


# INVESTOR REVIEW

HALF YEAR  
31 DECEMBER 2014



A specialist funds manager  
& developer providing real  
estate wealth solutions

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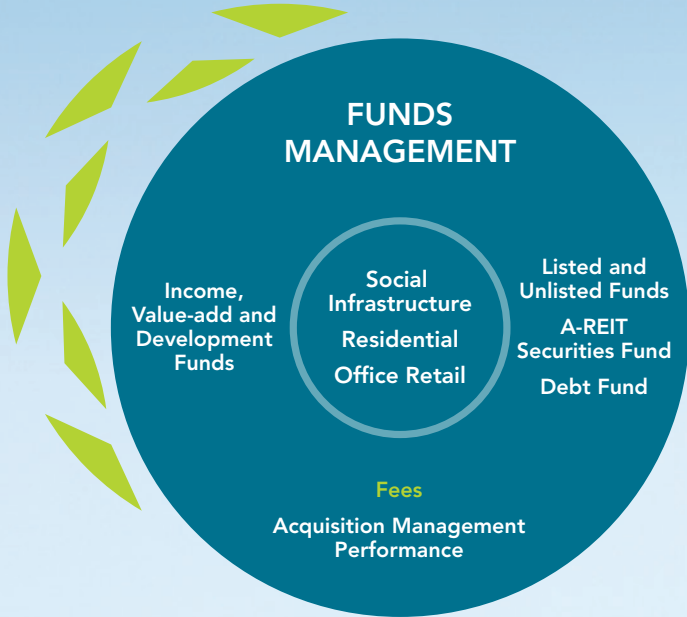
## THE BOARD OF DIRECTORS

GARRY SLADDEN | NON-EXECUTIVE CHAIRMAN  
MARK BAILLIE | NON-EXECUTIVE DEPUTY CHAIRMAN  
GREG PARAMOR | MANAGING DIRECTOR  
ROSS STRANG | NON-EXECUTIVE DIRECTOR

## EXECUTIVE TEAM

NICK ANAGNOSTOU | CHIEF EXECUTIVE OFFICER  
- SOCIAL INFRASTRUCTURE FUNDS  
TRAVIS BUTCHER | CHIEF FINANCIAL OFFICER – FUNDS  
BEN DODWELL | HEAD OF REAL ESTATE  
ADRIAN HARRINGTON | HEAD OF FUNDS MANAGEMENT  
SCOTT MARTIN | CHIEF FINANCIAL OFFICER & COMPANY SECRETARY  
MARK STEWIEN | GENERAL COUNSEL

# 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 \$870m in funds under management<sup>1</sup>



On balance sheet activities focus on value-add and opportunistic (development) investments Market capitalisation of \$184 million<sup>1</sup>

<sup>1</sup> As at 17 February 2015

# CHAIRMAN & MANAGING DIRECTORS REPORT

## FOLKESTONE CONTINUED TO EXECUTE ON ITS STRATEGY OF GROWING ITS FUNDS MANAGEMENT PLATFORM AND ITS ON-BALANCE SHEET EXPOSURE TO BOTH COMMERCIAL AND RESIDENTIAL DEVELOPMENT.



Garry Sladden  
Non-Executive Chairman



Greg Paramor  
Managing Director

Folkestone continued to execute on its strategy of growing its funds management platform and its on-balance sheet exposure to both commercial and residential development.

Our financial results were extremely pleasing generating a net profit after tax for the six months ended 31 December 2014 of \$2.0 million<sup>1</sup>, up 23 per cent on the prior corresponding period.

Folkestone's balance sheet is in excellent shape with more than \$25 million in cash available for new investment giving us significant capacity to fund business opportunities across both our funds management platform and our on-balance sheet direct investments.

### EQUITY RAISING

On 24 November 2014, Folkestone announced a \$42 million equity raising at 20.0 cents per share to take advantage of a number of new development opportunities for its balance sheet and funds management platform and to increase its unitholding in the ASX listed Folkestone Education Trust.

The equity raising comprised both a \$15.8 million placement to existing and new institutional investors and a 1.0 for 4.0 non-renounceable entitlement offer to existing eligible shareholders to raise \$26.2 million.

We were delighted with the strong support of the capital raising from existing shareholders and a number of institutional investors who decided to invest with Folkestone for the first time.

### FUNDS MANAGEMENT

Folkestone's funds management division is a specialist real estate funds manager for private clients and select institutional investors with \$870 million in funds under management<sup>2</sup>. The following is a summary of some of the key achievements across the platform in the past six months.

#### Folkestone Real Estate Income Fund at Altona North

The Folkestone Real Estate Income Fund at Altona North was established in December 2013 and was the third in our real estate income fund series. The Fund entered into an agreement with Folkestone to

acquire a 21,639 square metre large format retail centre anchored by Bunnings and includes Officeworks, JB Hi-Fi Home, Repco, PETstock and petVET. The Centre, called Millers Junction Home, was developed by Folkestone on behalf of the Fund and was completed in September 2014.

Millers Junction Home clearly demonstrates the benefit of Folkestone's platform whereby we have manufactured a quality real estate asset for one of our income funds. Going forward, we will seek to develop other assets that can be held in one of our income funds.

#### Folkestone Truganina Development Fund

The Folkestone Truganina Development Fund is undertaking, in a 80-20 joint venture with ID\_Land, the development of a 52.5 hectare residential master planned community in Truganina, one of Melbourne's fastest growing areas. The project, known as Elements, comprises approximately 690 residential lots and a 3.1ha town centre. The land is being acquired on deferred terms with the final land payment due in October 2016.

The project was launched in November 2014 and as at 18 February 2015, 86 lot sales (80 contracts and 6 deposits) have been secured, which represents 12.5 per cent of the total lots within the development. Construction of the first lots is forecast to commence in March 2015.

Folkestone is seeking to raise \$18.25 million – \$14.6 million (80 per cent of the Fund) from third party investors and Folkestone will co-invest \$3.65 million (20 per cent of the Fund). As at 18 February 2015, a total of \$11.6 million has been committed from investors and the remaining \$3 million is forecast to be raised from third party investors during the March 2015 quarter. The Fund has a forecast equity IRR of 18 per cent per annum on drawn equity and a forecast return on equity of 77 per cent (pre-tax, post fees).

#### Folkestone Education Trust

In December 2014, Folkestone Social Infrastructure Trust (ASX:FST) unitholders overwhelmingly approved a merger with the Folkestone Education Trust (ASX:FET), which was implemented on 6 January 2015. The merger has created Australia's largest owner of early learning accommodation comprising 402 centres valued at \$593 million.

<sup>1</sup> The net profit after tax for the consolidated group was \$1.9 million. The consolidated group includes the Folkestone West Ryde Development Fund ("Fund") even though Folkestone only owns 50 per cent of the units in the Fund. The consolidated group's net profit after tax includes a net loss of \$0.1 million from the Fund relating to fund administration costs. 50 per cent of the loss from the Fund (\$0.05 million) is attributable to the other unitholders in the Fund. Therefore, Folkestone's net profit after tax is \$2.0 million after adjusting for 50 per cent of the Fund loss.

<sup>2</sup> As at 18 February 2015

# CHAIRMAN & MANAGING DIRECTORS REPORT

FET continues to offer an attractive investment opportunity given its exposure to the rapidly growing early learning sector and its predictable and secure cashflows underpinned by its high occupancy (99.7 per cent), long-term leases (average lease term 8.4 years) and pro-active management of its portfolio.

FET performed strongly in the six months to December 2014, generating a total return of 25.0 per cent compared to the S&P/ASX 300 A-REIT Accumulation Index of 12.7 per cent. Over the past 5 years, FET has been the best performing A-REIT in the Index with a total return of 43.2 per cent p.a. versus the Index of 12.0 per cent p.a.

Folkestone continued to acquire a strategic stake in FET and as at 31 December 2014 held 15.1 per cent of FET's units. Following the merger between FET and FST, Folkestone's holding in FET is now 12.8 per cent<sup>3</sup>. As at 17 February 2015, the value of Folkestone's holding has increased by \$8.1 million to \$66.5 million.

## DIRECT INVESTMENTS

Folkestone continues to progress its existing development projects and to expand its exposure to both residential and non-residential development projects with quality partners for both its balance sheet and its funds management platform. During the past six months, we secured development projects in key locations in both Sydney and Melbourne, and we continue to look for opportunities in these locations as well as in Brisbane.

The following is a brief update on Folkestone's Direct Investments during the reporting period.

### Millers Junction, Altona North

In September 2014, Folkestone completed the development of Stage 1 of the Millers Junction project which had been pre-sold to the Folkestone Real Estate Income Fund at Altona North.

In December 2014, Folkestone settled the sale of 8,063 square metres of land to Aldi Stores for a 1,600 square metre supermarket which adjoins the Stage 1 development. Aldi have commenced construction of their new store.

In September 2014, we announced that Folkestone had entered into a 50-50 joint venture with Wilmac Properties to develop Stage 2 of the site (2.6 hectares). The joint venture will develop approximately 60 strata style office/warehouse mews with an anticipated end value of approximately \$30 million. Marketing of the mews is underway with construction forecast to commence in mid 2015.

Folkestone is currently master-planning a further 4.4 hectares of land, known as Stage 3, on the northern side of Cabotts Drive.

### Potters Grove, Officer

Folkestone's 240 lot residential land subdivision, Potters Grove in Officer, south-east Melbourne continues to perform well. In the six months to December 2014, 59 lots were settled and a further 60 lots were contracted for sale but had yet to settle. To date, 158 lots have settled and 62 lots are contracted for sale but yet to settle. Development of Stage 3b (28 lots) has been completed. The development of Stage 4 (46 lots) and Stage 5 (36 lots) have commenced and are forecast to be completed by the fourth quarter of FY15 and first quarter of FY16 respectively.

### Northside, Officer

In August 2014, Folkestone announced that it has acquired, in a 50-50 joint venture with ID\_Land, a call option over 8 hectares of land located diagonally opposite the Potters Grove project. The zoned site has been purchased on deferred terms with development planning currently underway. The project comprises approximately 140 lots with an estimated end value of \$28 million. Development is expected to commence in the first half of FY16 following completion of the Potters Grove project.

### Lyon Group Joint Venture

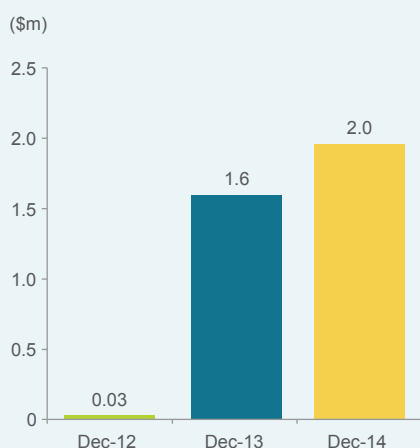
In December 2014, we announced the 50-50 joint venture with the Lyon Group, a leading Sydney developer, to develop a strategically located, mixed use site opposite one of the major train stations in Sydney's north-west. Folkestone has agreed to contribute circa \$2.2 million in a series of payments to the joint venture to fund option agreements over two commercial buildings. Under the agreement the joint venture will also seek to consolidate a number of adjoining land parcels to unlock a significant mixed-use development opportunity in this key location.

Folkestone may seek to sell down its investment to introduce third party investors either prior to re-zoning or development approval and/or at the development stage.

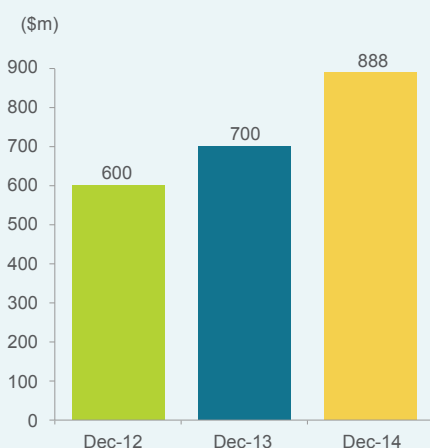
### The Ranges, Karratha

Construction of Stage 1b commenced in November 2014 and is forecast to be completed in the June quarter 2015. All 32 villas have been pre-committed. These will complement the existing 41 villas already completed.

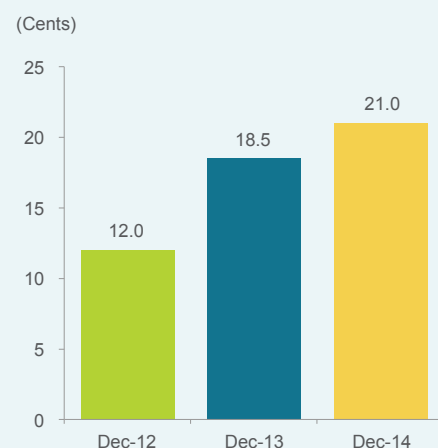
## Operating Profit



## Funds Under Management



## Share Price



<sup>3</sup> Excludes units in FET held by the Folkestone Maxim A-REIT Securities Fund



# OUTLOOK

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The Australian economy is facing a number of head winds as we enter 2015 and is therefore expected to continue to grow below long term averages. Whilst consumer spending is improving and residential construction and prices are rising, consumer confidence remains weak. Business confidence and investment is also weak, particularly in the resource sector.

Australian bond yields have fallen to historical lows. The RBA cut the cash rate by 25 basis points to 2.25 per cent in February concluding "that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak"<sup>4</sup>. The financial markets are expecting the RBA to make further cuts to interest rates in the coming months.

As a result, investors seeking yield will continue to reallocate from cash and term deposits into higher yielding assets including real estate. Demand for both residential and non-residential assets should continue and competition for both income and development assets will remain high. In such an environment, the price some investors pay for assets may overshoot the underlying fundamentals. Folkestone will continue to look for investments primarily through 'off-market' transactions that offer attractive risk-adjusted returns for its investors. We are cognisant that we do not "over pay" for assets in a market being driven by capital hunting for yield.

Folkestone will continue to expand its social infrastructure funds platform especially in the area of early learning where our Folkestone Education Trust is the leading provider of early learning accommodation. We are also investigating opportunities to invest in the retirement and aged care sectors where demographic and social changes will continue to drive the demand for quality accommodation for an aging population.

On the development front, Folkestone will continue to undertake earnings accretive, opportunistic acquisitions for its on-balance sheet investments and to seed and co-invest in development funds with a focus on:

- the 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; and
- mixed-use – inner and middle ring suburbs.

Folkestone, with its strong balance sheet and access to third party capital is well placed to grow its funds under management across its listed and unlisted funds management platform and to selectively invest into higher return residential and non-residential development assets for its on-balance sheet investments, and to seed and/or co-invest, in its development funds.

<sup>4</sup> RBA – Statement by Glenn Stevens, Governor: Monetary Policy Decision – 3 February 2015

## FOLKESTONE EDUCATION TRUST (ASX CODE: FET)

Six months to	Dec 2013	Dec 2014	Var. %
Distributable income (\$m)	11.3	13.1	15.9
Distribution (cpu)	6.0	6.35	5.8
ASX Closing Price (\$)	1.53	1.99	30.1
As at	June 2014	Dec 2014	Var. %
Total Assets (\$m)	464.6	518.5	11.6
Investment Property (\$m)	461.2	515.3	11.7
Borrowings (\$m)	147.3	156.4	6.2
Net Assets (\$m)	306.7	347.6	13.3
NTA per unit (\$)	1.50	1.69	12.7
Gearing (%)	31.7	30.2	(1.5)

The ASX listed Folkestone Education Trust (ASX: FET) is the leading provider of early learning accommodation with 402 early learning centres in Australia and in New Zealand post the merger with the Folkestone Social Infrastructure Trust (see breakout box).

FET continued to deliver strong returns to its investors – distributions per unit were up 5.8 per cent to 6.35 cpu<sup>5</sup> and the total return for the six months to 31 December 2014 was 25.0 per cent substantially outperforming the S&P/ASX 300 A-REIT Accumulation Index which was up 12.7 per cent. For the year, FET generated a total return of 39.7 per cent compared to the Index of 26.8 per cent.

During the past six months, FET entered into 7 agreements to acquire development

sites for early learning centres in quality locations in Sydney, Melbourne and Perth. These acquisitions take FET's development pipeline to 14 sites with an end value of approximately \$68 million. FET continues to actively manage its existing portfolio with eight centres that were considered low growth being sold on an average yield of 6.98 per cent.

FET with its quality portfolio of early learning centres (99.7 per cent occupancy and long-terms leases averaging 8.4 years), low gearing of 30.2 per cent and a strong acquisition and development pipeline is well placed to continue to provide investors with predictable and secure long-term cashflows with the opportunity for capital growth.

## ACQUISITION OF FST

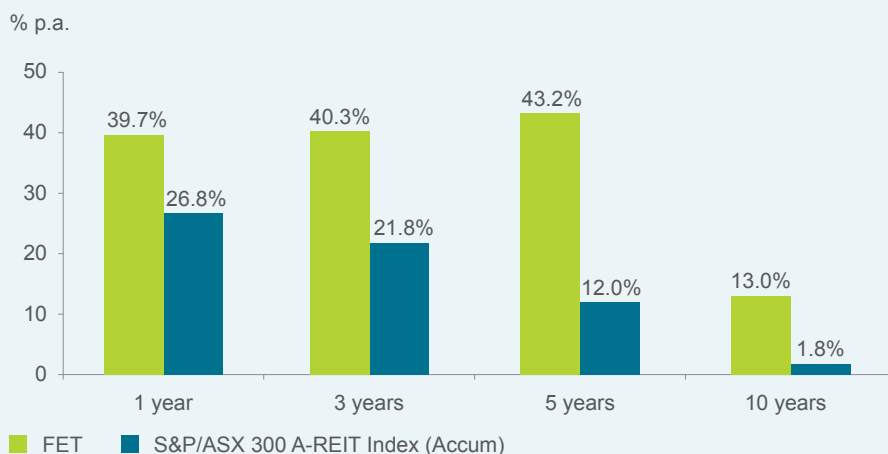
In December 2014, Folkestone Social Infrastructure Trust (ASX: FST) unitholders overwhelmingly approved<sup>6</sup> the merger with FET. The merger was implemented on 6 January 2015.

The rationale for the merger included:

- financially accretive to both FET and FST unitholders;
- FST was sub-scale, had a high cost of capital, low liquidity and therefore limited prospects for growth;
- 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 \$593 million;
- enhances FET's scale, liquidity and market capitalisation; and
- an efficient acquisition structure – lower transaction costs via lower stamp rates applicable to merger compared to outright purchase of properties.

FET now has more than 4,900 investors and a market capitalisation of \$523 million.<sup>7</sup>

### FET Annualised Performance vs A-REITs to 31 December 2014



<sup>5</sup> Compared to the six months to 31 December 2013

<sup>6</sup> 98 per cent of unitholders who voted were in favour

<sup>7</sup> As at 17 February 2015



Early Learning Centre, Baldviss

## PRIVATE FUNDS

# 5 STAR

## NABERS ENERGY RATING

Type	Unlisted
Sector	Office
Location	Sydney Olympic Park
No of Properties	1
Gross Assets (\$m)	32.3
Occupancy (%)	100
FY14 Distribution (%)	8.3
FY15 Forecast Distribution (%)	8.5
Fund Expires	Dec 17

### FOLKESTONE REAL ESTATE INCOME FUND AT SYDNEY OLYMPIC PARK



The Fund owns 7 Murray Rose Avenue, Sydney Olympic Park, a 5,931 square metre commercial office building, completed in December 2012, with ground floor retail and basement car parking. The office space is 100 per cent leased to Thales Australia Limited on a ten year lease term commencing 1 December 2012. As at 31 December 2014, the building is 100 per cent occupied.

The building was revalued to \$31.0 million at 30 June 2014, a 6.0 per cent increase in the value since acquisition. The building achieved a NABERS 5 Star Energy Rating in October 2014 in recognition of the energy efficiency of the building.

# 10.75%

## FORECAST DISTRIBUTION

Type	Unlisted
Sector	Office
Location	Wollongong
No of Properties	1
Gross Assets (\$m)	29.0
Occupancy (%)	98.1
FY14 Distribution (%)	10.5
FY15 Forecast Distribution (%)	10.75
Fund Expires	Jun 19

### FOLKESTONE REAL ESTATE INCOME FUND AT WOLLONGONG



The Fund owns 43 Burelli Street, Wollongong, a six level A-Grade office building comprising 9,812 square metres together with parking for 90 vehicles. The building comprises a strong tenancy mix anchored by Commonwealth and State Government tenants who currently contribute the majority of the asset's income. In the past six months, Folkestone has undertaken a major capital works program to upgrade the buildings heating, ventilation and airconditioning (HVAC) and install a new building management system. This will have a significant impact on lowering the use and cost of energy in the building and improving the NABERS energy rating.



**FOLKESTONE REAL ESTATE INCOME FUND AT ALTONA NORTH**



The Fund has acquired a 21,639 square metre large format retail centre, known as Millers Junction Home, which is anchored by Bunnings and includes Officeworks, JB Hi-Fi Home, Repco, PETstock and petVET. The Centre was developed by Folkestone on behalf of the Fund and opened in late September 2014.

The Centre has an average weighted lease expiry of 10.3 years by income and 10.9 years by area.

**100%**  
OCCUPANCY

Type	Unlisted
Sector	Large Format Retail
Location	Altona North, VIC
No of Properties	1
Gross Assets (\$m)	33.0
Occupancy (%)	100
FY14 Annualised Distribution (%)	8.5
FY15 Forecast Distribution (%)	8.5
Fund Expires	Nov 20

**FOLKESTONE'S INTEGRATED PLATFORM**

One of the strategic benefits of Folkestone's structure is its ability to use its balance sheet to assist in the growth of its funds management platform. Two recent examples of this are:

**Folkestone Real Estate Income Fund at Altona North**

The Fund was able to pre-commit to acquiring a large format retail centre anchored by Bunnings and Officeworks, which Folkestone was developing. This transaction enabled Folkestone to use the Fund's capital to develop the Centre and in return, the Fund was able to acquire off-market, a high quality investment asset in an efficient acquisition structure that minimised transaction costs. Folkestone generated an acquisition fee of \$752,000 and management fees of \$178,000 per annum, and if the Fund outperforms its return hurdle of 10.0 per cent p.a. total return over the life of the Fund (pre-tax, post fees), a performance fee will be earned.

**Folkestone Truganina Development Fund**

In August 2014, Folkestone used its balance sheet to secure an 80 per cent interest in a 690 lot residential master planned community development prior to planning approval. Once approval was achieved, Folkestone has opened the Fund to third party investors. Folkestone is also co-investing in the Fund \$3.65 million (20 per cent of the Fund) creating an alignment with investors and also providing exposure to an outstanding development project. In addition to its return on invested capital in the Fund, Folkestone is generating an underwriting fee of \$1.0 million, an acquisition fee of \$888,000, management fees of \$400,000 per annum and if the Fund outperforms its return hurdle an equity IRR of 18.0 per cent per annum (pre-tax, post fees) over the life of the Fund, a performance fee will be earned.

**THE STRATEGIC BENEFITS OF FOLKESTONE'S STRUCTURE**

## PRIVATE FUNDS

# 8.0%

### FORECAST DISTRIBUTION

Type	Unlisted
Sector	Neighbourhood Retail
Location	Oxley, QLD
No of Properties	1
Gross Assets (\$m)	36.1
Occupancy (%)	97.4
FY14 Annualised Distribution (%)	8.0
FY15 Forecast Distribution (%)	8.0
Fund Expires	April 20

### FOLKESTONE REAL ESTATE INCOME FUND AT OXLEY



The Folkestone Real Estate Income Fund at Oxley was established in April 2014 and is the fourth in the real estate income fund series. The Fund owns a 7,095 square metre neighbourhood shopping centre in the inner Brisbane suburb of Oxley. The Centre is anchored by a 3,200 square metre Woolworths supermarket and the Queensland Government's Department of Communities, Child Safety and Disability Service which occupies 2,400 square metres of office space on level 1 of the Centre. The Centre was completed in July 2013.

The Centre continues to build market share in its trade area, with moving annual turnover up 12.0 per cent between June and December 2014.

# 100%

### LEASED TO VIC. GOV'T

Type	Unlisted
Sector	Police Stations and Courthouses
Location	Victoria
No of Properties	11
Gross Assets (\$m)	71.8
Occupancy (%)	100

### FOLKESTONE CIB FUND



The Folkestone CIB Fund is a closed wholesale unit trust that owns nine 24-hour police stations and two law court complexes. Discussions are underway with the Victorian Government in relation to an extension of the leases.

**FOLKESTONE**  
**WEST RYDE DEVELOPMENT FUND**



The Fund is undertaking, in joint venture with the Toga Group, a residential development located in West Ryde ("Central Square"). Central Square originally comprised 205 residential apartments, 22 commercial suites and 259 car parking spaces over 7 levels on a rooftop stratum above a Coles supermarket. The joint venture applied for, and was granted, an S96 variation to have the commercial suites converted to residential and to change the mix of apartments to increase the number of apartments from 205 to 229. All 229 apartments have been pre-sold.

Construction is underway and is forecast to be completed in September 2015 – 8 months ahead of schedule. Folkestone has co-invested 50 per cent of the Fund (\$8.7 million). As a result of the increase in apartments, higher than forecast sales prices and reduction in time, the forecast return on equity has increased from 32.0 per cent p.a. to 45.0 per cent p.a. and the equity IRR has increased from 18.0 per cent p.a. to 27.0 per cent p.a. (pre-tax, post fees).

**100%**

PRE SOLD – 229 APARTMENTS

Type	Unlisted
Sector	Residential Apartment Development
Location	West Ryde
No of Apartments	229 <sup>1</sup>
Fund Expires	May 2016
JV Partner	Toga
Fund Interest in Project (%)	50
Fund Equity (\$m)	17.4
Forecast Return on Equity/Equity IRR (% pre-tax, post fees) <sup>2</sup>	45.0/27.0

<sup>1</sup> Original number was 205

<sup>2</sup> Revised forecast

**FOLKESTONE**  
**TRUGANINA DEVELOPMENT FUND**



The Folkestone Truganina Development Fund has acquired an 80 per cent interest in a 52.5ha residential master planned community in Truganina ("Project"), one of Melbourne's fastest growing areas. The Fund is developing, in joint venture with ID\_Land (20 per cent of the Project), approximately 690 residential lots and a 3.1ha town centre<sup>2</sup> on land at Doherty's Road, Truganina. Truganina is located approximately 20 kilometres west of the Melbourne CBD in the Western Growth Corridor.

The Project is located within the Truganina Precinct Structure Plan ("PSP") which was approved in October 2014. The project was launched in November 2014. The Project is being acquired on a staged settlement basis with a series of payments required between now and 2016. Folkestone has co-invested 20 per cent in the Fund (\$3.65 million).

**690**

LOT LAND SUB-DIVISION1

Type	Unlisted
Sector	Residential Land Sub-division
Location	Truganina, VIC
No of Lots	690 <sup>1</sup>
Fund Expires	2019
JV Partner	ID_Land
Fund Interest in Project (%)	80
Fund Equity (\$m)	18.25
Forecast Return on Equity/Equity IRR (% pre-tax, post fees)	77.0/18.0

<sup>1</sup> Approximate

# A-REIT SECURITIES AND DEBT FUNDS

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

## FOLKESTONE MAXIM A-REIT SECURITIES FUND

The Folkestone Maxim A-REIT Securities Fund provides access to a diversified portfolio of quality ASX listed real estate securities which owns office, retail industrial, residential and real estate related social infrastructure assets.

The Fund employs a high conviction, benchmark unaware active investment strategy, which focuses on building a portfolio based on individual merit and not by benchmark weights.

The Fund generated a total return of 26.0 per cent (after fees, before tax) in the year to 31 December 2014.

The Fund received a 4 Star, Superior rating from SQM Research in October 2014.

## FOLKESTONE MAXIM REAL ESTATE DEBT FUND

The Folkestone Maxim Income Fund invests at the senior-subordinated level of non-bank commercial lending platforms. The Fund currently invests in two pools of commercial mortgages managed by Think Tank. These pools hold approximately 450 commercial loans value at more than \$250 million of which the Fund had invested approximately \$9 million into the pools.

In the 12 months to 31 December 2014, the Fund generated a total return of 11.0 per cent (after fees, before tax) and since inception in June 2010, the Fund has generated an annualised return of 12.8 per cent.

The Fund is to be wound-up in late February following the CMBS syndication of the pools that the Fund invests in.



MILLERS JUNCTION, ALTONA NORTH



The Millers Road, Altona North development site was acquired in December 2007. The land is located approximately 13 kilometres from the Melbourne CBD. The precinct is now known as Millers Junction.

In September 2014, Folkestone completed Stage 1 development, Millers Junction Home, comprising a 21,639 square metre large format retail centre which is 100 per cent leased to tenants such as Bunnings and Office Works, together with JB Hi-Fi Home, Repco, PETstock and PETvet. The Centre was sold and developed for the Folkestone Real Estate Income Fund at Altona North. Folkestone also sold 8,063 square metres of land to Aldi Stores for a 1,600 square metre supermarket which Aldi are currently developing.

Folkestone announced in August, a 50/50 joint venture with Wilmac Properties to develop Stage 2 into 60 commercial mews with an end value of approximately \$30.0 million. Marketing of the mews has commenced. Folkestone continues to master-plan Stage 3.

# STAGE 2

LAUNCHED

Sector	Retail / Industrial
Location	Altona North, VIC
Area (ha)	
– Stage 2	2.6
– Stage 3	4.4
Folkestone Share (%)	
– Stage 2	50
– Stage 3	100



Millers Junction, Altona North

**92%**  
OF LOTS SOLD<sup>1</sup>

Sector	Land Sub-division
Location	Officer, Vic
Area (ha)	14.1
Total Lots	240
% of Lots Sold	92 <sup>1</sup>
Folkestone Share (%)	50
JV Partner	ID_Land
Forecast Gross Revenue (\$m)	44.0

<sup>1</sup> As at 18 February 2014.

## POTTERS GROVE, OFFICER



Potters Grove, Officer is a 14.1 hectare site located in the Cardinia Shire, in south-east Melbourne. Potters Grove is a 50/50 joint venture between Folkestone and ID\_Land. As at 31 December 2014, 157 lots (65 per cent of total lots) had been settled and 58 lots (24 per cent of the total) had been contracted for sale but not yet settled. Since December, further sales have been made, with 158 lots now settled and 63 contracted but not settled, leaving just 19 lots in the estate unsold. Folkestone expects the balance of the remaining lots to be developed and sold by late 2015.

**140**  
LOTS<sup>1</sup>

Sector	Land Sub-division
Location	Officer, Vic
Area (ha)	8
Total Lots <sup>1</sup>	140
% of Lots Sold	–
Folkestone Share (%)	50
JV Partner	ID_Land
Forecast Gross Revenue (\$m)	28.0

<sup>1</sup> Subject to Planning Approved.

## NORTH-SIDE, OFFICER



In August 2014, Folkestone announced that it had acquired, in a 50/50 joint venture with ID\_Land, a call option over 8 hectares of land in Officer, south-east Melbourne. The land is located on the northern side of the Princes Highway in Officer, diagonally opposite Folkestone and ID\_Land's current 240 lot residential land sub-division project known as Potters Grove. Officer is located in the Cardinia Shire which is in the south-east growth corridor of Melbourne and one of the fastest growing areas in Melbourne.

The project is Folkestone's third joint venture with ID\_Land, who specialise in land sub-division and medium density development. The joint venture has acquired the land on deferred terms providing a capital efficient structure and we will be able to leverage our existing brand and marketing in Officer to achieve good speed to market once development approval is obtained.

THE RANGES, KARRATHA



Stage 1 of The Ranges comprises 2.2 hectares with a "Tourism" zoning and DA approval for 108 single level, one bedroom villas with pool and BBQ facilities in Karratha, WA. The first 41 dwellings in Stage 1a opened in December 2012. The opening of The Ranges has provided much needed accommodation for business travellers to Karratha.

Construction of Stage 1b has commenced and all 32 villas in this stage have been pre-committed.

STAGE 1b  
UNDER CONSTRUCTION

Sector	Accommodation
Location	Karratha, WA
Area/Size (ha)	Stage 1 – 2.2 Stage 2 – 7.1
Total Lots	Stage 1 – 108
% of Lots Sold <sup>1</sup>	68
Folkestone Share (%)	25
JV Partner	Various Parties
Forecast Gross Revenue (\$m)	Stage 1 – 58.0

<sup>1</sup> Includes 32 villas pre-committed in Stage 1b. As at 18 February 2015.

NORTH-WEST, SYDNEY



In December 2014, Folkestone announced that it had entered into a 50/50 joint venture with Lyon Group, a leading Sydney developer, to develop strategically located, mixed-use sites opposite one of the major train stations in Sydney's North-West.

Folkestone has agreed to contribute circa \$2.2 million in a series of payments to fund option agreements over two commercial buildings. Under the agreement, the joint venture will also seek to consolidate a number of joining land parcels to unlock a significant mixed-use (commercial, residential, retail and community use) development opportunity in this key location.

Folkestone may sell down part of its investment to introduce third party capital into the project prior to rezoning/DA approval and/or at the development stage.

50/50  
JOINT VENTURE

Sector	Mixed-use
Location	North-West, Sydney, NSW
Folkestone Share (%)	50
JV Partner	Lyon Group

# DIRECTORY

## FOLKESTONE LIMITED

ABN 21 004 715 226  
ASX Code: FLK

## RESPONSIBLE ENTITIES

Folkestone Real Estate  
Management Limited  
ABN 29 094 185 092 AFSL 238506

Folkestone Investment  
Management Limited  
ABN 46 111 338 937 AFSL 281544

Folkestone Funds  
Management Limited  
ABN 99 138 125 881 AFSL 340990

Folkestone Maxim  
Asset Management  
ABN 25 104 512 978 AFSL 238349

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## FURTHER INFORMATION

For more information about Folkestone including our latest financial information, announcements, news and corporate governance, visit our website at [www.folkestone.com.au](http://www.folkestone.com.au)

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