

FOLKESTONE HALF YEAR RESULTS

A Specialist Funds Manager And Developer
Providing Real Estate Wealth Solutions

HY15 RESULTS – HIGHLIGHTS

- Net profit after tax of \$2.0m¹, up 23% on 1st half FY14
- Funds under management to \$870 million²
- Secured a strategic holding in Folkestone Education Trust
- Folkestone Social Infrastructure Trust unitholders approved merger with Folkestone Education Trust
- Launched one unlisted real estate fund
- Completed development of Stage 1 of Millers Junction and entered into JV for Stage 2
- Expanded its residential land exposure in Melbourne
- Entered into JV to option a key mixed-use development site in north-west Sydney
- Successfully raised \$42m from a Placement and Entitlement offer

¹ The net profit after tax for the Consolidated Group was \$1.9m. The Consolidated Group includes the Folkestone West Ryde Development Fund ("Fund") even though Folkestone only owns 50% of the units in the Fund. The Consolidated Group's net profit after tax includes a net loss of \$0.1m from the Fund relating to acquisition and Fund establishment costs. 50% of the loss from the Fund (\$0.05m) is attributable to the other unitholders in the Fund. Therefore, Folkestone's net profit after tax is \$2.0m after adjusting for 50% of the Fund loss.

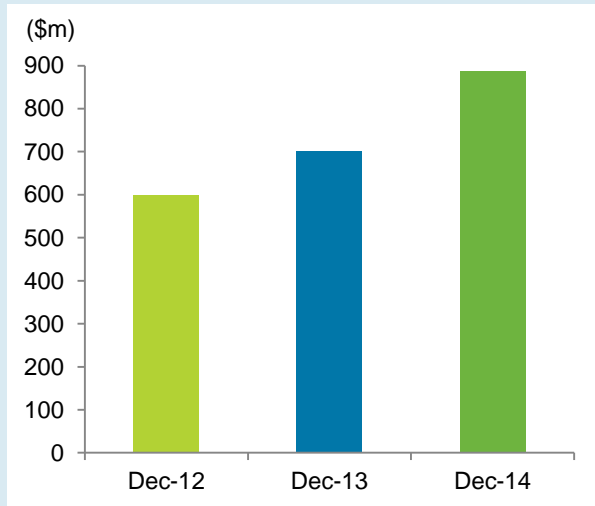
² As at 18 February 2015



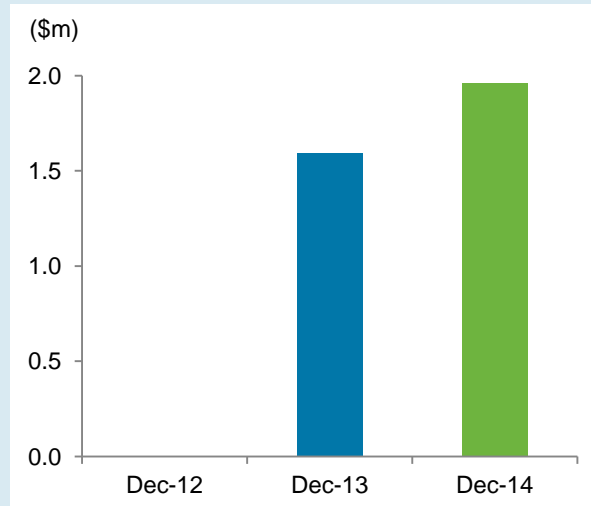
Thales Building, Folkestone Real Estate Income Fund at Sydney Olympic Park

HY15 RESULTS – PERFORMANCE

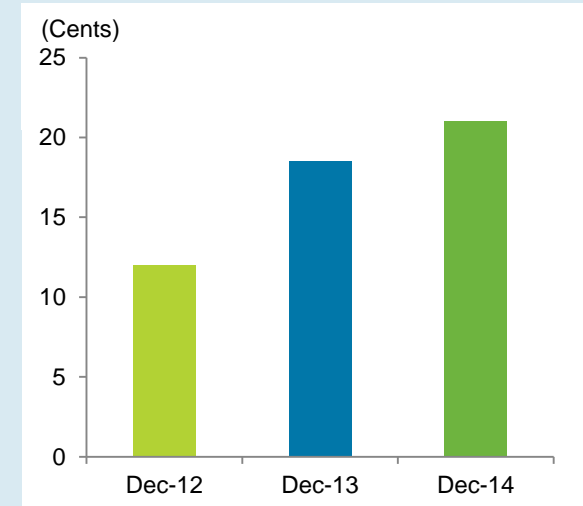
Funds Under Management



Operating Profit



Share Price



“The strong result in the HY15 reflects the continued focus on delivering on our strategy to provide real estate wealth solutions”

HY15 RESULTS – FINANCIALS

\$'000s	DEC 2014	DEC 2013	DEC 2012	DEC 2011	DEC 2010
Profit/(Loss) From Continuing Operations Before Income Tax Benefit/(Expense)	1,531	1,171	177	756	(10,173)
Income Tax Benefit/(Expense)	379	74	(144)	-	-
Profit/(Loss) from Discontinuing Operations	-	-	-	(45)	14
Profit/(Loss) Attributable to Non-controlling Interests	(49)	(351)	-	-	(1)
Profit/(Loss) Attributed to Member of the Parent Entity	1,959	1,596	33	711	(10,160)
Basic Earnings Per Ordinary Share (Cents)	0.40	0.40	0.01	0.19	(10.9)
Net Asset Value (NAV) (Cents)	16.4	14.0	12.2	12.4	16.8
Net Tangible Asset (NTA) (Cents)	14.5	11.4	8.8	12.1	16.8
ASX Closing Price at 31 December (Cents)	21.0	18.5	12.0	8.0	12.0

¹ The net profit after tax for the Consolidated Group was \$1.9m. The Consolidated Group includes the Folkestone West Ryde Development Fund ("Fund") even though Folkestone only owns 50% of the units in the Fund. The Consolidated Group's net profit after tax includes a net loss of \$0.1m from the Fund relating to acquisition and Fund establishment costs. 50% of the loss from the Fund (\$0.05m) is attributable to the other unitholders in the Fund. Therefore, Folkestone's net profit after tax is \$2.0m after adjusting for 50% of the Fund loss.

HY15 RESULTS – PROFIT & LOSS

\$'000s	31 DEC 2014	31 DEC 2013	VARIANCE	KEY ITEMS AT 31 DEC 2014
Operating Revenue	38,121	4,452	33,669	Funds Management revenue \$3.1m comprising management fees (\$2.5m), acquisition fees (\$0.1m), other fees and cost recoveries (\$0.5m). Development revenue from sale of Stage 1 and Aldi land at Millers Junction project (\$33.6m). FET trust distributions (\$1.1m). Interest income (\$0.3m).
Share of Net Gain of Joint Ventures	859	215	644	FLK's share of development profits from Potters Grove, Officer.
Changes in Finished Goods & Work in Progress	823	-	823	Reversal of prior period impairment charge on Stage 2 at Millers Junction project.
Development Expenses	(33,947)	-	(33,947)	COGS expense from sale of Stage 1 and Aldi land at Millers Junction project.
Employee Expenses	(3,556)	(2,270)	(1,286)	
Other Expenses	(769)	(1,226)	457	Includes administration expenses (\$0.5m), depreciation and amortisation and rent.
Profit Before Tax	1,531	1,171	360	
Income Tax Credit	379	74	305	
Profit After Tax	1,910	1,245	665	
Net Profit After Tax for the Year Attributable to:				
- Owners of the Company	1,959	1,596	363	
- Non-controlling Interests	(49)	(351)	302	50% of Folkestone West Ryde Development Fund not owned by FLK.

HY15 RESULTS – BALANCE SHEET

\$'000s	31 DEC 2014	30 JUN 2014	VARIANCE	KEY ITEMS AT 31 DEC 2014
Total Current Assets	48,398	76,318	(27,920)	Reduction in development inventory from \$38.2m (June 14) to \$11.4m (Dec 14) as a result of the sale of Stage 1 & Aldi land at Millers Junction project.
Total Non-Current Assets	106,670	40,146	66,524	Includes the value of FLK's holding in Folkestone Education Trust (\$61.8m), 100% of the West Ryde Development Fund (\$16.1m) which was acquired during FY14 ¹ , Truganina Development Fund (\$8.9m) ² and the Potters Grove project (\$2.1m at Dec 14, \$3.4m at Jun 14).
Total Assets	155,068	116,464	38,604	
Total Current Liabilities	(6,047)	(32,938)	(26,891)	Includes Millers Junction debt facility (\$4m). Movement from 30 June 2014 as a result of the pay down of Millers Junction debt facility following sale of Stage 1 development & Aldi land.
Total Non-Current Liabilities	(20,312)	(251)	(20,061)	Includes \$20m debt facility secured from ANZ Bank to assist with acquisition of FET Units.
Total Liabilities	(26,359)	(33,189)	6,830	
Net Assets	128,709	83,275	45,434	
Net Assets Attributable to:				
- Owners of the Company	120,434	74,951	45,483	
- Non-controlling Interests	8,275	8,324	(49)	50% of Folkestone West Ryde Development Fund not owned by FLK.

“Folkestone’s strong balance sheet provides it with significant capacity to continue to execute on its strategy”

¹ The Consolidated Group includes the Folkestone West Ryde Development Fund (“Fund”) even though Folkestone only owns 50% of the units in the Fund.

² Folkestone is in the process of raising third-party capital for the Folkestone Truganina Development Fund and will long-term co-invest \$3.65m (20% of the Fund).

EQUITY RAISING – DECEMBER 2014

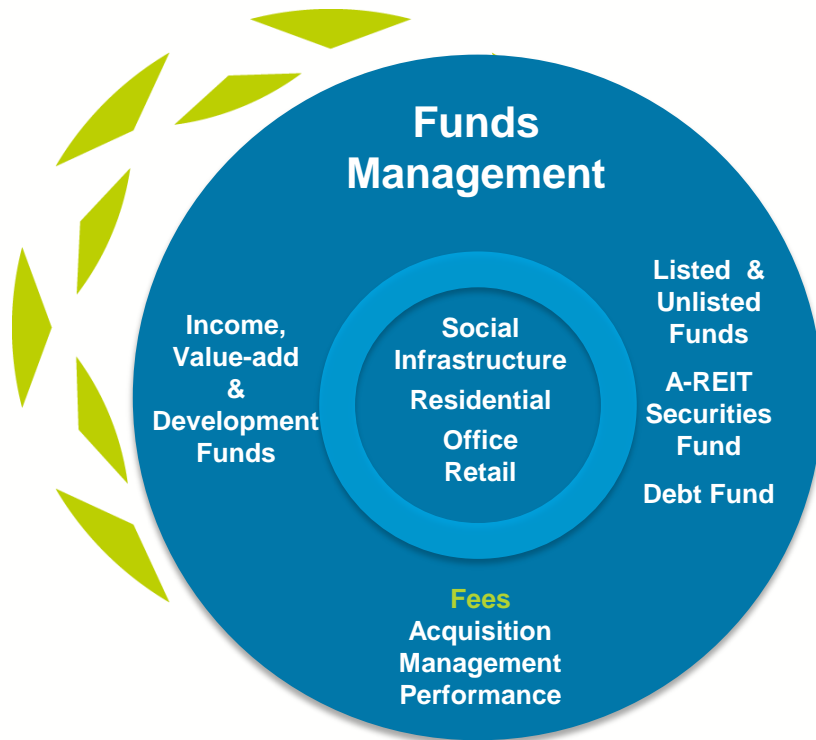
- Completed a \$42m equity raising in December 2014
- Equity raising comprised a:
 - placement to existing and new institutional investors of \$15.8m
 - 1 for 4 non-renounceable entitlement offer of \$26.2m
- Issue price of 20.0 cents per New Share – FLK shares closed at 21.0 cents at 31 December 2014
- Funds have been applied to:
 - increase FLK's strategic holding in Folkestone Education Trust (FET)
 - fund new development opportunities for both its balance sheet and to expand its funds management platform
- Strong support from existing shareholders and a number of new institutional investors



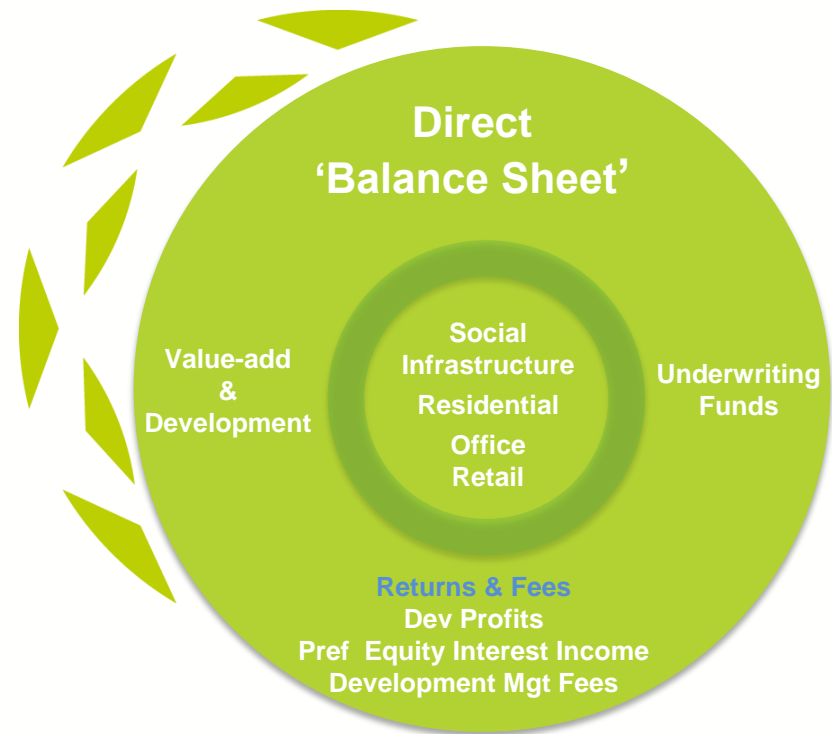
Baldivis Early Learning Centre, Folkestone Education Trust

BUSINESS STREAMS

AN ASX LISTED REAL ESTATE FUND MANAGER AND DEVELOPER
PROVIDING REAL ESTATE WEALTH SOLUTIONS FOR
PRIVATE CLIENTS AND SELECT INSTITUTIONS



Offers listed and unlisted real estate funds to private clients and select institutional investors
\$870 million in funds under management¹



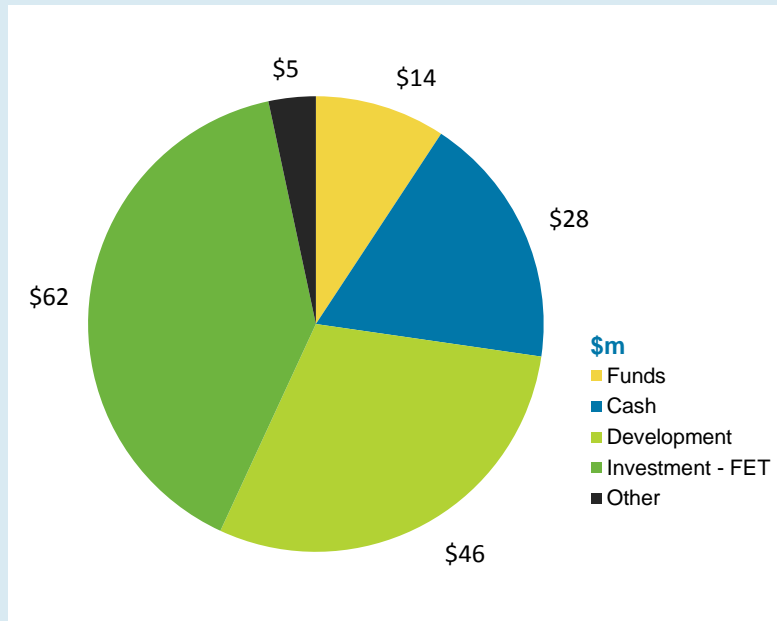
On balance sheet activities focus on value-add and opportunistic (development) investments
Market capitalisation of \$184 million¹

¹ As at 17 February 2015

FOLKESTONE'S ASSETS & FUNDS UNDER MANAGEMENT

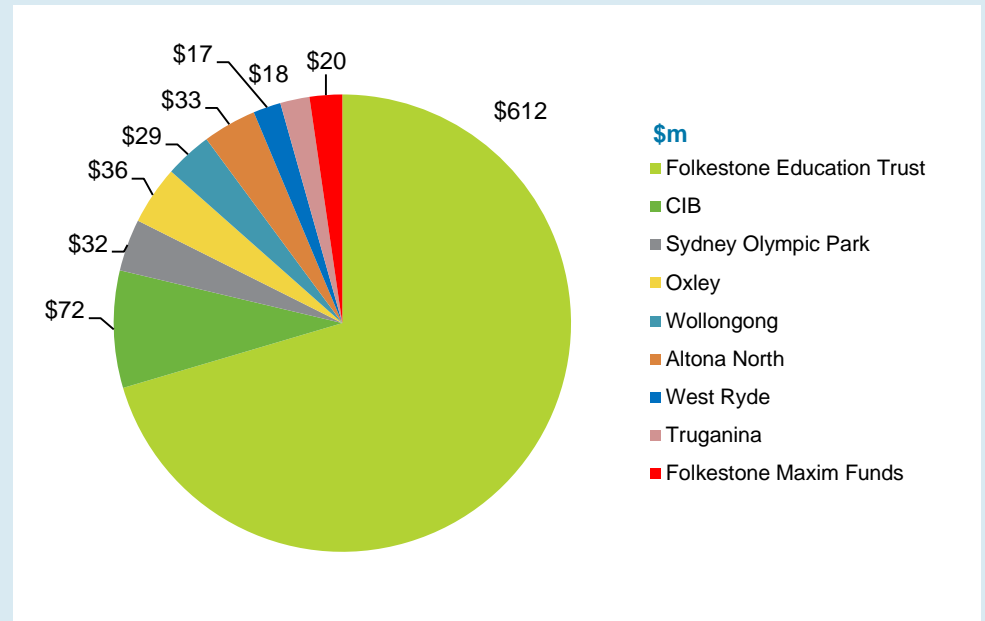
BALANCE SHEET ASSETS - \$155M

31 December 2014



FUNDS UNDER MANAGEMENT - \$870M

17 February 2015



FOLKESTONE FUNDS MANAGEMENT

LISTED TRUSTS

Folkestone Education Trust

PRIVATE FUNDS

Altona North

CIB

Oxley

Sydney Olympic Park

Truganina

West Ryde

Wollongong

A-REIT SECURITIES FUNDS

Folkestone Maxim A-REIT Securities Fund

REAL ESTATE DEBT FUNDS

Folkestone Maxim Income Fund



Folkestone

FUNDS MANAGEMENT



Public
Markets

Equity (Listed)

Listed A-REITs

- Folkestone Education Trust (ASX: FET)

A-REIT Securities Funds

- Folkestone Maxim A-REIT Securities Fund

\$870 MILLION IN FUM AND 7,161 INVESTORS¹

- A menu of real estate funds across:
 - public (listed) and private (unlisted) markets, debt and equity to meet the various risk/return requirements of our clients
 - sectors - office, retail, residential and social infrastructure
 - private clients and select institutions



Private
Markets

Equity (Private Funds)

Income Funds

- Altona North
- CIB
- Oxley
- Sydney Olympic Park
- Wollongong

Development Funds

- West Ryde
- Truganina

Debt

High Yield Debt Fund

- Folkestone Maxim Income Fund

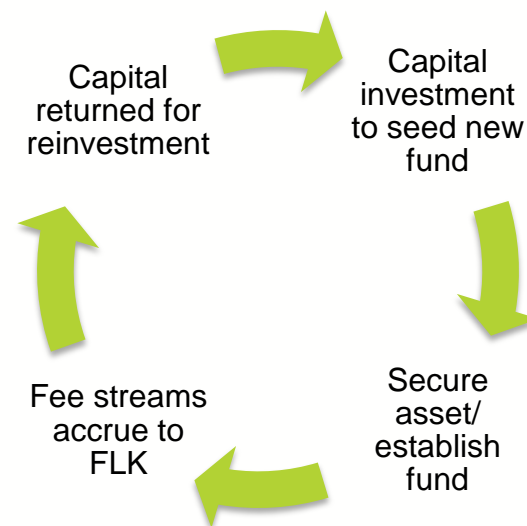


¹ As at 17 February 2015 and includes Folkestone and all its funds.

LISTED AND UNLISTED FUNDS

CURRENT FUNDS	TYPE	FUM (\$m)	BASE FEES P.A.	OTHER FEES
Folkestone Education Trust (ASX: FET)	Listed	611.7 ¹	0.50% of gross assets	<ul style="list-style-type: none"> Debt arrangement fee
CIB Fund	Unlisted Wholesale	71.8	0.25% of gross assets	<ul style="list-style-type: none"> Leasing fee
Sydney Olympic Park Income Fund	Fixed term unlisted – Sept 17	32.3	1.3% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
Wollongong Income Fund	Fixed term unlisted – June 19	29.0	1.3% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
Altona North Income Fund	Fixed term unlisted – Nov 20	33.0	1.1% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
Oxley Income Fund	Fixed term unlisted – April 20	36.1	1.3% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
West Ryde Development Fund	Unlisted – Sept 15	17.4	\$150,000	<ul style="list-style-type: none"> Acquisition fee Performance fee
Truganina Development Fund	Unlisted – June 19	18.3	\$400,000	<ul style="list-style-type: none"> Acquisition fee Underwriting fee Performance fee
Maxim Asset Mgt	Unlisted	19.9	0.95% of gross assets	<ul style="list-style-type: none"> Management fee
TOTAL		869.5		

- Core, value-add & opportunistic (development) funds
- Manage both listed and unlisted funds, A-REIT securities
- Current FUM circa \$870m
- FLK has established significant momentum with its distribution channels and is well positioned to continue the rollout of new funds
- Recycling capital to grow FUM by underwriting new funds



¹ FET post merger with FST 6 January 2015

NEW FUND – TRUGANINA DEVELOPMENT FUND

PRIVATE



- Unlisted development fund in a 80/20 JV with ID_Land
- Residential land sub-division comprising circa 690 lots and 3.1 ha town centre
- Located 20 kms west of Melbourne CBD in the 4th fastest growing LGA in Australia
- Fund acquired interest in project in Aug 2014 prior to planning approval in Nov 2014
- As at 18 February 2015, 86 lots have been pre-sold – 12.5% of the project
- Folkestone:
 - underwrote the Fund offer - took planning risk (third party capital raising launched post planning approval) & underwrote the \$14.6m third party capital raising - \$1m underwriting fee payable in 2nd half FY15
 - co-invested 20% in the Fund - \$3.65m (third party capital - \$14.65m)
 - receives acquisition fee (\$888,000 payable in 2nd half FY15), management fee (\$400,000 p.a.) and performance fee

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Residential Land
Location	Truganina, VIC
Fund Share – Project (%)	80
JV Partner	ID_Land
No. of Lots	Circa 690
Area (ha)	52.5
Forecast Gross Revenue – Project (\$m)	159
Fund Equity (\$m)	18.25
FLK Co-Investment in Fund (\$m)/(%)	3.65/20
Fund Target Return (%)¹	Equity IRR p.a: 18 ROE: 77
Forecast Fund Completion	2019

¹ Post fees, pre tax

NEW FUND – TRUGANINA DEVELOPMENT FUND

STRATEGIC RATIONALE

ATTRACTIVE RETURN	<ul style="list-style-type: none"> Strong risk adjusted returns with forecast equity IRR circa 18.0%¹ p.a. and forecast return on equity of 77%¹
STRATEGIC LOCATION	<ul style="list-style-type: none"> Approximately 20 km west of the Melbourne CBD Well located in Melbourne’s Western Growth Corridor Close proximity to transport – major freeways and the Tarnait Rail Station which is on the new \$5b Regional Rail Link
STRONG DEMOGRAPHICS	<ul style="list-style-type: none"> Located in one of Australia’s fastest growing LGA’s Strong growth in young families seeking well located affordable housing
EFFICIENT ACQUISITION STRUCTURE	<ul style="list-style-type: none"> Land being acquired on terms with the final land payment deferred until October 2016 - optimising capital structure with relatively low debt through project (forecast peak \$16.3m – 13.9% of forecast total project costs)



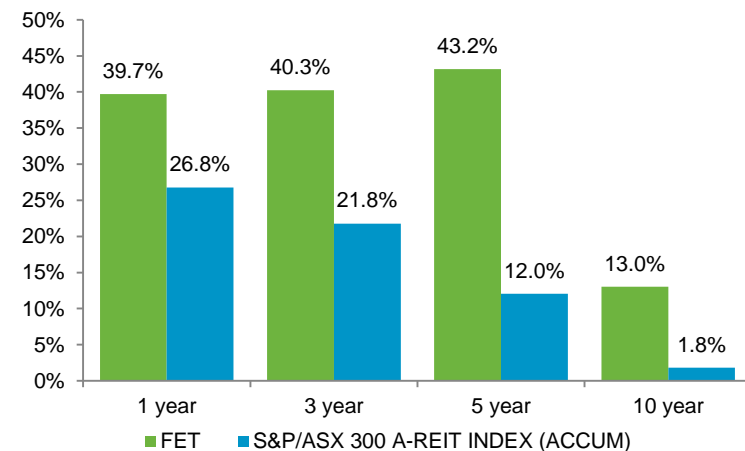
¹ Post fees, pre-tax

FET & FST MERGER

- Merger of Folkestone Education Trust (ASX: FET) and Folkestone Social Infrastructure (ASX: FST) Fund
 - 19 December 2014 – FST Unitholders approved merger
 - 6 January 2015 – merger completed
- Rational for transaction
 - financially accretive to both FET and FST unitholders
 - consistent with FET's acquisition strategy of purchasing portfolios and individual assets that add to earnings, portfolio quality and both tenant and geographic diversification
 - strengthens FET's position as the **leading** provider of early learning centres
 - provides a significant increase in FET's portfolio diversification – from 355 to 402 centres and portfolio value to \$593m
 - enhances FET's scale, liquidity and market capitalisation - \$523m¹
 - FST was sub-scale, had a high cost of capital and low liquidity
 - efficient acquisition structure - lower transaction costs via lower stamp rates applicable to merger compared to outright purchase of properties
- FLK currently holds 12.8% strategic stake in FET valued at \$66.5m¹ – an increase of \$8.1m on FLK's entry price



FET TOTAL RETURN PERFORMANCE VS S&P/ASX 300 A-REIT INDEX: TO 31 DECEMBER 2014



Note: Assumes reinvestment of net dividend

¹ As at 17 February 2015. Excludes units in FET held by the Folkestone Maxim A-REIT Securities Fund.



DIRECT INVESTMENTS (On Balance Sheet)

DIRECT INVESTMENTS
Millers Junction, Altona North
The Ranges, Karratha
Potter's Grove, Officer
Northside, Officer
North-West, Sydney

EXISTING PROJECTS - SUMMARY

PROJECT NAME	TYPE	LOCATION	SIZE	STATUS	FLK SHARE (%)	FORECAST COMPLETION VALUE (\$m)	FORECAST FLK VALUE (\$m)	FORECAST COMPLETION
Potters Grove	Residential	Potters Grove, VIC	~240 Lots	Under Construction	50.0	44	22 ²	Late 2015
Northside	Residential	Potters Grove, VIC	~140 Lots	Planning	50.0	28	14	Mid 2017
Central Square	Residential	West Ryde, NSW	229 Apartments	Under Construction	25.0 ³	149	37	Late 2015
Elements	Residential	Truganina, VIC	~690 Lots	Initial Marketing	16.0 ⁴	159	25	Mid 2019
The Ranges	Tourism	Karratha, WA	~110 Villas	Under Construction	25.0	64	16 ²	Mid 2016
Millers Junction Stage 2	Commercial/ Warehouse Mews	Altona North, VIC	~60 Suites	Under Construction	51.0	30	15	Late 2018
North-West Sydney	Mixed-use	North-West Sydney NSW	TBC	STCA ¹	50.0	435	218	TBC
TOTAL						909	347	

- FLK current projects – forecast completion value \$909m and FLK share \$347m
- Exposure to key residential markets – Sydney apartment and Melbourne land
- Strong JV Partners – ID_Land, Toga, Wilmac, Lyon Group

¹ STCA – subject to council approval

² Forecast total value based on Folkestone's share of Project - Folkestone has already commenced receiving distributions from these projects

³ Folkestone holds 50% of the Folkestone West Ryde Development Fund which has a 50% interest in the project

⁴ Folkestone will hold long-term 20% of the Folkestone Truganina Development Fund which has a 80% interest in the project



Stage 1 - Millers Junction Home

- In September 2014 FLK completed development of a 21,639 sqm large format retail centre comprising Bunnings, Officeworks, JB Hi-Fi Home, Repco, PETstock and PetVET which was sold to a Folkestone income fund on a fund through basis
- Demonstrates FLK's ability to recycle capital and "manufacture" product for its funds management platform
- In December 2014 FLK settled sale of a 0.8 ha parcel of land to Aldi for a new supermarket which is being developed by Aldi

Stage 2 – Millers Junction Business

- In August 2014 announced a 50/50 JV with Wilmac Properties to develop circa 60 strata style office/warehouse mews - anticipated end value of \$30m

Stage 3

- A master plan is currently being prepared for Stage 3 with focus on retail and family – early learning and other community facilities

Profile	As at 31 Dec 14
Sector	Retail/Industrial
Location	Altona North, Vic
Area (ha)	7.0 (Stages 2 & 3)
Acquired	Dec 2007
Gross Book Value (\$m)	11.4
Debt Provider (\$m)	Bank of Melbourne
Debt Amount (\$m)	4.0
Debt Expiry	June 2015

MILLERS JUNCTION, ALTONA NORTH



Note: Stage 2 is an artists impression

DEVELOPMENT OPPORTUNITIES

- FLK seeks to regularly turn over its balance sheet capital for development opportunities to:
 - invest directly (on-balance sheet)
 - sell down to an FLK fund (recycle)
 - co-invest with an FLK fund (invest along side)
- Key focus – residential, retail & social infrastructure in strategic alliances through off-market transactions
- Under exclusive due diligence on 6 development projects with a combined estimated end value of \$1,185m (FLK indicative share \$600m)
- FLK is in negotiation on a further 2 projects – leisure and retirement/aged-care

UNDER EXCLUSIVE DUE DILIGENCE	LOCATION	STATUS	FLK INDICATIVE SHARE (%)	ESTIMATED COMPLETION VALUE (A\$m)	FLK INDICATIVE VALUE (A\$m)
Residential (~500 Lots)	VIC	Zoned/STCA ¹	25.0	100	25
Residential (~500 Apartments)	QLD	Complying Development	50.0	200	100
Residential (~300 Apartments)	NSW	Zoned/STCA ¹	40.0	125	50
Retail – (~5,000 sq.m.)	VIC	Zoned/STCA ¹	100.0	30	30
Retail – (~13,000 sq.m.)	VIC	Zoned/STCA ¹	100.0	60	60
Residential	NSW	STCA ¹	50.0	670	335
Total				1,185	600

¹ STCA – subject to council approval

OUTLOOK



BUNNINGS
warehouse

LOWEST PRICES
ARE JUST THE
BEGINNING...



FOLKESTONE OUTLOOK

- Well positioned to continue to deliver on the strategy to:
 - deliver on existing balance sheet projects
 - grow its suite of listed and unlisted real estate funds
 - seek value-add and opportunistic (developments) acquisitions for its on-balance sheet investments and funds management platform
- Grow recurring earnings through funds management:
 - actively source product for existing and new income and development funds
 - take advantage of strong demand from investors for real estate funds
 - opportunity to capitalise on the growing social infrastructure space – social and demographic changes plus government increasingly looking at public-private partnerships
- Continue to execute on its circa \$1.0bn development pipeline¹
- Undertake earnings accretive opportunistic acquisitions for its on-balance sheet investments and to seed/co-invest, in development funds with a focus on:
 - eastern seaboard markets
 - residential – land and apartments in Sydney and selective locations in Melbourne and Brisbane
 - non-residential – neighbourhood retail
 - social infrastructure – early learning, retirement/aged care
 - mixed-use – inner and middle ring suburbs



¹ Includes projects secured and in exclusive due diligence (see pages 17 and 20)



APPENDIX 1 – Funds



- FET is Australia's pre-eminent owner of early learning centres
- FET merged with Folkestone Social Infrastructure Trust (FST) on 6 January 2015
- FET's centres are leased to 27 tenants including Goodstart Early Learning, G8 Education and Affinity
- Average property yield 8.3%, 99.7% occupancy, 8.4 year WALE (by rental income)
- FY15 forecast distribution of 12.8 cpu, up 6.7% on FY14
- FET has generated strong outperformance to 31 Dec 2014 vs Benchmark¹:
 - 6 months: 25% vs 12.7%
 - 1 year: 39.7% vs 26.8%
 - 3 years: 40.3% p.a. vs 21.8% p.a.
 - 5 years: 43.2% p.a. vs 12.0% p.a.

Profile	As at 31 Dec 2014
Type	Listed
Sector	Early Learning
Location	Australia & New Zealand
No. of Properties	355 ¹ /403 ²
Occupancy	99.7%
Gross Assets (\$m)	519 ¹ /612 ²
FY14 Actual Distribution cpu	12.0
FY15 Forecast Distribution cpu	12.8

¹ Pre-merger with FST

² Post-merger with FST – 402 early learning centres and 1 medical centre

¹ S&P/ASX 300 A-REIT Accumulation Index



Profile	As at 31 Dec 14
Type	Unlisted
Sector	Police Stations & Courts
Location	Victoria
No. of Properties	11
Gross Assets (\$m)	72
NTA (\$)	1.96

- Wholesale fund established in June 2001 – four investors
- Nine police stations and two law courts
- Tenanted by Victorian State Government
- Yields range between 9.0% and 9.75%, 100% occupancy



- A 21,639 sq.m. large format retail centre called Millers Junction Home
- Opened in September 2014
- Strong lease covenants - anchored by Bunnings with Officeworks, JB Hi-Fi Home, Repco, PETstock and petVet
- Long-term leases – weighted average lease length is 10.9 years by area
- Fund acquired Centre ‘on fund through basis’ to minimise transaction costs
- FLK developed the Centre on behalf of the Fund demonstrating FLK’s ability to manufacture investment product on balance sheet for its funds management platform
- Forecast distribution of 8.5% in FY15 paid quarterly
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Large Format Retail
Location	Altona North
No. of Properties	1
Gross Assets (\$m)	33
Occupancy (%)	100
FY14 Actual Annualised Distribution (%)	8.5
FY15 Forecast Distribution (%)	8.5
Fund Expires	November 2020



- 7,095 sq.m. neighbourhood retail centre in Oxley, Brisbane
- Opened in July 2013
- Fund acquired property in April 2014
- Long-term leases – the weighted average lease expiry profile by income is 11.1 years (13.3 years by area)
- Strong lease covenants – circa 33% of Centre income is sourced from Woolworths (supermarket and BWS) and a further 36% from QLD Government
- Quality tenant mix – lower component of retail specialty stores and higher component of commercial office of the total Centre relative to typical neighbourhood shopping centres – reducing specialty tenant risk
- Forecast distribution yield of 8.0% in FY15 paid quarterly
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Neighbourhood Shopping Centre
Location	Oxley
No. of Properties	1
Gross Assets (\$m)	36
Occupancy (%)	98
FY14 Actual Annualised Distribution (%)	8.0
FY15 Forecast Distribution (%)	8.0
Fund Expires	April 2020



- Six level office building at 7 Murray Rose Avenue, Sydney Olympic Park
- Building completed in December 2012
- Strong lease covenant - Thales (a global defense and transport business)
- Long-term lease to Thales Australia - 10 year lease¹ for 100% of the office, 6% of retail space and 47 car spaces
- Forecast distribution yield of 8.5% in FY15 paid quarterly
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Office
Location	Sydney Olympic Park
No. of Properties	1
Gross Assets (\$m)	32
Occupancy (%)	100
FY14 Distribution (%)	8.3
FY15 Forecast Distribution (%)	8.5
Fund Expires	December 2017

¹ Commenced December 2012



- A six level commercial office building at 43 Burelli Street and 34 Stewart Street, Wollongong
- Strong lease covenants – approximately 78% of the income is currently sourced from Commonwealth and State Government tenants
- Property acquired in June 2013 for \$23.27m
- Major capital expenditure program (\$2.4m) completed in HY15
- Energy consumption reduced 48% and carbon emissions 50% in 2014
- Forecast distribution yield of 10.75% in FY15 paid quarterly
- Target return to exceed equity IRR hurdle rate of 12.0% p.a. over life of Fund

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Office
Location	Wollongong
No. of Properties	1
Gross Assets (\$m)	29
Occupancy (%)	98.1
FY14 Distribution (%)	10.5
FY15 Forecast Distribution (%)	10.75
Fund Expires	June 2019



- Unlisted development fund in a 80/20 JV with ID_Land
- Residential land sub-division comprising circa 690 lots and 3.1 ha town centre
- Located 20 kms west of Melbourne CBD in the 4th fast growing LGA in Australia
- The Project received approval by Minister for Planning as part of Truganina Precinct Structure Plan (“PSP”) in November 2014
- Project due to be completed by June 2019
- Folkestone has underwritten the Fund and is selling down 80% of the Fund to third party investors (\$14.6m) and will retain a 20% co-investment in the Fund (\$3.65m)
- As at 18 February, 86 lots had been presold (12.5% of total lots)
 - 80 had been contracted
 - 6 deposits taken

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Residential Land
Location	Truganina, VIC
Fund Share – Project (%)	80
JV Partner	ID_Land
No. of Lots	Circa 690
Area (ha)	52.5
Forecast Gross Revenue – Project (\$m)	159
Fund Equity (\$m)	18.25
FLK Co-Investment in Fund (\$m)/(%)	3.65/20
Fund Target Return (%)¹	Equity IRR p.a: 18 ROE: 77
Forecast Fund Completion	2019

¹ Post fees, pre tax



- Unlisted development fund in a 50/50 JV with Toga
- Residential apartment project in West Ryde, 20kms west of Sydney CBD
- FLK co-invested 50% of the equity (\$8.7m) into the Fund
- September 2014 - the DA was approved to amend the configuration from 205 apartments and 22 commercial suites to 229 apartments
- All 229 apartments have been pre-sold
- Project due to be completed by September 2015 – 8 months ahead of schedule
- Fund forecast return on equity (pre-tax, post fees) of 32% and IRR (pre tax, post fees) of 18% now upgraded to 45% and 27% respectively

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Residential Apartments
Location	West Ryde
Fund Share of Project (%)	50
JV Partner	Toga
No. of Lots	229
Forecast Gross Project Revenue – Project (\$m)	149
Fund Equity (\$m)	17.4
FLK Investment in Fund (\$m)/(%)	8.7/50
Fund Forecast Return (%)¹	Equity IRR p.a: 27 ROE: 45
Forecast Fund Completion	September 2015

¹ Post fees, pre tax



Profile	As at 31 Dec 14
Type	Unlisted
Sector	A-REIT Securities
Investment	3-5 Years
Distributions	Quarterly
Fund Inception	October 2005

- Invests in ASX listed A-REITs and listed real estate developers and managers
- May invest up to up 10% in global listed real estate securities and up to 10% in cash
- High conviction, benchmark unaware manager

A HIGH CONVICTION, BENCHMARK UNAWARE MANAGER OF A-REIT SECURITIES



Type	Unlisted
Sector	Debt
Distributions	Quarterly
Fund Inception	June 2010

- The Fund enhances returns by investing alongside major Australian banks to reduce the capital cost of the banks' funding going forward
- Investment objective is to selectively build a portfolio of high yielding, income producing assets at the senior-subordinated finance level
- Strong performance:
 - 11.0% (after fees) in the 12 months to December 2014
 - 12.8% p.a. (after fees) since inception
- The Fund is to be wound-up in late February 2015



APPENDIX 2 – Direct Investments



Stage 1 - Millers Junction Home

- In September 2014 FLK completed development of a 21,639 sq.m. large format retail centre comprising Bunnings, Officeworks, JB Hi-Fi Home, Repco, PETstock and PetVET which was sold to a Folkestone fund on a fund through basis
- Demonstrates FLK's ability to recycle capital and "manufacture" product for its funds management platform
- In December 2014 settled sale of a 0.8 ha parcel of land to Aldi for a new supermarket which is being developed by Aldi

Stage 2 – Millers Junction Business

- In August 2014 FLK announced a 50/50 JV with Wilmac Properties to develop circa 60 strata style office/warehouse mews - anticipated end value of \$30m

Stage 3

- A master plan is currently being prepared for Stages 3 with focus on retail and family – early learning and other community facilities

Profile	As at 31 Dec 14
Sector	Retail/Industrial
Location	Altona North, VIC
Area (ha)	7.0 - Stage 2 – 2.6 - Stage 3 – 4.4
Acquired	Dec 2007
Gross Book Value (\$m)	11.4
Debt Provider (\$m)	Bank of Melbourne
Debt Amount (\$m)	4.0
Debt Expiry	June 2015



- Providing short and long-term accommodation in Karratha
- Stage 1 consists of 108 one bedroom villas:
 - Stage 1a (41 villas) – all 41 lots have settled
 - Stage 1b (32 villas) – all 32 have been pre-committed. Construction commenced in late 2014 and is scheduled to be completed in mid 2015
- Adjoining 7.1 ha site with potential for circa 261 dwellings

Profile	As at 31 Dec 14
Sector	Accommodation
Location	Karratha, WA
Ownership Interest (%)	25
JV Partner	Various Parties
Area (ha)	Stage 1 - 2.2 Stage 2 - 7.1
Acquired	Stage 1 - Jun 2011 Stage 2 - Jan 2013
No. of Villas	Stage 1 – 108
Forecast Project Value – Gross Revenue (\$m)	Stage 1 – 58.0
FLK Equity Invested (\$m)	1.9
FLK Preferred Equity Invested (\$m)	3.5
FLK Gross Book Value (\$m)	5.4
Price Range of Villas (\$)	493,000 to 545,000



- 14.1 hectare site located in the Cardinia Shire, in south-east Melbourne
- 50/50 JV with ID_Land
- As at 31 December 2014:
 - 157 lots had settled – 59 of these occurred in HY15
 - 58 lots were under contract and yet to settle
- As at 18 February 2015:
 - a further 1 lot had sold and settled, taking the total number of lots settled in the estate to 158 lots (66% of total lots)
 - 62 lots under contract and yet to settle (26% of total lots)
 - 20 lots remain unsold (8% of total lots)
- In November 2014, the JV secured a construction facility to allow Stages 4 of 5 (82 lots) to commence
- Balance of the remaining lots to be developed and sold by September 2015

Profile	As at 31 Dec 14
Sector	Residential Land
Location	Officer, VIC
Area (ha)	14.1
Ownership Interest (%)	50
JV Partner	ID_Land
Option Acquired/ Settled	June 11/July 12
No. of Lots	240
% of Lots Sold¹	92.1
Forecast Project Value Gross Revenue (\$m)	44.0
Settlements Started	March 2013
FLK Equity Invested (\$m)	2.2
Debt Provider	Bank of Melbourne
Debt Amount (Project) (\$m)	3.2 (drawn)
Debt Expiry	31 July 2015
Price Range of Lots (\$)	124,000 to 244,000

¹ As at 17 February , 2015



- 50/50 JV with ID_Land
- Acquired a call option over 8 ha of land in August 2014
- Circa 140 lot land sub-division
- Located diagonally opposite FLK and ID_Land's Potters Grove, Officer development
- Zoned site purchased on deferred terms – providing a capital efficient structure
- Will be able to leverage our existing brand and marketing in Officer to achieve good speed to market when development approval is obtained

Profile	As at 31 Dec 14
Sector	Residential Land
Location	Officer, VIC
Area (ha)	8.0
Ownership Interest (%)	50
JV Partner	ID_Land
Option Acquired	August 2014
Total Lots	Circa 140
Forecast Project Value – Gross Revenue (\$m)	28.0
FLK Equity Invested (\$m)	0.3
FLK Preferred Equity Invested (\$m)	0.3



Profile	As at 31 Dec 14
Sector	Mixed Use
Location	Sydney, NSW
Ownership Interest (%)	50
JV Partner	Lyon Group
Option Acquired	December 2014
FLK Preferred Equity Invested (\$m)	0.9

- 50/50 JV with Lyon Group, a leading Sydney developer
- A strategic mix use site opposite a major rail station in Sydney's North-West
- Folkestone agreed to contribute \$2.2 million in a series of payments to fund options over two commercial buildings - \$0.9m contributed as at 31 December 2014
- The JV will seek to consolidate further adjoining properties
- Medium term opportunity to obtain DA for mixed-use development comprising residential, commercial, retail and community use with end value in excess of \$435 million
- FLK may sell down its investment to introduce third party capital into the project via:
 - opportunity fund – to co-invest with FLK in its share of the JV up to re-zoning/DA approval; and/or
 - development fund – to co-invest with FLK in its share of the JV in the development of the project

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