year ended 31 December 2013

The Directors of Folkestone Real Estate Management Limited ("the Responsible Entity"), the Responsible Entity of The Australian Social Infrastructure Fund ("the Fund"), present their report together with the financial report of the Fund for the half year ended 31 December 2013.

THE RESPONSIBLE ENTITY

The registered office and principal place of business of the Responsible Entity and the Fund is Level 12, 15 William Street, Melbourne, Victoria 3000.

Structure of Fund/Responsible Entity

Directors of the Responsible Entity

The Directors of the Responsible Entity during the financial year and to the date of this report comprise:

Name	Period of Directorship
Mr Victor (Vic) David Cottren	Appointed 2 March 2007
Mr Michael Francis Johnstone	Appointed 2 March 2007
Mr Warner Kenneth Bastian	Appointed 1 March 2009

PRINCIPAL ACTIVITIES

The principal activity of the Fund during the half year was investment in income producing social infrastructure assets. As at 31 December 2013 the Fund owned 47 early learning centres, a self storage facility, a medical centre and has investments in a number of property securities.

The Fund derives its revenue from both lease income received from its investment properties and investment income (distributions/dividends) received from its property securities.

Details of the Fund's portfolio are as follows:

	Notes	31 Dec 2013 \$'000	30 June 2013 \$'000
Investment Properties	4	85,190	86,950
Securities	3	23,388	19,852
Cash		34	34
Other Assets		1,050	435
Total Gross Assets		109,662	107,271
Borrowings	5	34,806	34,702
Other Liabilities		1,969	1,997
Net Assets		72,887	70,572
Number of Units on Issue (000's)		28,450	28,450
Per Unit NTA (\$)		2.56	2.48

DIRECTORS' REPORT

Continued For the half year ended 31 December 2013

REVIEW AND RESULTS OF OPERATIONS

A summary of the key results during the half year are as follows:

- Distributable income* of \$2.8 million, an increase of 16.7% on the previous corresponding period ("pcp"), primarily due to lower finance costs in this period.
- Statutory profit of \$3.2 million.
- Distribution for the half year of 9.5 cents per unit, compared to 8.5 cents per unit in the pcp.
- Net tangible asset (NTA) per unit increased from \$2.48 at 30 June 2013 to \$2.56 at 31 December 2013.
- Gearing (Borrowings and Cash Overdraft / Total Assets) reduced to 31.8%.
- Weighted average lease expiry at 31 December 2013 of 7.3 years.

Half Year Ended 31 December	2013	2012
	\$m	\$m
Revenue		
Lease income	4.0	4.1
Property outgoings recoverable	0.6	0.7
Distributions & dividends received	0.6	0.5
	5.2	5.3
Expenses		
Finance costs	0.9	1.3
Responsible entity's remuneration	0.6	0.6
Direct property expenses	0.8	0.9
Other expenses	0.1	0.1
	2.4	2.9
Distributable income *	2.8	2.4
Change in fair value of derivative instruments	-	0.2
Net revaluation increment of investment properties	0.1	0.7
Net gain on sale of investment property	0.3	-
Net Profit attributable to the Unitholders	3.2	3.3

* Distributable income is not a statutory measure of profit.

DIRECTORS' REPORT

Continued For the half year ended 31 December 2013

DISTRIBUTIONS

Distributions paid for the half year ended 31 December 2013 totalled 9.5 cents per unit (2012: 8.5 cents per unit).

Distributions declared by the Fund since 30 June 2013 were:

Period	Paid/Payable	2013	
		Cents per unit	Amount \$'000
Quarter ending 30 September 2013	21 October 2013	4.75	1,351
Quarter ending 31 December 2013	20 January 2014	4.75	1,351
Total		9.50	2,702

STATE OF AFFAIRS

Funding

As at 31 December 2013 the Fund had total assets of \$109.7 million, gross borrowings of \$34.9 million and net assets of \$72.9 million. The net tangible asset per unit is \$2.56 (30 June 2013: \$2.48). The Fund has gearing (Borrowing and cash Overdraft / Total Assets) of 31.8%. The Fund has 28,449,729 fully paid ordinary units on issue as at 31 December 2013.

The Fund has a debt facility with the Australia and New Zealand Banking Group Limited (ANZ).

The key commercial terms of the debt facility are as follows:

Facility Limit	\$34.3 million (fully drawn)
Facility Term	December 2014 with an option for 1 further year exercisable at the Fund's election at least 90 days prior to termination date
Maximum Loan to Value Ratio ("LVR")	52.5% (value based on 100% of secured property values and 50% value of Australian Education Trust units)
Interest Cover Ratio ("ICR")	Not to be less than 1.60 times (EBITDA) measured on a yearly basis
Amortisation	No mandatory amortisation requirement whilst the LVR remains below 50%

As at 31 December 2013, the Fund complied with all of its debt covenant ratios and obligations.

In addition, the Fund has an overdraft facility with ANZ in order to more efficiently manage its working capital position. Key commercial terms of the overdraft facility are as follows:

Facility Limit	\$2 million
Drawn Amount	\$0.6 million as at 31 December 2013
Maturity Date	December 2014 with an option for 1 further year, exercisable at the Fund's election at least 90 days prior to termination date
Purpose	Working capital requirements
Covenants	Same as debt facility

DIRECTORS' REPORT

Continued For the half year ended 31 December 2013

Hedging Arrangements

In accordance with the Funds policy to hedge a proportion of its debt it has the following interest rate swaps in place:

Period	Hedged Amount \$'000	Hedged Rate %	% Hedged
FY14			
Jan 2014 - June 2014	14,000	3.74	41%
FY15			
July 2014 - June 2015	9,000	3.62	26%
FY16			
July 2015 - June 2016	4,000	3.15	12%

MATTERS SUBSEQUENT TO END OF THE FINANCIAL PERIOD

Subsequent to the period end, there are no events that have occurred which the Directors believe significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund.

ROUNDING OF AMOUNTS

The Fund is of a kind referred to in ASIC Class order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors report and financial report. Amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars, unless in accordance with that Class Order otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity:



Victor David Cottren
Chairman
Folkestone Real Estate Management Limited
Melbourne, 18 February 2014

AUDITORS' INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the review of the Australian Social Infrastructure Fund for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of the Australian Social Infrastructure Fund during the period.



Charles Christie
PricewaterhouseCoopers

18 February 2014

STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2013

	Half Year	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Revenue		
Lease income	3,944	4,033
Property outgoing recoveries	667	691
Distributions and dividends	575	458
Net investment property revaluation increment	99	760
Changes in fair value of derivative financial instruments	51	176
Net gain on sale of investment properties	301	-
Interest income	1	1
Other income	20	45
Total revenue	5,658	6,164
Expenses		
Finance costs	919	1,267
Property outgoing	785	859
Responsible entity's remuneration	617	569
Other expenses	104	158
Net loss on sale of investment properties	-	3
Impairment of available-for-sale financial assets	-	19
Total expenses	2,425	2,875
Net Profit attributable to unitholders for the half-year	3,233	3,289
Other comprehensive income		
Gain on revaluation of available-for-sale financial assets	1,784	2,259
Other comprehensive income	1,784	2,259
Total comprehensive income attributable to unitholders	5,017	5,548
Earnings per unit	Cents	Cents
Basic earnings per unit	11.37	11.56
Diluted earnings per unit	11.37	11.56

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

As at 31 December 2013

		31 Dec 2013	30 June 2013
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents		34	34
Trade and other receivables		682	398
Other current assets	2	631	1,954
Total current assets		1,347	2,386
Non-current assets			
Available-for-sale financial assets	3	23,233	19,852
Investment properties - Straight line rental account	4	179	229
Investment properties	4	84,903	84,804
Total non-current assets		108,315	104,885
Total assets		109,662	107,271
Current liabilities			
Trade and other payables		466	428
Distribution payable		1,363	1,379
Derivative financial instruments	6(a)	126	153
Total current liabilities		1,955	1,960
Non-current liabilities			
Derivative financial instruments	6(b)	14	37
Borrowings	5	34,806	34,702
Total non-current liabilities		34,820	34,739
Total liabilities		36,775	36,699
Net assets		72,887	70,572
Equity			
Contributed equity		58,273	58,273
Distribution reserve		3,239	2,708
Available-for-sale financial assets reserve		11,375	9,591
Total equity		72,887	70,572

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2013

	Units on Issue	Distribution Reserve	Available-for- sale financial assets reserve	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	58,273	(401)	6,526	64,398
Net Profit attributable to Unitholders	-	3,289	-	3,289
Distribution paid or provided for	-	(2,418)	-	(2,418)
Gain on revaluation of available-for-sale financial assets	-	-	2,259	2,259
Balance at 31 December 2012	58,273	470	8,785	67,528
Balance at 1 July 2013	58,273	2,708	9,591	70,572
Net Profit attributable to Unitholders	-	3,233	-	3,233
Distribution paid or provided for	-	(2,702)	-	(2,702)
Gain on revaluation of available-for-sale financial assets	-	-	1,784	1,784
Balance as at 31 December 2013	58,273	3,239	11,375	72,887

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the half year ended 31 December 2013

Consolidated Group	Half Year	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations (inclusive of GST)	4,792	4,949
Cash payments in the course of operations (inclusive of GST)	(2,109)	(2,128)
Distributions and dividends received	622	410
Interest received	1	1
Finance costs paid	(863)	(1,224)
Net cash provided from operating activities	2,443	2,008
Cash flows from investing activities		
Proceeds from sale of investment properties	1,959	737
Payments for purchase of financial assets	(1,982)	-
Proceeds from sale of financial assets	230	718
Net cash provided from investing activities	207	1,455
Cash flows from financing activities		
Repayment of borrowings	(2,000)	(1,350)
Proceeds from borrowings	2,070	238
Distributions paid	(2,720)	(2,344)
Net cash (outflow) from financing activities	(2,650)	(3,456)
Net increase / (decrease) in cash held	-	7
Cash at the beginning of the financial year	34	17
Cash at the end of the half year	34	24

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half year ended 31 December 2013

1. BASIS OF PREPARATION OF HALF YEAR REPORT

This general purpose interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with the Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Impact of standards issued but not yet applied by the Fund

AASB9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

2. OTHER CURRENT ASSETS

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Investment properties – straight line rental account	108	117
Prepayments	368	37
Investment properties to be sold within 12 months	-	1,800
Available-for-sale financial assets to be sold within 12 months	155	-
	631	1,954

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Continued For the half year ended 31 December 2013

3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Available-for-sale Financial Assets		
(a) Represented by:		
Units in listed property trusts - at market valuation	13,734	10,630
Units in listed property trusts - at Directors' valuation	365	490
Units in unlisted property trusts - at Directors' valuation	9,289	8,732
Total available-for-sale financial assets	23,388	19,852
Less: available-for-sale financial assets to be sold within 12 months	(155)	-
Carrying amount at the end of the period	23,233	19,852
(b) Movements in available-for-sale financial assets:		
Opening balance	19,852	15,894
Non-cash distribution (CIB & APGF)	-	1,103
Return of capital & security buy-back (APGF)	(230)	(866)
Acquisitions of available-for-sale financial assets	1,982	-
Impairment of available-for-sale financial assets	-	(821)
Movement in available-for-sale financial assets to be sold within 12 months	(155)	1,477
Movement in available-for-sale financial assets reserve	1,784	3,065
Carrying amount at the end of the period	23,233	19,852

4. INVESTMENT PROPERTIES

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
(a) Investment properties – at valuation		
Total property investments	85,190	86,950
Less: straight line rental account – current	(108)	(117)
Less: straight line rental account – non current	(179)	(229)
Total investment properties	84,903	86,604
Less: investment properties to be sold within 12 months	-	(1,800)
Carrying amount at the end of the period	84,903	84,804
(b) Movement in investment properties:		
Balance at the beginning of the period – at valuation	84,804	84,779
Disposal of properties	(1,800)	(850)
Net revaluation increment	99	2,675
Movement in investment properties to be sold within 12 months	1,800	(1,800)
Carrying amount at the end of the period	84,903	84,804

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Continued For the half year ended 31 December 2013

4. INVESTMENT PROPERTIES (continued)

Investment properties are carried at fair value. The determination of fair value is based on independent valuations.

An independent valuation of a property is carried out at least once every three years. Independent valuations are prepared using both the capitalisation of net income method and the discounting of future net cash flows to their present value. Capital expenditure since valuation includes purchases of sundry properties (and associated expenses such as stamp duty, legal fees etc) and capital expenditure in respect of completed projects which has taken place since or was not included in the latest valuation of the properties.

An independent valuation for 1 of the 49 properties owned by the Fund was undertaken during the period ending 31 December 2013. The independent valuation was prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards. The result of the valuations was an increase in value of \$40,000 or 3.5%.

Net revaluation increment of \$0.1 million also includes a straight line rental adjustment of \$60,000 with a corresponding decrease in straight line rental asset.

5. BORROWINGS

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Secured Liabilities		
Bank Loans	34,300	34,300
Less: unamortised up front transaction costs	(67)	(101)
	34,233	34,199
Bank Overdraft	573	503
	34,806	34,702

The Fund has a debt facility with the Australia and New Zealand Banking Group Limited (ANZ).

The key commercial terms of the debt facility are as follows:

Facility Limit	\$34.3 million (fully drawn)
Facility Term	December 2014 with an option for 1 further year exercisable at the Fund's election at least 90 days prior to termination date
Maximum Loan to Value Ratio ("LVR")	52.5% (value based on 100% of secured property values and 50% value of Australian Education Trust units)
Interest Cover Ratio ("ICR")	Not to be less than 1.60 times (EBITDA) measured on a yearly basis
Amortisation	No mandatory amortisation requirement whilst the LVR remains below 50%

As at 31 December 2013, the Fund complied with all of its debt covenant ratios and obligations.

In addition, the Fund has an overdraft facility with ANZ in order to more efficiently manage its working capital position. Key commercial terms of the overdraft facility are as follows:

Facility Limit	\$2 million
Drawn Amount	\$0.6 million as at 31 December 2013
Maturity Date	December 2014 with an option for 1 further year, exercisable at the Fund's election at least 90 days prior to termination date
Purpose	Working capital requirements
Covenants	Same as debt facility

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Continued For the half year ended 31 December 2013

5. BORROWINGS (continued)

Hedging Arrangements

In accordance with the Funds policy to hedge a proportion of its debt it has the following interest rate swaps in place:

Period	Hedged Amount \$'000	Hedged Rate %	% Hedged
FY14			
January 2014 - June 2014	14,000	3.74	41%
FY15			
July 2014 - June 2015	9,000	3.62	26%
FY16			
July 2015 - June 2016	4,000	3.15	12%

6. DERIVATIVE FINANCIAL INSTRUMENTS

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
(a) Current		
Derivative financial instruments – interest rate swaps	126	153
	126	153
(b) Non current		
Derivative financial instruments – interest rate swaps	14	37
	14	37

The Fund uses derivative financial instruments (comprising of interest rate swaps) to swap its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value.

Refer to note 5 for further information on these contracts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Continued For the half year ended 31 December 2013

7. CONTRIBUTED EQUITY

	Units on issue No '000	Units on issue \$'000
Balance at 1 July 2012	28,450	58,273
Units issued during the period	-	-
Balance as 31 December 2012	28,450	58,273
Balance at 1 July 2013	28,450	58,273
Units issued during the period	-	-
Balance at 31 December 2013	28,450	58,273

8. SEGMENT REPORTING

The Fund operates wholly within Australia and operates predominately in the one business segment of property investment, including direct property ownership and units in other property schemes.

9. LEASE REVENUE COMMITMENTS

Investment properties are leased to tenants under long-term operating leases with rentals generally payable monthly. Future minimum lease payments receivable on leases of investment properties are as follows:

	31 Dec 2013 \$ '000	31 Dec 2012 \$'000
Receivable:		
Not later than 1 year	8,232	8,042
Between 1 years and 5 years	33,421	33,013
Later than 5 years	30,616	34,575
	72,269	75,630

10. CONTINGENT LIABILITIES

No material contingent liabilities to the Fund exist of which the Responsible Entity is aware.

11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The financial report was authorised on 18 February 2014 by the Board of Directors of the Responsible Entity.

There have been no significant events since 31 December 2013 that have or may significantly affect the results and operations of the Fund.

DIRECTORS' DECLARATION

In the opinion of the Directors of Folkestone Real Estate Management Limited, the Responsible Entity of The Australian Social Infrastructure Fund ("the Fund"):

- the financial statements and notes, set out on pages 11 to 19 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii) giving a true and fair view of the Fund's financial position as at 31 December 2013 and of its performance for the half year ended on that date;
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- the Fund has operated during the half year ended 31 December 2013 in accordance with the provisions of the Fund Constitution (as amended).

Signed in accordance with a resolution of the Directors of Folkestone Real Estate Management Limited.



Victor David Cottren
Chairman
Folkestone Real Estate Management Limited
Melbourne, 18 February 2014

INDEPENDENT AUDIT REPORT TO UNITHOLDERS



Independent auditor's review report to the unitholders of The Australian Social Infrastructure Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Australian Social Infrastructure Fund, which comprises the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for The Australian Social Infrastructure Fund (the Fund).

Directors' responsibility for the half-year financial report

The directors of Folkestone Real Estate Management Limited (the Responsible Entity of the Fund) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Australian Social Infrastructure Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

INDEPENDENT AUDIT REPORT TO UNITHOLDERS

Continued For the half year ended 31 December 2013



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Australian Social Infrastructure Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Charles Christie
Partner

18 February 2014

DIRECTORY

Responsible Entity and principal place of business of the Fund

Folkestone Real Estate Management Limited
Level 12
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Directors of the Responsible Entity

Victor David Cottren (Chairman)
Michael Francis Johnstone
Warner Kenneth Bastian

Solicitors

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Auditors/Taxation Advisors

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Freshwater Place
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Southbank VIC 3006

Bank

Australia & New Zealand Banking Group Limited
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Custodian

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Secretary of the Fund

Scott Nicholas Martin
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