

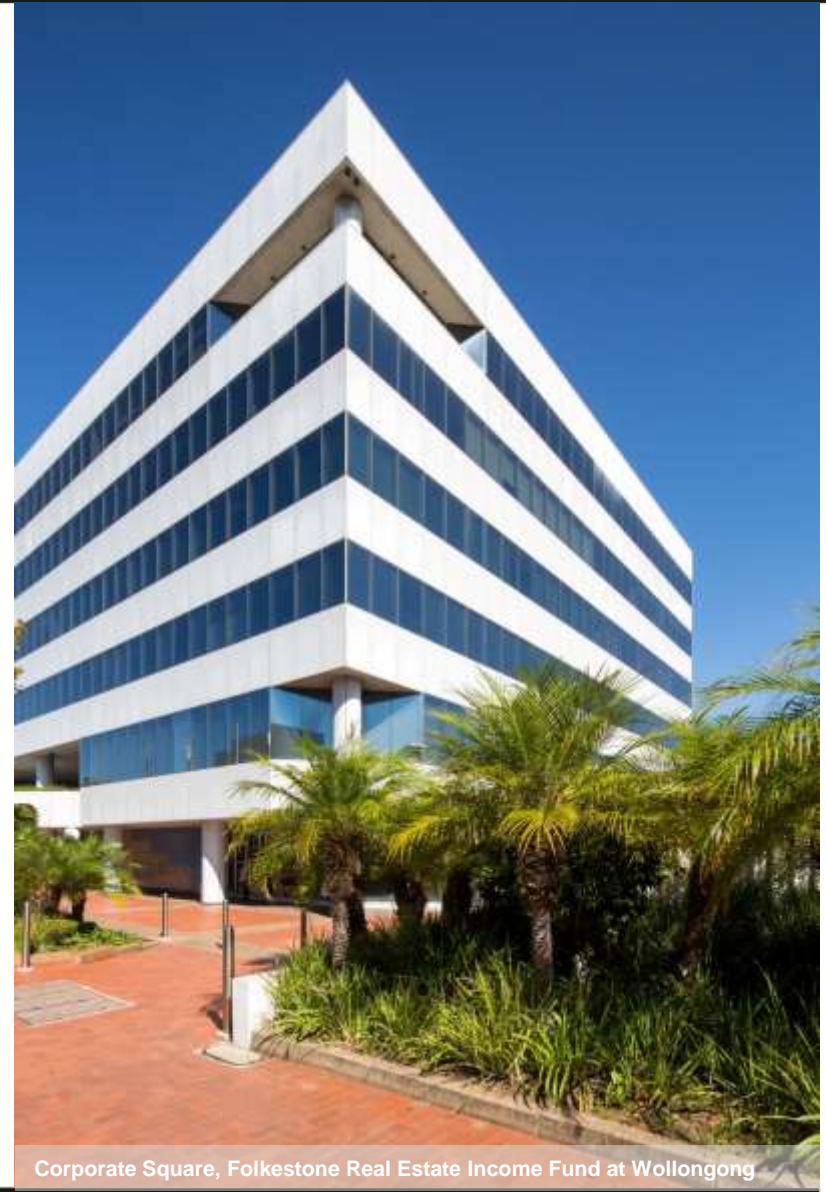
FOLKESTONE FY15 RESULTS

A Specialist Funds Manager And Developer
Providing Real Estate Wealth Solutions

FY15 RESULTS – HIGHLIGHTS

- Net profit after tax of \$7.0 million¹, up 122.6% on FY14
- Earnings per share of 1.1 cents, up 57.1% on FY14
- Net asset value (NAV) per share of 17.5 cents, up 21.5% on FY14
- Funds under management of \$917 million, up 12.8% on FY14
- Raised \$42 million from a Placement and Entitlement offer
- Launched the Folkestone Truganina Development Fund
- Folkestone Social Infrastructure Trust merged with the Folkestone Education Trust (FET)
- Acquired interests in three new development opportunities
- Secured strong pre-sales across the active developments
- Completed development of Stage 1 at Millers Junction and entered into JV for Stage 2

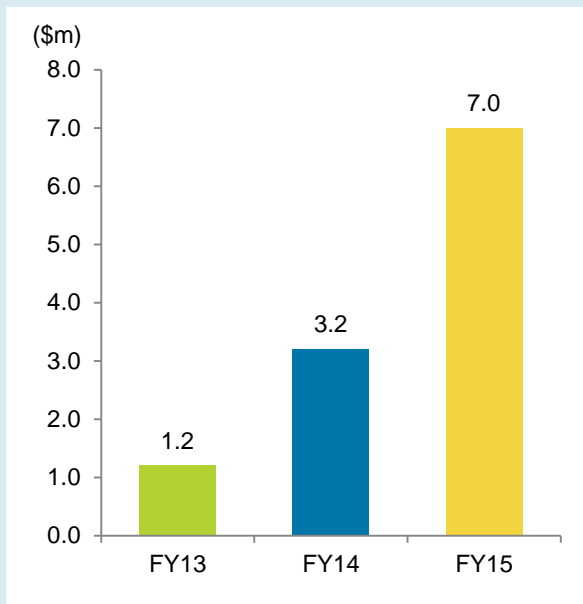
¹ The net profit after tax for the Consolidated Group in FY15 was \$8.2 million. The Consolidated Group includes Folkestone West Ryde Development Fund ("Fund") even though Folkestone only owns 50 per cent of the units in the Fund. The Consolidated Group's net profit after tax includes a net profit after tax contribution of \$2.4 million from the Fund relating to its share of development profits recognised during the period net of fund administration costs. 50 per cent of the net profit after tax from the Fund (\$1.2 million) is attributable to the other unitholders in the Fund. Therefore, Folkestone's net profit after tax after adjusting for 50 per cent of the Fund's profit is \$7.0 million.



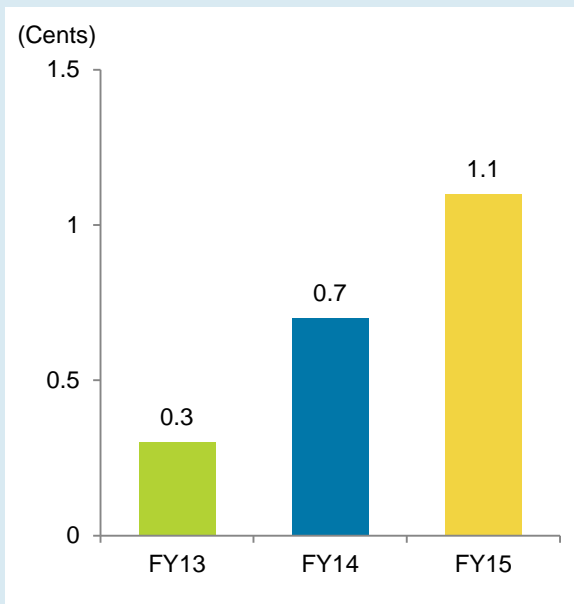
Corporate Square, Folkestone Real Estate Income Fund at Wollongong

FY15 RESULTS – PERFORMANCE

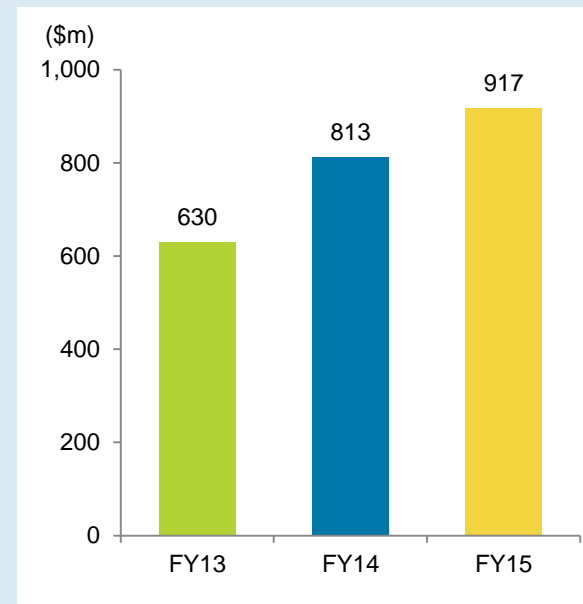
Net Profit After Tax



Earnings Per Share



Funds Under Management



“Folkestone continues to execute on its strategy of growing its funds management platform and its on balance sheet exposure to quality residential and non-residential development”

FY15 RESULTS – FINANCIALS

\$'000s	JUNE 2015	JUNE 2014	JUNE 2013	JUNE 2012	JUNE 2011
Profit/(Loss) From Continuing Operations Before Income Tax Benefit/(Expense)	5,972	2,526	1,545	(73)	(12,224)
Income Tax (Expense)/Credit	2,223	249	(369)	-	(2)
Profit/(Loss) Attributable To Minority Equity Interest	(1,178)	377	-	-	(1)
Profit/(Loss) From Ordinary Activities Attributable To Members Of The Parent Entity	7,017	3,152	1,176	(119)	(12,221)
Total Other Comprehensive Income Net Of Tax	4,524	238	-	-	-
Total Comprehensive Income/(Loss) Net Of Tax Attributable to Members Of The Parent Entity	11,541	3,390	1,176	(119)	(12,221)
Basic Earnings Per Ordinary Share (Cents)	1.1	0.7	0.3	(0.0)	(7.5)
Net Asset Value (NAV) (Cents)	17.5	14.4	12.8	12.2	12.2
Net Tangible Asset (NTA) (Cents)	15.4	11.7	9.2	11.9	11.9
ASX Closing Price At 30 June (Cents)	21	22	16	8.7	10.5

FY15 RESULTS – PROFIT & LOSS

\$'000s	30 JUNE 2015	30 JUNE 2014	VARIANCE	KEY ITEMS AT 30 JUNE 2015
Revenue	45,952	9,248	36,704	\$33.6m proceeds from sale of Stage 1 Altona North (including land sale to ALDI), \$7.2m of fees generated from funds platform, \$1.2m fees generated from development projects, \$3.1m distributions from FET
Development Expenses	(33,728)	-	(33,728)	COGS expense for Stage 1 Altona North (including sale of land to ALDI)
Changes in Finished Goods and Work in Progress	1,919	-	1,919	Impairment reversal on Stage 2 & 3 land at Altona North (supported by third party valuations)
Share of Net Gain of Joint Ventures	4,389	958	3,431	Share of JV profits from Officer (\$1.1m), West Ryde (\$3.3m pre-fund administration costs 50% of which is FLK share)
Share of Net Gain/(Loss) of Associated Entities	(208)	40	(248)	Share of Truganina Fund establishment and administration costs
Impairment of Interest Held in Associated Entity	(696)	-	(696)	Impairment of investment in Karratha project
Employee Expenses	(8,099)	(5,164)	(2,935)	Includes \$1m share based payments expense (non-cash)
Lease Expenses	(1,259)	(358)	(901)	Includes \$0.9m lease payments relating to sub-lease of BWP land adjacent to Stage 3 Altona North land
Other Expenses	(2,298)	(2,198)	(100)	Includes \$0.5m investment expense on ANZ facility, \$0.2m due diligence costs, \$1.3m administration expenses
Profit Before Income Tax	5,972	2,526	3,446	
Income Tax Benefit	2,223	249	1,974	\$2.2m net income tax benefit resulting from the recognition of \$13.6m of carried forward tax losses (\$4.1m tax-effected) which had previously been de-recognised in prior reporting periods
Profit for the Year	8,195	2,775	5,420	
Net Profit After Tax for the Year Attributable to:				
- Owners of the Company	7,017	3,152	3,865	
- Non-controlling Interests	1,178	(377)	1,555	50% of Folkestone West Ryde Development Fund not owned by FLK

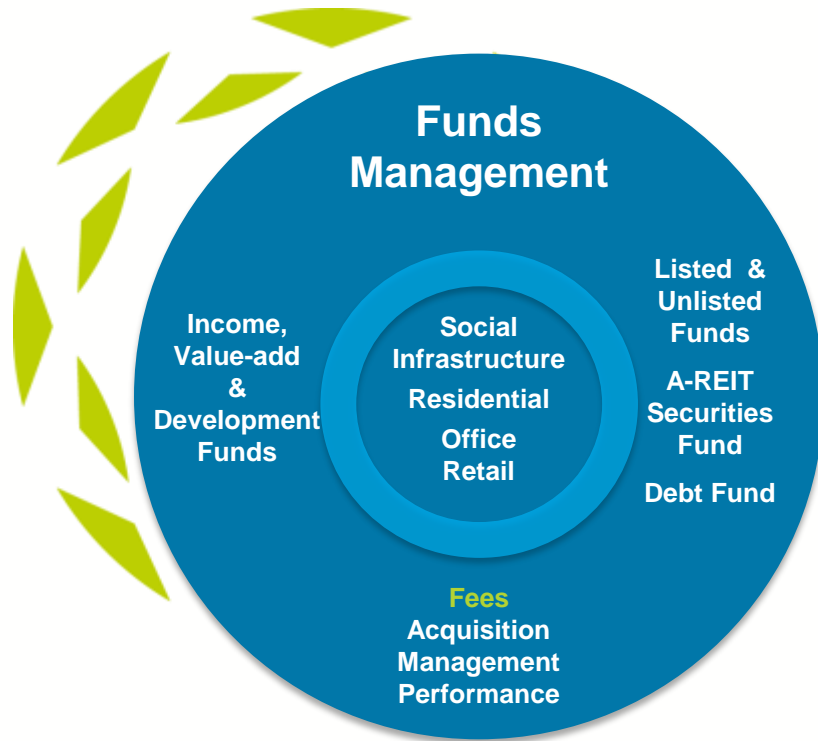
FY15 RESULTS – BALANCE SHEET

\$'000s	30 JUNE 2015	31 DEC 2014	VARIANCE	KEY ITEMS AT 30 JUNE 2015
Total Current Assets	69,453	76,318	(6,865)	Principally comprises cash reserves \$28.9m, Officer and West Ryde JV investments (\$20.5m), Altona North land (\$12.9m), trade and other receivables including project related loans of (\$6.4m)
Total Non-Current Assets	95,103	40,146	54,957	Principally comprises FET units (\$65.8m), non-current JV investments (\$1.6m) management rights/goodwill (\$12.8m), non-current preferred equity and other project loans (\$6.4m) units in Truganina Fund (\$3.3m), DTA (\$2m)
Total Assets	164,556	116,464	48,092	
Total Current Liabilities	(6,402)	(32,938)	(26,536)	Altona debt facility \$4.1m, trade and other payables \$1.8m. Altona North debt facilities paid down from \$26.1m to \$4.1m as a result of completion of Stage 1
Total Non-Current Liabilities	(20,384)	(251)	(20,133)	Principally comprises \$20m ANZ loan secured to assist with FET unit acquisition
Total Liabilities	(26,786)	(33,189)	6,403	
Net Assets	137,770	83,275	54,495	
Net Assets Attributable to:				
- Owners of the Company	128,268	74,951	53,317	Increase in share capital following completion of \$42m equity raising in December 2014
- Non-Controlling Interests	9,502	8,324	1,178	50% of Folkestone West Ryde Development Fund not owned by FLK
Total Net Assets	137,770	83,275	54,495	

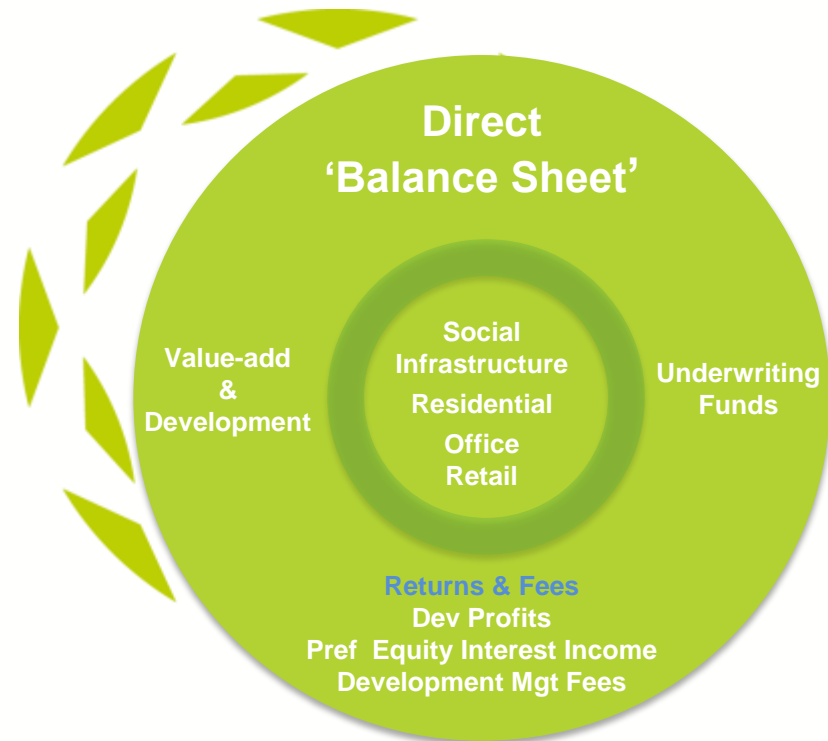
“Folkestone’s strong balance sheet provides it with significant capacity to continue to execute on its strategy”

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
\$917 million in funds under management¹

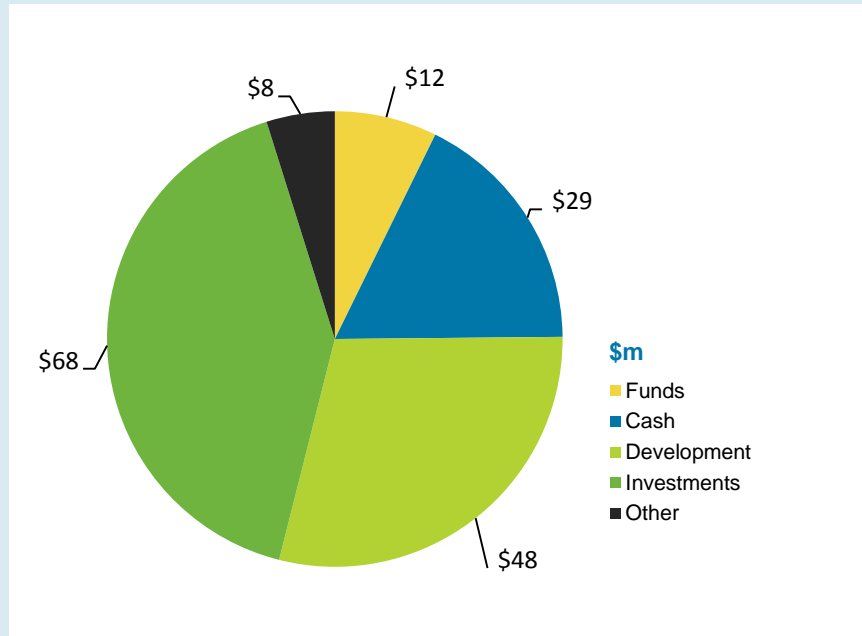


On balance sheet activities focus on value-add and opportunistic (development) investments
Market capitalisation of \$155 million¹

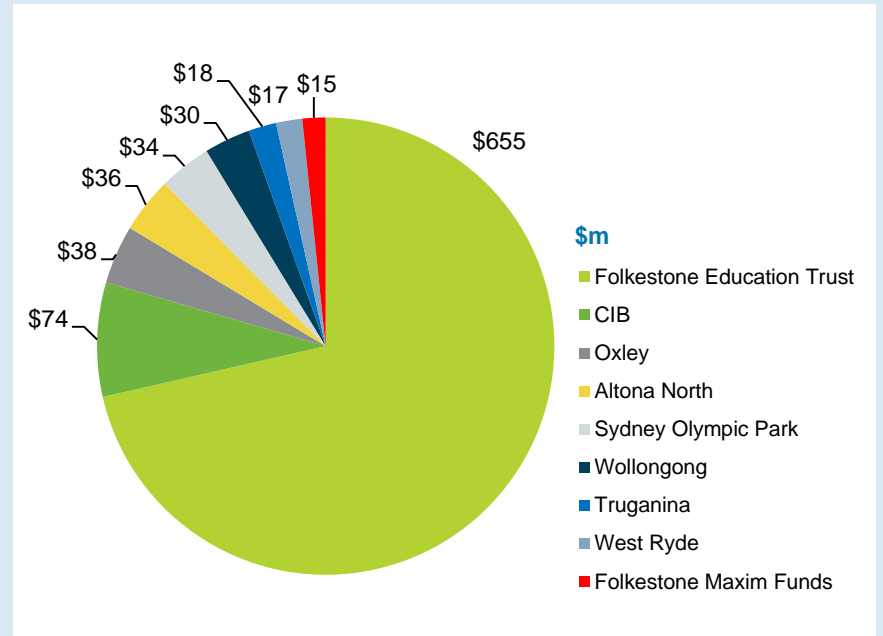
¹ As at 30 June 2015.

FOLKESTONE'S ASSETS & FUNDS UNDER MANAGEMENT

BALANCE SHEET ASSETS - \$165m
30 June 2015



Funds Under Management - \$917M
30 June 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

Millers Junction Home, Folkestone Real Estate Income Fund at Altona North



Public
Markets

Equity (Listed)

Listed A-REITs

- Folkestone Education Trust (ASX: FET)

A-REIT Securities Funds

- Folkestone Maxim A-REIT Securities Fund & SMA

\$917 MILLION IN FUM AND 7,291 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

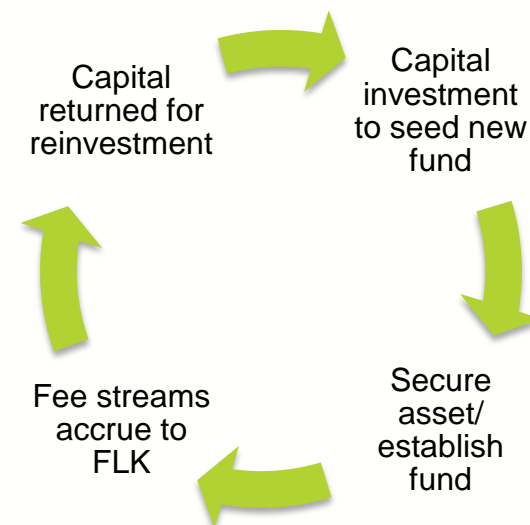


¹ As at 30 June 2015 and includes Folkestone and all its funds.

LISTED AND UNLISTED FUNDS

CURRENT FUNDS	TYPE	FUM (\$m)	BASE FEES P.A.	OTHER FEES
Folkestone Education Trust (ASX: FET)	Listed	655	0.50% of gross assets	<ul style="list-style-type: none"> Debt arrangement fee
CIB Fund	Unlisted Wholesale	74	0.25% of gross assets	<ul style="list-style-type: none"> Leasing fee
Sydney Olympic Park Income Fund	Fixed term unlisted – Sept 17	34.	1.3% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
Wollongong Income Fund	Fixed term unlisted – June 19	30	1.3% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
Altona North Income Fund	Fixed term unlisted – Nov 20	36	1.1% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
Oxley Income Fund	Fixed term unlisted – April 20	38	1.3% of net assets	<ul style="list-style-type: none"> Acquisition fee Performance fee
West Ryde Development Fund	Unlisted – Sept 15	17	\$150,000	<ul style="list-style-type: none"> Acquisition fee Performance fee
Truganina Development Fund	Unlisted – June 19	18	\$400,000	<ul style="list-style-type: none"> Acquisition fee Underwriting fee Performance fee
Maxim Asset Mgt	Unlisted	15	0.95% of gross assets	<ul style="list-style-type: none"> Management fee
TOTAL		917		

- Core, value-add & opportunistic (development) funds
- Manage both listed and unlisted funds, A-REIT securities
- Current FUM circa \$917 million
- 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



DIRECT INVESTMENTS (On Balance Sheet)

DIRECT INVESTMENTS

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

Central Square, Folkestone West Ryde Development Fund



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	44	22 ²	Late 2015
Northside	Residential	Potters Grove, VIC	~140 Lots	Planning	50	28	14	Mid 2017
Central Square	Residential	West Ryde, NSW	229 Apartments	Settlements In Progress	25 ³	149	37 ²	Sept 2015
Elements	Residential	Truganina, VIC	~690 Lots	Under Construction	16 ⁴	159	25	Mid 2019
The Ranges	Tourism	Karratha, WA	~110 Villas	Under Construction	25	64	16 ²	Late 2016
Millers Junction Stage 2	Office/Retail/Warehouse Mews	Altona North, VIC	~60 Mews	Marketing	50	30	15	Late 2018
Millers Junction Stage 3	Retail/Large Format Retail/Community	Altona North, VIC	~13,000 sqm	STCA ¹	100	60	60	Early 2018
Truganina Neighbourhood Activity Centre	Retail	Truganina, VIC	~5,000 sqm	STCA ¹	100	30	30	Mid 2018
Knoxfield	Office/Retail/Warehouse Mews	Knoxfield, VIC	~83 Mews	Marketing/STCA ¹	50	31	16	Early 2020
North-West Sydney	Mixed-use	North-West Sydney NSW	~600 Apartments	STCA ¹	50	435	218	Mid 2020
TOTAL						1,030	453	

- FLK current projects – forecast completion value \$1,030m and FLK share \$453m
- 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 holds 18.76% of the Folkestone Truganina Development Fund which has a 80% interest in the project.

DEVELOPMENT OPPORTUNITIES

- FLK seeks to regularly recycle 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 5 development projects with a combined estimated end value of circa \$1.3 billion (FLK indicative share circa \$650 million)
- FLK is in negotiation on a further 2 projects in 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)	QLD	Zoned/STCA ¹	50.0	220	110
Residential (~1500 lots)	NSW	STCA ¹	50.0	670	335
Residential (~600 lots)	VIC	STCA ¹	50.0	110	55
Mixed Use (health, aged care, retail, hotel)	NSW	STCA ¹	50.0	250	125
Office	VIC	Tender	50.0	65	33
Total				1,315	658

¹ STCA – subject to council approval.

OUTLOOK



FOLKESTONE OUTLOOK

- Well positioned with strong balance sheet to continue to deliver on the strategy to:
 - 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
- Continue to be disciplined in seeking new opportunities that offer appropriate risk-adjusted returns given the current position in the real estate cycle
- Undertake earnings accretive, opportunistic acquisitions for its funds management platform, 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, office and office/retail/industrial mews
 - social infrastructure – early learning, retirement/aged care
 - mixed-use – inner and middle ring suburbs
 - developments where FLK can manufacture quality product for its funds management platform
- FLK intends to re-institute paying dividends - forecast fully franked dividend of at least 0.5 cents per share in respect of FY16 assuming no material change in market conditions



Millers Junction Home, Folkestone Real Estate Income Fund at Altona North



Elements, Folkestone Truganina Development Fund

APPENDIX 1 – Funds



Dandenong Courthouse, Folkestone CIB Fund



- 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 25 tenants including Goodstart Early Learning, G8 Education and Affinity
- Average property yield 8.0%, 99.7% occupancy, 7.9 year WALE (by rental income)
- FET has generated strong outperformance 35.8% vs 20.2% for Benchmark¹
- FLK holds 12.8 per cent of FET units on issue²
- FLK generated an unrealised gain of \$4.5 million on its investment in FET in FY15
- FY16 forecast distribution of 13.4 cpu, up 4.7% on FY15

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

² Excluding units held in FET by the Folkestone Maxim A-REIT Securities Fund.

Profile	As at 30 June 2015
Type	Listed
Sector	Early Learning
Location	Australia & New Zealand
No. of Properties	396
Occupancy (%)	99.7
Gross Assets (\$m)	655
FY15 Distribution (cpu)	12.8
FY16 Forecast Distribution (cpu)	13.4



- Wholesale fund established in June 2001 – four investors
- Nine police stations and two law courts
- Tenanted by Victorian State Government
- Yields range between 8.75% and 9.75%, 100% occupancy

Profile	As at 31 Dec 14
Type	Unlisted
Sector	Police Stations & Courts
Location	Victoria
No. of Properties	11
Gross Assets (\$m)	74
NTA (\$)	2.02



- Millers Junction Home – a 22,016 large format retail centre
- Opened in September 2014
- Strong lease covenants - anchored by Bunnings with Officeworks, JB Hi-Fi Home, Repco, PETstock and petVet
- Weighted average lease length is 9.9 years by area
- Fund acquired Centre 'on fund through basis' to minimise transaction costs
- FLK developed Millers Junction Home on behalf of the Fund demonstrating FLK's ability to manufacture core assets on balance sheet for its funds management platform
- Total return of 28.5% in FY15
- Forecast distribution of 8.75% in FY16 paid quarterly
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund



Profile	As at 30 June 2015
Type	Unlisted
Sector	Large Format Retail
Location	Altona North
No. of Properties	1
Gross Assets (\$m)	35.9
Occupancy (%)	100
FY15 Distribution (%)	8.5
FY16 Forecast Distribution (%)	8.75
Fund Expires	November 2020



- 7,094 sqm neighbourhood retail centre in Oxley, Brisbane
- Fund acquired property in April 2014
- Long-term leases – the weighted average lease expiry profile by income is 10.8 years (12.0 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
- Total return of 17.4% in FY15
- Forecast distribution yield of 8.1% in FY16 paid quarterly
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

Profile	As at 30 June 2015
Type	Unlisted
Sector	Neighbourhood Shopping Centre
Location	Oxley
No. of Properties	1
Gross Assets (\$m)	37.8
Occupancy (%)	98
FY15 Distribution (%)	8.0
FY16 Forecast Distribution (%)	8.1
Fund Expires	April 2020



- Six level office building at Sydney Olympic Park
- Building completed in December 2012
- Strong lease covenant - Thales (a global defence and transport business)
- Long-term lease to Thales - 10 year lease¹ for 100% of the office, 6% of retail space and 47 car spaces
- Total return of 19.7% in FY15
- Forecast distribution yield of 9.0% in FY15 paid quarterly
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

Profile	As 30 June 2015
Type	Unlisted
Sector	Office
Location	Sydney Olympic Park
No. of Properties	1
Gross Assets (\$m)	34.1
Occupancy (%)	100
FY15 Distribution (%)	8.5
FY16 Forecast Distribution (%)	9.0
Fund Expires	December 2017

¹ Commenced December 2012.



- A six level commercial office building in Wollongong
- Strong lease covenants – approximately 78% of the income is currently sourced from Commonwealth and State Government tenants
- Major capital expenditure program (\$2.6 million) undertaken in FY15
- Energy consumption reduced 66% and carbon emissions 66% since Dec 2013
- 46% of NLA was leased to new tenants or renewed in FY15
- Total return of 21.0% in FY15
- Forecast distribution yield of 11.0% in FY16 paid quarterly
- Target return to exceed equity IRR hurdle rate of 12.0% p.a. over life of Fund

Profile	As at 30 June 2015
Type	Unlisted
Sector	Office
Location	Wollongong
No. of Properties	1
Gross Assets (\$m)	29.9
Occupancy (%)	98.7
FY15 Distribution (%)	10.75
FY16 Forecast Distribution (%)	11.0
Fund Expires	June 2019



- Unlisted development fund in a 50/50 JV with Toga
- 229 apartment residential apartment project in West Ryde, 20 kms west of Sydney CBD
- FLK co-invested 50% of the equity (\$8.7 million) into the Fund
- Practical completion – June 2015
- 64 lots settled at 30 June 2015 with further 157 lots settled to mid August & remaining 8 by end of August – 9 months ahead of schedule
- Fund forecast return on equity of 32%¹ and equity IRR of 18%¹ upgraded to 50%¹ and 31%¹ respectively

Profile	As at 30 June 2015
Type	Unlisted
Sector	Residential Apartments
Location	West Ryde
Fund Share - 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: 31 Return on Equity: 50
Forecast Fund Completion	September 2015

¹ Post fees, pre-tax.



- Unlisted development fund in a 80/20 JV with ID_Land
- Residential land sub-division comprising circa 690 lots and 3.1 hectare 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
- Fund closed oversubscribed – FLK co-investment (18.8%)
- Strong pre-sales to date - almost double the number of lots in the Base Case Feasibility
- Construction commenced June 2015 with first settlements expected late 2015

Profile	As at 30 June 2015
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 Project Revenue – Project (\$m)	159
Fund Equity (\$m)	18.25
FLK Co-Invest in Fund (\$m)/(%)	3.425/18.8
Fund Target Return p.a. (%)¹	Equity IRR: 18 Return on Equity: 77
Forecast Fund Completion	2019

¹ Post fees, pre tax.



- Invests in ASX listed A-REITs and listed real estate developers and managers
- High conviction, active manager – portfolio constructed on merit not by benchmark weights
- Fund generated a total return of 20.35% (after fees, before tax) in FY15 vs Index¹ return of 20.2%
- Best performing fund in the Morningstar A-REIT Australian Institutional Sector Survey in FY15

Profile	As at 30 June 2015
Type	Unlisted
Sector	A-REIT Securities
Investment	3-5 Years
Distributions	Quarterly
Fund Inception	October 2005

A High Conviction, Benchmark Unaware Manager Of A-REIT Securities

APPENDIX 2 – Direct Investments



Stage 3

Stage 1

Stage 2

Millers Junction – Home Centre, Business & Retail
Stage 2 is an artists impression

MILLERS JUNCTION, ALTONA NORTH (Stage 1)

DIRECT



Note: Stage 2 is an artists impression

- In September 2014 FLK completed development of Millers Junction Home - a large format retail centre anchored by Bunnings, Officeworks & JB Hi-Fi Home and sold to a FLK 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 hectare parcel of land to ALDI for a new supermarket which was developed by ALDI and opened in April 2015



Profile	As at 30 June 2015
Sector	Large Format Retail
Location	Altona North, VIC
Size (sqm)	22,016
Client	Folkestone Real Estate Income Fund at Altona North
Completion	September 2014
Millers Junction Home - Sale Price (excluding transaction costs) (\$m)	30.4

MILLERS JUNCTION, ALTONA NORTH (Stage 2)

DIRECT



Note: Stage 2 is an artists impression

- FLK entered a 50/50 JV with Wilmac Properties in September 2014
- Approximately 60 strata style office/warehouse/retail mews - forecast gross revenue of \$30 millers
- As at 30 June 2015, 21 pre-sales had been secured, representing 31% of the forecast sales revenue
- Construction to commence in September 2015

Profile	As at 30 June 2015
Sector	Office/Warehouse/Retail
Location	Altona North, VIC
Area (ha)	2.6
Acquired / Date of JV	Dec 2007 / Sept 2014
FLK Share (%)	50
JV Partner	Wilmac Properties
No. of Mews	Circa 60
Forecast Project Value – Gross Revenue (\$m)	30.0
Forecast Completion Date	Late 2018



Note: Stage 2 is an artists impression

- A master plan is currently being prepared for Stage 3 with focus on retail, large format retail and family – early learning and other community facilities
- May 2015, FLK entered into a call option agreement with BWP Trust to purchase the former Bunnings site adjacent to Millers Junction. Subject to planning approval, the 3.4 hectare parcel will be consolidated with FLK's existing Stage 3 land holding of 4.4 hectares to create a substantial development opportunity
- In line with FLK's strategy of growing its funds management platform, FLK expects to establish a fund to own the completed development in Stage 3

Profile	As at 30 June 2015
Sector	Retail/Large Format Retail /Community
Location	Altona North, VIC
Area (ha)	4.4 Owned 3.4 Optioned
Acquired	Dec 2007
Optioned Land Exercise Date	January 2016
FLK Share (%)	100
Forecast Project Value – Gross Revenue (\$m)	60.0
Forecast Completion Date	Early 2018

KNOXFIELD



- Approximately 88 strata office/warehouse/retail mews in Knoxfield, Victoria
- FLK's second 50/50 joint venture with Wilmac Properties
- Knoxfield is 27 kms south-east of the Melbourne CBD and the site lies within an established business park precinct with excellent access to the Eastlink and M1 Motorways
- Acquired on deferred settlement terms (April 2016)
- Construction to commence in the June quarter 2016

Profile	As at 30 June 2015
Sector	Office/Warehouse/Retail
Location	Knoxfield, VIC
Area (ha)	2.75
Acquired/Option Date	May 2016/April 2016
FLK Share (%)	50
JV Partners	Wilmac Properties
No. of Mews	Circa 88
Forecast Project Value – Gross Revenue (\$m)	31.0
Forecast Project Completion	Early 2020



- 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 open for trade in September 2015
- Adjoining 7.1 hectare site with potential for urban development
- Stage 1a occupancy averaged 78% in June quarter
- A \$0.7 million provision was made against the carrying value of FLK's equity investment in the project. FLK has \$3.5 million in preferred equity loans to the JV in addition to its \$1.2 million equity investment

Profile	As at 30 June 2015
Sector	Accommodation
Location	Karratha, WA
Area (ha)	Stage 1 - 2.2 Stage 2 - 7.1
Acquired	Stage 1 - Jun 2011 Stage 2 - Jan 2013
Ownership Interest (%)	25
JV Partner	Various Parties
No. of Villas	Stage 1 – 108
Forecast Project Value – Gross Revenue (\$m)	Stage 1 – 58.0



- 14.1 hectare site located in the Cardinia Shire, in south-east Melbourne
- 50/50 JV with ID_Land
- As at 30 June 2015:
 - 198 lots had settled – 100 of these occurred in FY15
 - 36 lots were under contract and yet to settle
- As at 18 August 2015:
 - 5 lots had settled
 - 33 lots under contract and yet to settle
 - 4 lots remain unsold
- Construction of final stage will be completed by end of August 2015
- Forecast total return - \$4.5 million and an equity IRR of 27.2%

Profile	As at 30 June 2015
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	98.3
Forecast Project Value - Gross Revenue (\$m)	44.0
Forecast Project Completion	September 2015

¹ As at 18 August, 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
- 1st tranche of land (3.6 ha) settled on 25 August 2015
- Marketing of Stages 1 and 2 commenced in March 2015 – strong sales recorded ahead of budget
- Construction has commenced with 1st settlements expected in 1st quarter 2016

Profile	As at 30 June 2015
Sector	Residential Land
Location	Officer, VIC
Area (ha)	8.0
Ownership Interest (%)	50
JV Partner	ID_Land
Option Acquired	August 2014
No. of Lots	Circa 140
Forecast Project Value – Gross Revenue (\$m)	28.0
Forecast Project Completion	Mid 2017



- 50/50 JV with Lyon Group, a leading Sydney developer
- Strategic site opposite a key rail station in Sydney's Nth-West
- JV has acquired options over two commercial buildings and acquired a third building - total land area of 2,865 sqm
- JV will seek to consolidate further adjoining properties
- Medium term opportunity for mixed-use development comprising residential, commercial, retail & 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

Profile	As at 30 June 2015
Sector	Mixed Use
Location	Sydney, NSW
Ownership Interest (%)	50
JV Partner	Lyon Group
JV Commenced	December 2014
Land Area Optioned/Owned (sqm)	2,865
Forecast Project Value – Gross Revenue (\$m)	Circa 435
Forecast Project Completion	Mid 2020

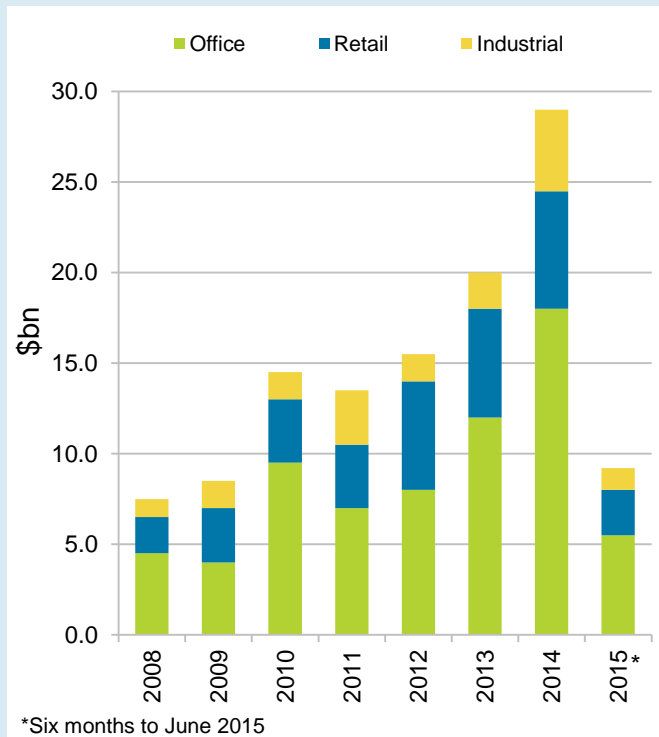
APPENDIX 3 – Market Outlook



Sydney Olympic Park

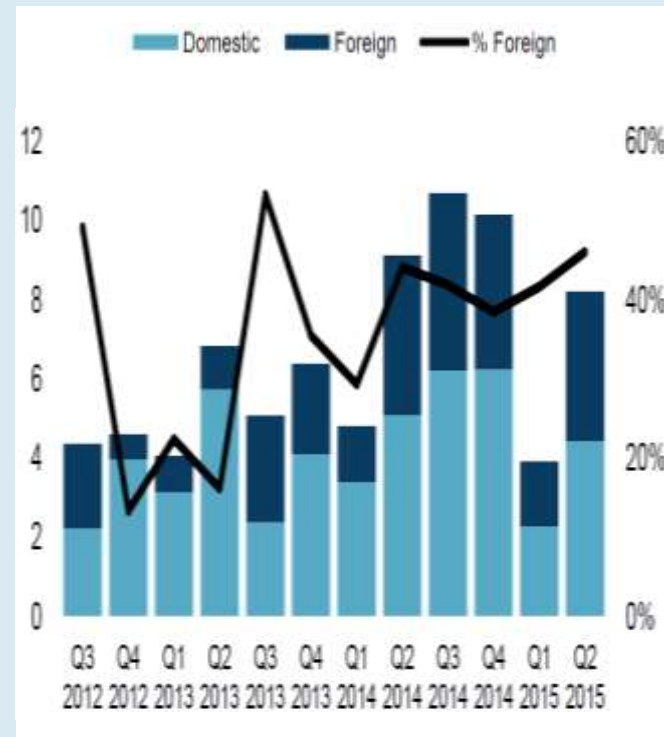
AUSTRALIAN MARKET CONDITIONS – TRANSACTIONS

Non-residential Transaction Volume By Key Sector: 2008 – 2015



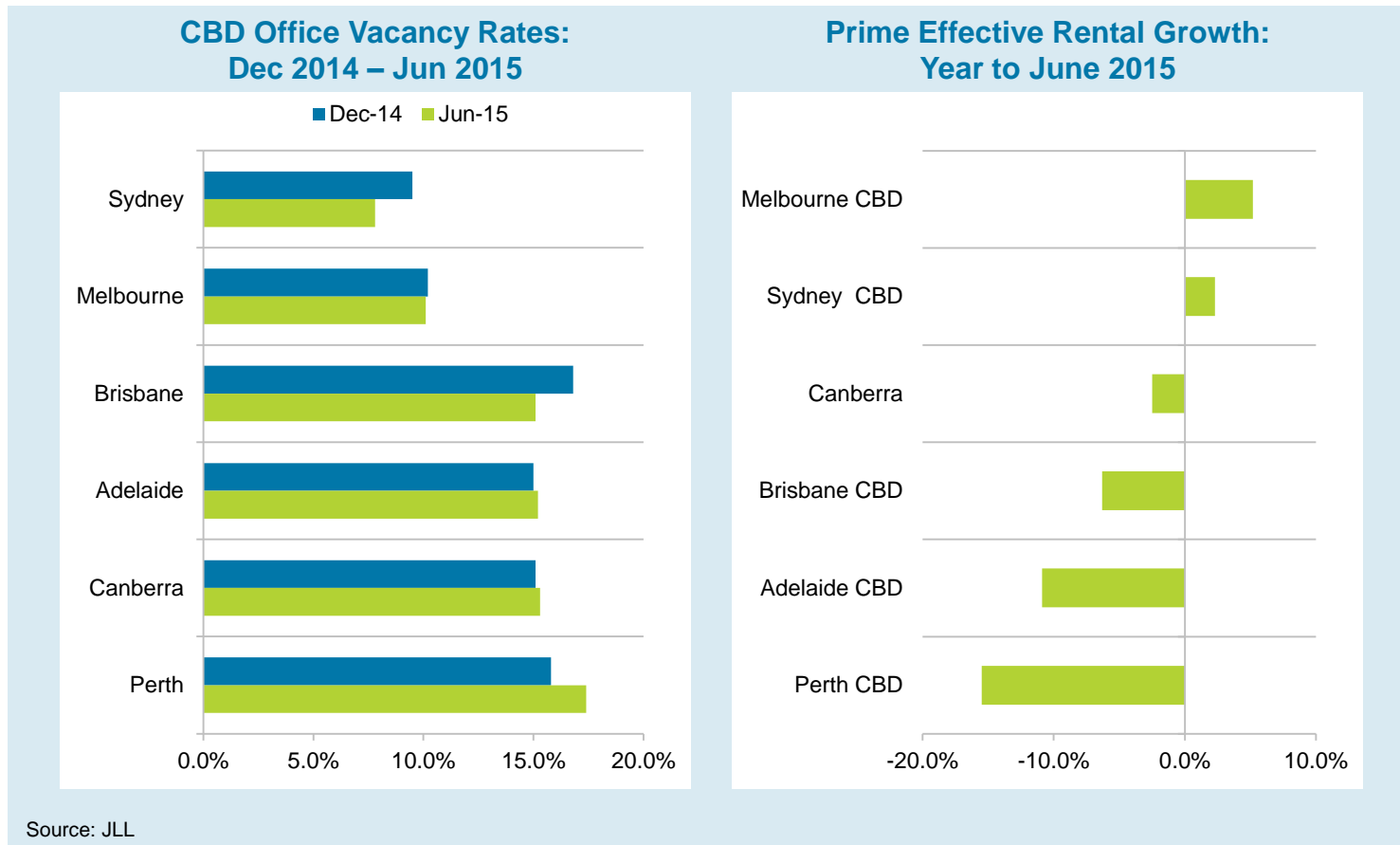
Source: DTZ

Domestic vs. Foreign Investment Activity: 2012 - 2015



- In 6 months to June 2015, just under \$10 billion was transacted in the office, retail and industrial sectors
- Activity running below levels in 1st half of 2014 due to stock availability rather than capital drying up
- Foreign investors accounted for 45% of transaction value in the past six months
- Office remains the key target for foreign investors (Sydney and Melbourne), although growing interest in prime industrial and hotels

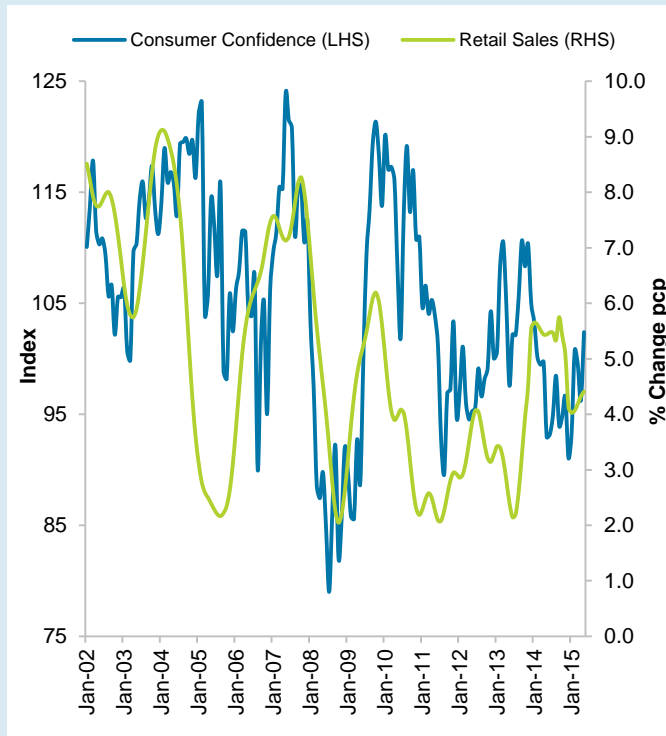
AUSTRALIAN MARKET CONDITIONS – OFFICE



- Vacancy rates reflect divergent economic growth prospects of the major markets
- Sydney the only CBD market to record a single digit vacancy – 7.8%
- Effective rental growth has been subdued in Sydney and Melbourne and negative in other CBDs due to high vacancy and elevated incentives

AUSTRALIAN MARKET CONDITIONS – RETAIL

Retail Sales vs. Consumer Confidence:
2002 – 2015



Source: ABS

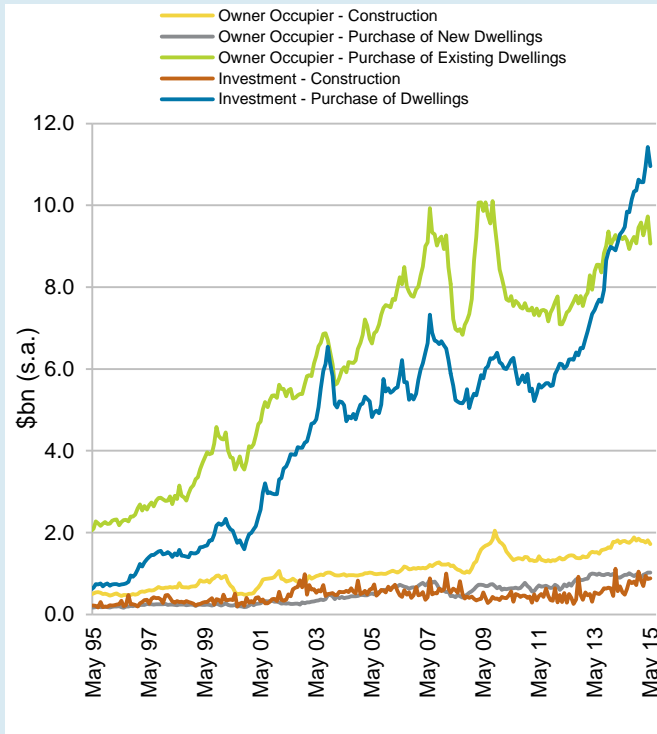
Retail Turnover by Type:
Year to June 2015



- Retail sales growth has improved but driven by household goods (impact of strong housing market)
- Consumer confidence remains weak – therefore cautious on spending
- However, lower confidence partly offset by strong population growth, rising house prices and equity values (the “wealth effect”)

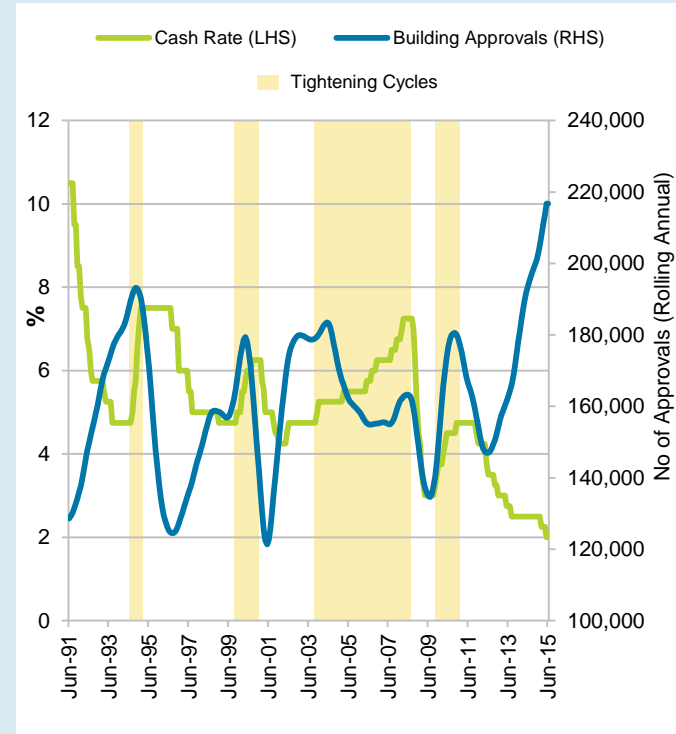
AUSTRALIAN MARKET CONDITIONS – RESIDENTIAL

Housing Finance by Type of Borrower: 1995 – 2015



Source: ABS

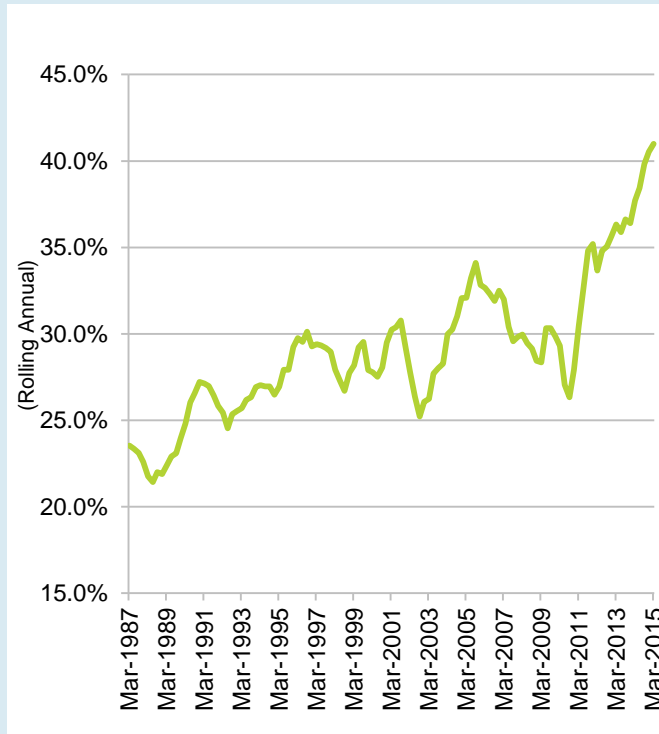
Building Approvals and Monetary Policy: 1991 - 2015



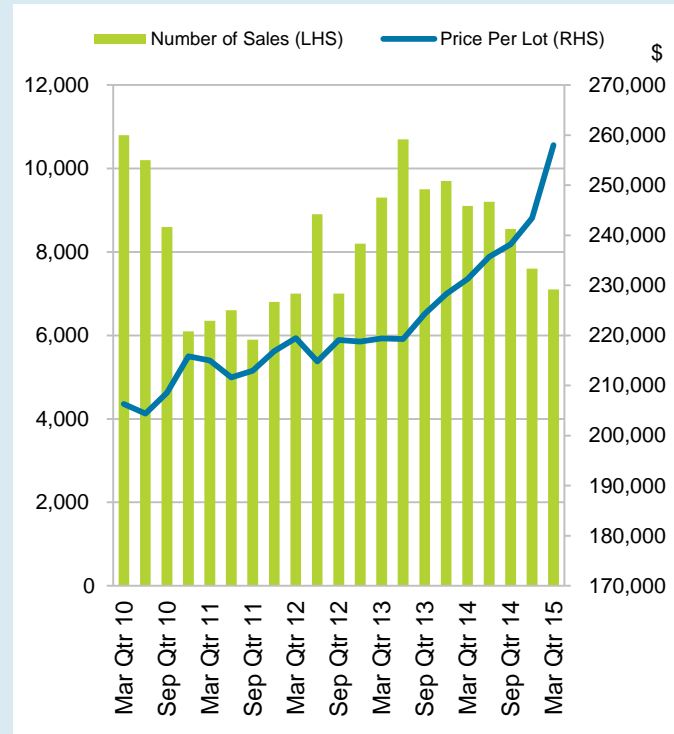
- Investor activity is driving the residential market
- However, despite all the hype about apartments off-plan sales, investors are preferring established housing
- APRA macro-prudential controls on bank lending will impact the investor market
- Strong link between interest rates and housing sector – investors need to be cognisant of interest rate increases down the track

AUSTRALIAN MARKET CONDITIONS – RESIDENTIAL

Multi-Unit Dwelling as % of Total Dwelling Completions: 1986 - 2015



Residential Land Sales and Medium Lot Values – Capital Cities: 2010 - 2015

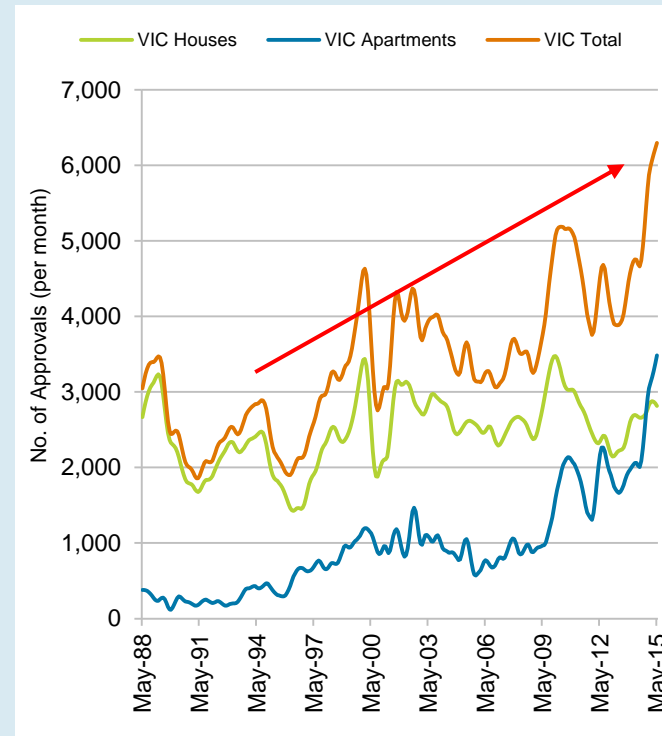
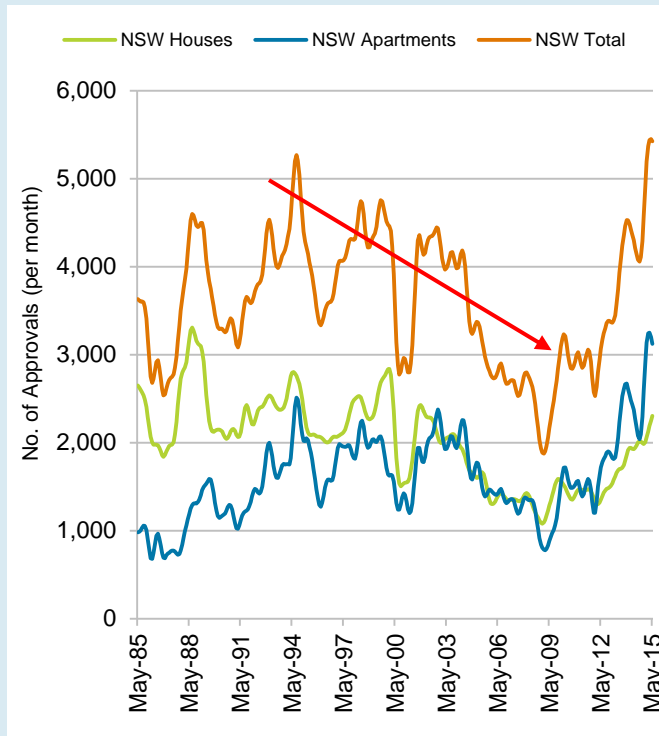


Source: ABS, HIA, CoreLogic RPData

- Apartments now key part of the market – 41% of completions in year to March 2015 – due to lifestyle/demographic changes, affordability (apartments 28% cheaper than houses in Sydney) and planning changes
- Inner Melbourne, inner Brisbane & South Sydney apartment markets heading for an oversupply – better value in middle/outer ring suburbs, mixed-use developments and around transport nodes
- Land sales falling across Australia since peaking in 2013 – driven by Sydney where lot sales down 29.7% in March quarter and almost 50% below record set in December quarter 2013
- Media lot price in Sydney now \$365,000 - 64% higher than Melbourne (\$222,000) and Brisbane (\$228,000)

AUSTRALIAN MARKET CONDITIONS – RESIDENTIAL

House and Apartment Approvals – NSW and Victoria: 1988 – 2015

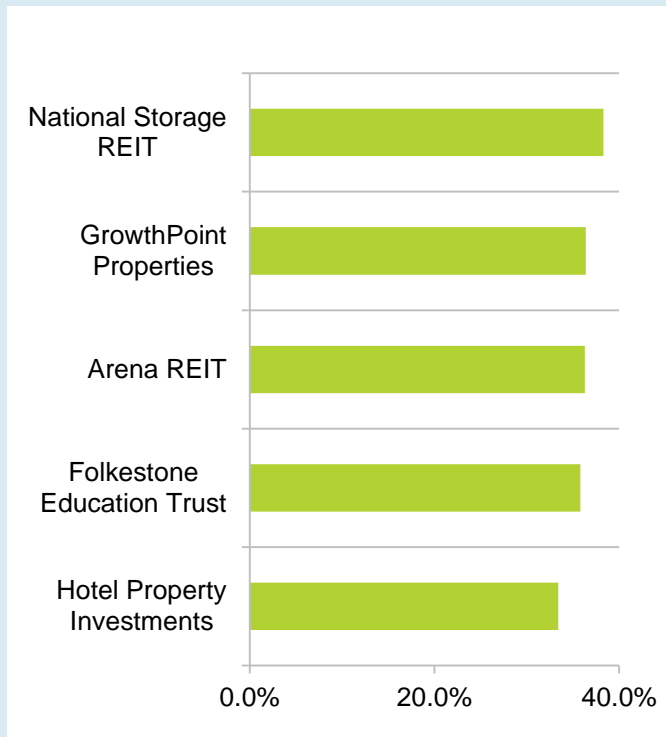


Source: ABS

- NSW approvals declined significantly between 2003 and 2008 – leading to current undersupply and price pressures
- VIC approvals continue to run ahead of long-term average and also ahead of NSW – better planning system
- Declining affordability, concerns of oversupply in some sub-markets, supply bottlenecks (Sydney planning) will see supply taper off in 2016

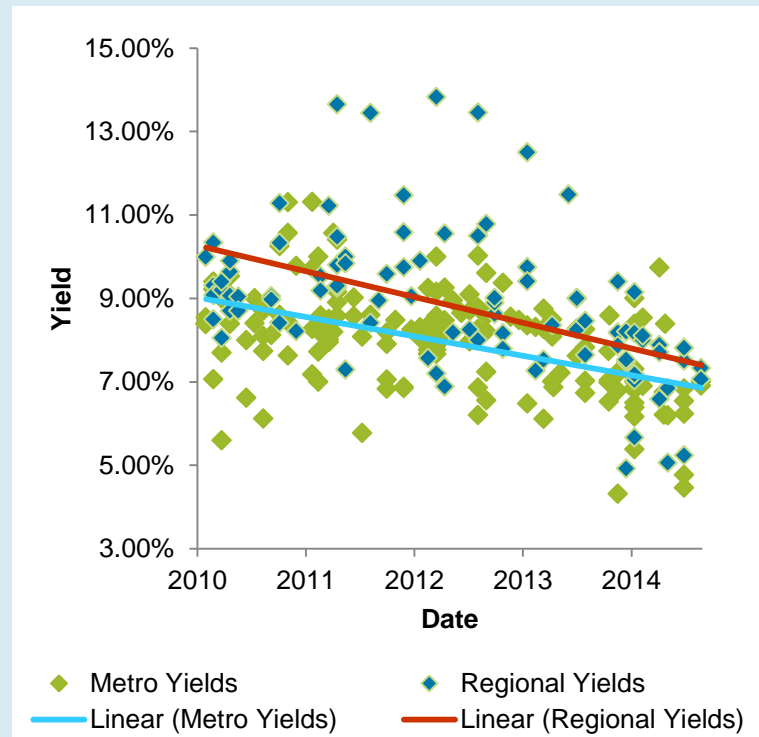
AUSTRALIAN MARKET CONDITIONS – SOCIAL INFRASTRUCTURE

Performance of the Top Five A-REITs:
Year to June 2015



Source: ABS

Early Learning Centre Sale Yields:
2010 - 2015



- More capital being allocated in both the listed and unlisted real estate markets to alternative assets such as early learning, medical/health and seniors living
- 4 of the top 5 performing A-REITs in the year to June 2015 were social infrastructure related
- Alternate sectors typically higher yields than office, retail and industrial, although yield gap closing due to growing investor interest in alternate assets
- Benefits of investing in social infrastructure typically include longer leases (often 10 years or more), net or triple net leases (whereby the operator/ tenant pays outgoings and is responsible for repairs and maintenance), often government backed cash flows and lower volatility compared to other assets

MARKET OUTLOOK SUMMARY

- Australia's economic growth to remain below trend
- Wall of money chasing real estate assets, especially non-residential assets will continue
- Biggest challenge for investors will be finding attractive investment opportunities in a competitive market place
- Industrial and real estate related social infrastructure to outperform
- Seniors living sector is expected to offer significant investment opportunities
- Wide divergence in performance of Australia's housing sub-markets to continue
- Momentum in the Sydney and Melbourne residential markets is set to slow
- Strong return from A-REITs in FY15 unlikely to be repeated – move back to long-term average
- Investors need to identify and quantify the risk in their real estate portfolios and focus on the underlying real estate fundamentals
- **“This time it's different” does not abolish the real estate cycle**

DIRECTORY

Folkestone Limited

ASX Code: FLK

Website: www.folkestone.com.au

ABN: 21 004 715 226

Level 12, 15 William Street

Melbourne Vic 3000

T: +61 3 8601 2092

Level 10, 60 Carrington Street

Sydney, NSW 2000

T: +61 2 8667 2800

Board of Directors:

Garry Sladden – Non-Executive Chairman

Mark Baillie – Non-Executive Deputy Chairman

Greg Paramor AO – Managing Director

Ross Strang – Non-Executive Director

Company Secretary:

Scott Martin

Investor Relations:

Lula Lioffi

T: +61 3 8601 2668

Email: lloffi@folkestone.com.au

Registry:

Boardroom Pty Limited

PO Box R67, Royal Exchange NSW 1223

Telephone: 1300 131 856 or +61 2 9290 9600

E-mail: enquiries@boardroomlimited.com.au

Website: www.boardroomlimited.com.au

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