

FOLKESTONE HY16 RESULTS

A Specialist Funds Manager And Developer
Providing Real Estate Wealth Solutions

HY16 RESULTS – HIGHLIGHTS

- Net profit after tax of \$3.0 million¹, up 53.6% on HY15
- Earnings per share of 2.0 cents, up 11.1% on HY15
- Net asset value (NAV) per share of 91.6 cents, up 17.3% on HY15
- Funds under management of \$964 million, up 10.8% on HY15
- Completed the West Ryde apartment development - generating a 79% return on FLK's equity including a \$1.6m performance fee
- Acquired a 50% interest in two residential development opportunities in Sydney and Melbourne
- Secured strong pre-sales across the active developments
- Folkestone Education Trust performed strongly with total return of 11.0% compared to the benchmark² of 7.2% and contributed \$4.6m in management fees/distributions and \$3.6m in unrealised gains to FLK on its unit holding

¹ The net profit after tax for the Consolidated Group in FY15 was \$6.6 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 \$7.2 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 (\$3.6 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 \$3.0 million.

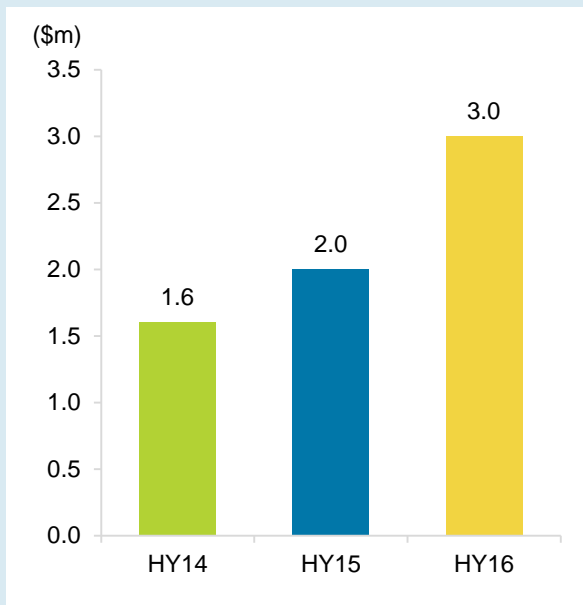
² S&P/ASX300 A-REIT Accumulation Index for six months to 31 December 2015.



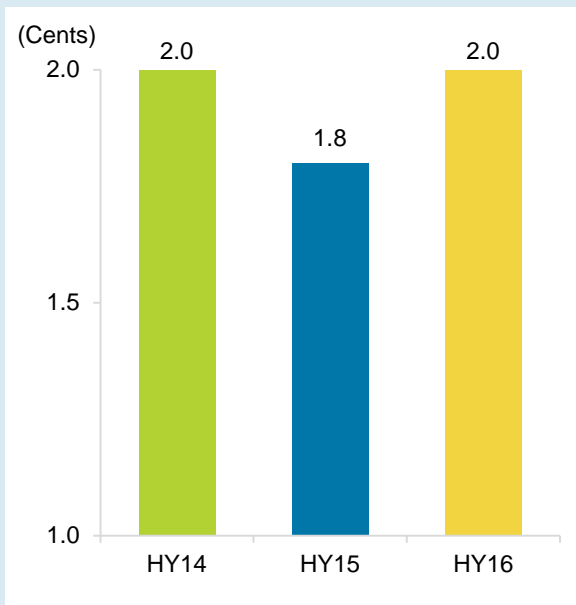
Corporate Square, Folkestone Real Estate Income Fund at Wollongong

HY16 RESULTS – PERFORMANCE

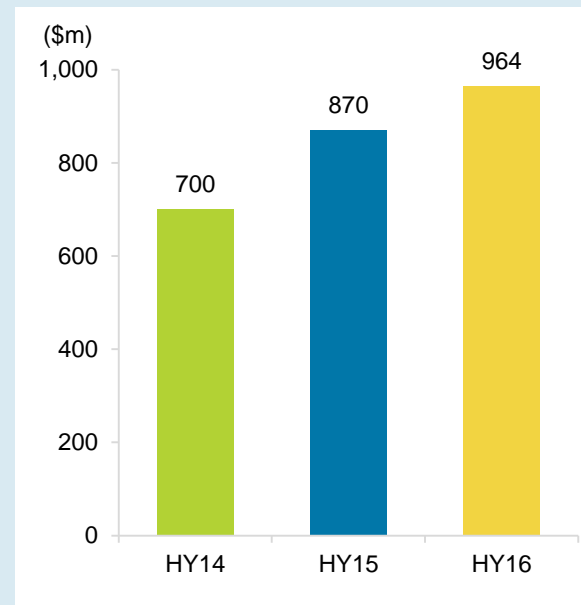
Net Profit After Tax



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”

* Comparative numbers have been adjusted to reflect the impact of the 1:5 share consolidation completed in November 2015.

HY16 RESULTS – FINANCIALS

\$'000s	DEC 2015	DEC 2014	DEC 2013	DEC 2012	DEC 2011
Profit/(Loss) From Continuing Operations Before Income Tax Benefit/(Expense)	7,650	1,531	1,171	177	756
Income Tax Benefit/(Expense)	(1,023)	379	74	(144)	-
Profit/(Loss) from Discontinued Operations	-	-	-	-	(45)
Profit/(Loss) Attributable to Non-controlling Interests	3,618	(49)	(351)	-	-
Profit/(Loss) Attributed to Folkestone	3,009	1,959	1,596	33	711
Total Other Comprehensive Income Net of Tax	3,553	2,119	-	-	-
Total Other Comprehensive Income Net of Tax Attributable to Folkestone	6,562	4,078	1,596	33	711
Basic Earnings Per Ordinary Share (Cents)*	2.0	1.8	2.0	0.05	0.95
Net Asset Value Per Share (NAV) (Cents)*	91.6	81.9	70.0	61.2	62.2
Net Tangible Asset Value Per Share (NTA) (Cents)*	83.3	72.3	56.9	44.0	60.5
ASX Closing Price At 31 December (\$)*	0.96	1.05	0.925	0.60	0.40

* Comparative numbers for basic earnings per share, net asset value per share, net tangible asset value per share and the ASX closing price have been adjusted to reflect the impact of the 1:5 share consolidation completed during the period.

HY16 RESULTS – PROFIT & LOSS (excluding non-controlling interests)

\$'000s	31 DEC 2015	31 DEC 2014	VARIANCE	KEY ITEMS AT 31 DECEMBER 2015
Revenue				
Funds Management	5,188	3,121	2,067	Includes \$3.0m management fees & cost recoveries, \$1.6m West Ryde performance fee, \$0.2m leasing fees (FET), \$0.2m development management fees (FET), \$0.1m underwriting fees (Truganina)
Development (net)	2,636	1,382	1,254	Includes share of project profits (West Ryde, \$3.3m, Potters Grove \$0.5m) \$0.4m preferred equity interest (Wollert, South Dural, Hornsby, Officer Northside), and a \$1.2m impairment provision against Karratha investment
Trust Distributions	2,145	1,098	1,047	FET distribution
Other	435	304	131	\$0.3m interest on cash reserves
Total Revenue	10,404	5,905	4,499	
Expenses				
Employee Expenses	(3,803)	(3,556)	(247)	
Administration	(1,013)	(496)	(517)	Prior year admin expenses included \$0.2m reversal of expense accrual. \$0.2m increase in travel & marketing costs
Due Diligence	(673)	(38)	(635)	Includes \$0.4m of costs on opportunities currently under exclusive due diligence
Finance	(347)	(46)	(301)	Interest expense on ANZ corporate facility
Rental	(135)	(133)	(2)	
Depreciation & Amortisation	(58)	(56)	(2)	
Total Expenses	(6,029)	(4,325)	(1,704)	
Net Profit before Tax	4,375	1,580	2,795	
Income Tax Benefit/(Expense)	(1,366)	379	(1,745)	
Net Profit after Tax	3,009	1,959	1,050	

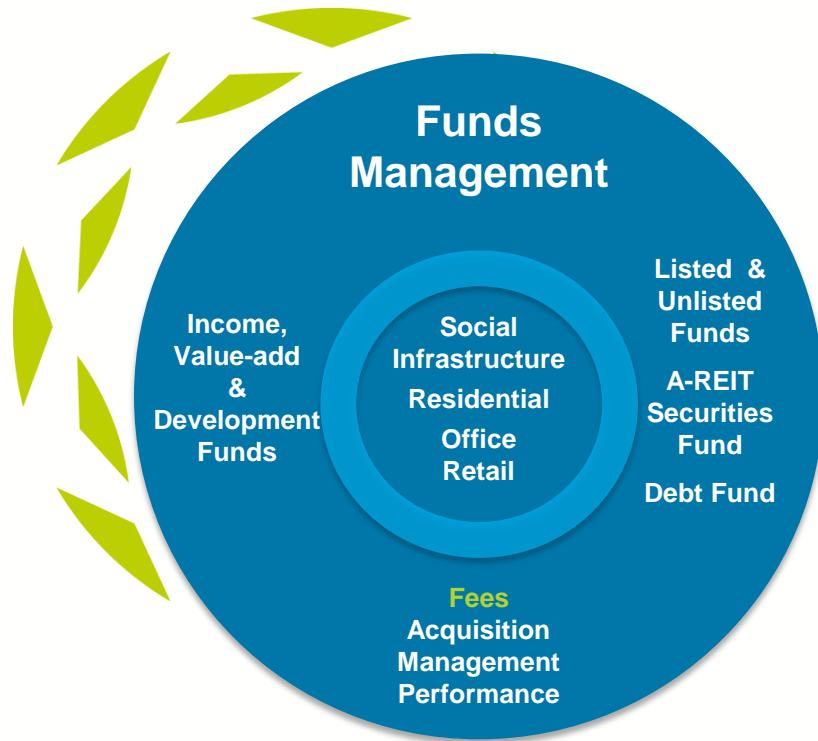
HY16 RESULTS – BALANCE SHEET

\$'000s	31 DEC 2015	30 JUNE 2015	VARIANCE	KEY ITEMS AT 31 DECEMBER 2015
Total Current Assets	38,960	69,453	(30,493)	Principally comprises cash reserves (\$17.4m), Officer and West Ryde JV investments (\$0.6m), Altona North land (\$13.9m), trade and other receivables including project related loans of (\$6.4m)
Total Non-Current Assets	110,986	95,103	15,883	Principally comprises FET units (\$71.4m), non-current JV investments (\$4.6m) management rights/goodwill (\$12.8m), non-current preferred equity and other project loans (\$16.1m), units in Truganina Fund (\$3.2m)
Total Assets	149,946	164,556	(14,610)	
Total Current Liabilities	(8,867)	(6,402)	(2,465)	Altona debt facility and JV loan \$7.3m, trade and other payables \$1.1m.
Total Non-Current Liabilities	(6,005)	(20,384)	14,379	Principally comprises ANZ loan which is currently drawn to \$5m and secured against FET units
Total Liabilities	(14,872)	(26,786)	11,914	
Net Assets	135,074	137,770	(2,696)	
Net Assets Attributable to:				
- Folkestone	135,004	128,268	6,736	
- Non-Controlling Interests	70	9,502	(9,432)	50% of Folkestone West Ryde Development Fund not owned by FLK. \$1.50 per unit distribution paid during current reporting period
Total Net Assets	135,074	137,770	(2,696)	

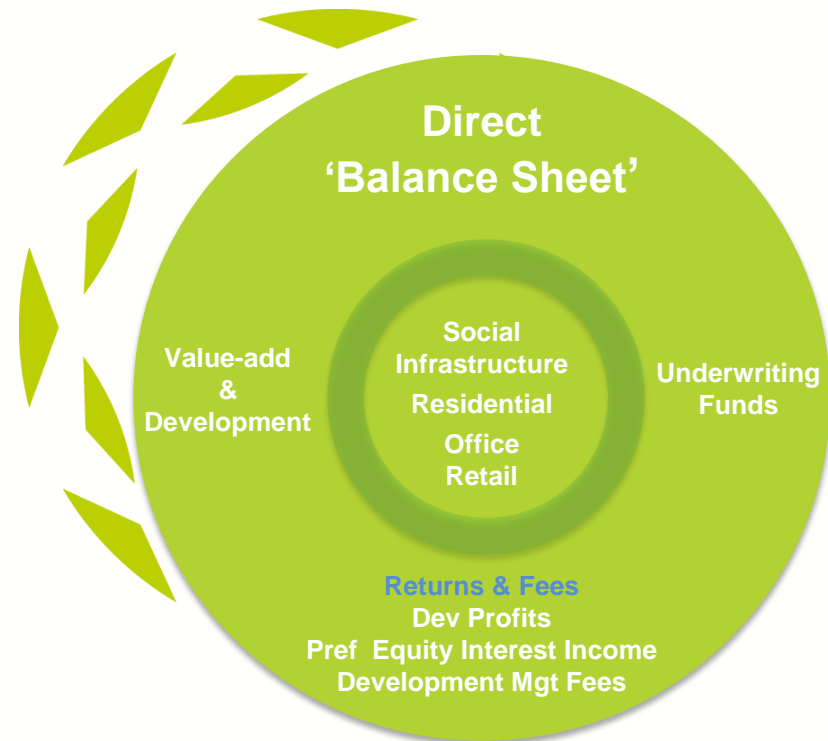
“Folkestone’s strong balance sheet provides it with significant capacity to continue to execute on its strategy”

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.
\$964 million in funds under management¹

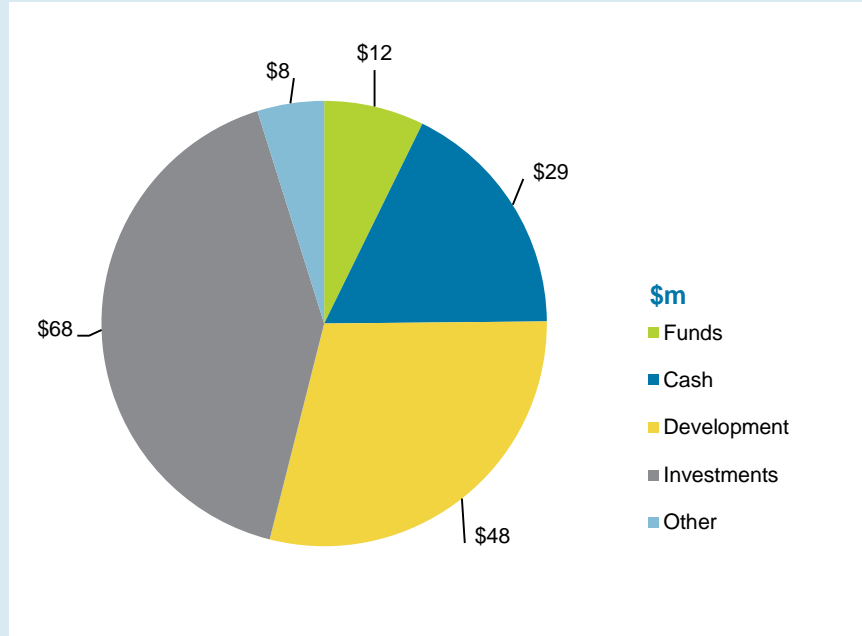


On balance sheet activities focus on value-add and opportunistic (development) investments.
Market capitalisation of \$141 million¹

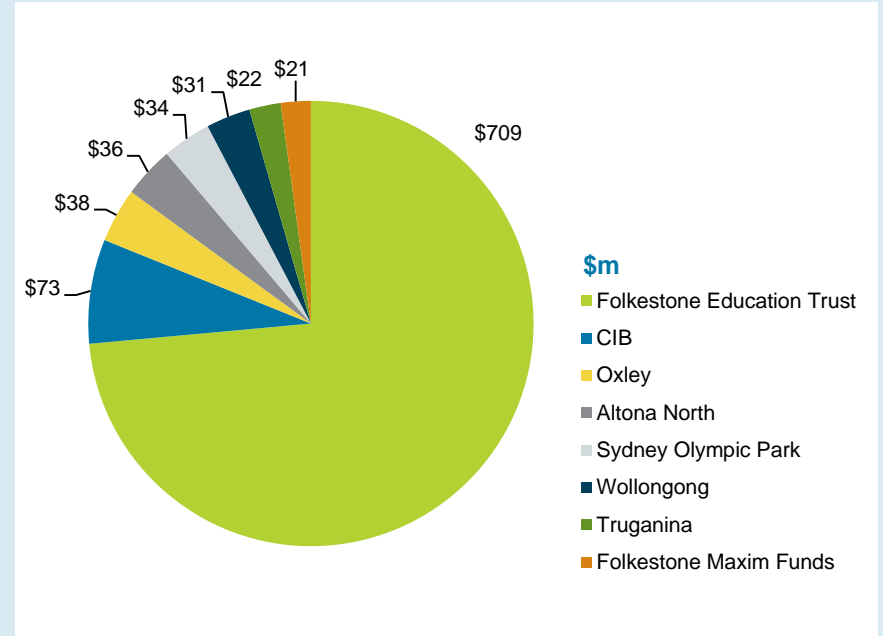
¹ As at 31 December 2015.

FOLKESTONE'S ASSETS & FUNDS UNDER MANAGEMENT

Balance Sheet Assets - \$150m
31 December 2015



Funds Under Management - \$964m
31 December 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

FUNDS MANAGEMENT



Public
Markets

Equity (Listed)

Listed A-REITs

- Folkestone Education Trust (ASX: FET)

A-REIT Securities Funds

- Folkestone Maxim A-REIT Securities Fund & SMA

\$964 MILLION IN FUM AND 7,480 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

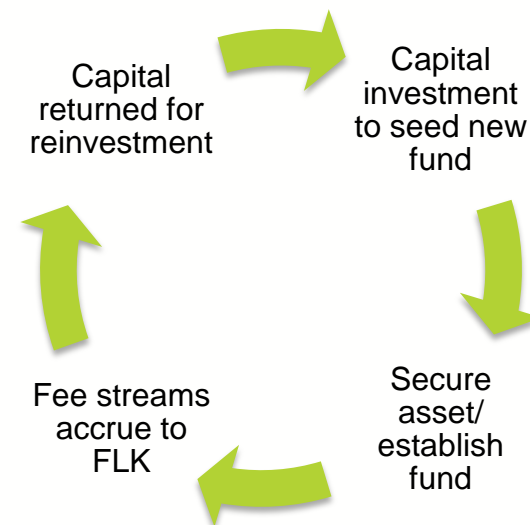


¹ As at 31 December 2015 and includes Folkestone and all its funds.

LISTED AND UNLISTED FUNDS

CURRENT FUNDS	TYPE	FUM (\$m)	BASE FEES P.A.	OTHER FEES
Folkestone Education Trust (ASX: FET)	Listed	709	0.50% of gross assets	• Debt arrangement fee
CIB Fund	Unlisted Wholesale	73	0.25% of gross assets	• Leasing fee
Sydney Olympic Park Income Fund	Fixed term unlisted – Sept 17	34	1.3% of net assets	• Acquisition fee • Performance fee
Wollongong Income Fund	Fixed term unlisted – June 19	31	1.3% of net assets	• Acquisition fee • Performance fee
Altona North Income Fund	Fixed term unlisted – Nov 20	36	1.1% of net assets	• Acquisition fee • Performance fee
Oxley Income Fund	Fixed term unlisted – April 20	38	1.3% of net assets	• Acquisition fee • Performance fee
Truganina Development Fund	Unlisted – June 19	22	\$400,000	• Acquisition fee • Underwriting fee • Performance fee
Maxim Asset Mgt	Unlisted	21	0.95% of gross assets	• Management fee
TOTAL		964		

- Core, value-add & opportunistic (development) funds
- Manage both listed and unlisted funds, A-REIT securities
- Current FUM circa \$964 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



WEST RYDE DEVELOPMENT FUND – CASE STUDY

- 50/50 JV with Toga
- 229 apartments in West Ryde, Sydney
- FLK's 50% share held in an FLK managed fund with FLK holding 50% of fund units i.e. effective 25% interest in project
- Fund closed substantially oversubscribed in February 2014
- Fund outperformed - 50%¹ return on equity and 30%¹ equity IRR vs forecast of 32%¹ and 18%¹ respectively
- FLK invested \$8.7 million in equity in the Fund and generated a return on equity of 79% over the life of Fund comprising:
 - acquisition fee of \$0.6 million
 - management fees & cost recoveries \$0.3 million
 - performance fee of \$1.6m paid in HY16
 - co-investment net profit before tax of \$4.4 million with \$3.3 million earned in HY16

¹ Post fees, pre tax.



DIRECT INVESTMENTS (On Balance Sheet)

DIRECT INVESTMENTS

Millers Junction, Altona North
Potter's Grove, Officer
Northside, Officer
Industria, Knoxfield
Elements, Truganina
Elements Retail Centre, Truganina
Wollert, Melbourne
North-West, Sydney
South Dural, Sydney
The Ranges, Karratha

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	Officer, VIC	240 Lots	Construction Complete	50	44	22 ²	Final Settlement March 2016
Potters Northside	Residential	Officer, VIC	~140 Lots	Under Construction	50	28	14	Mid 2017
Elements	Residential	Truganina, VIC	~707 Lots	Under Construction	16	159	25 ³	Mid 2019
The Ranges	Tourism	Karratha, WA	~108 Villas	Under Construction	25	55	14 ²	Under Review
Millers Junction Stage 2	Office/Retail/Warehouse Mews	Altona North, VIC	~74 Mews	Under Construction	50	30	15	Late 2018
Truganina Neighbourhood Activity Centre	Retail	Truganina, VIC	~5,000 sqm	STCA ¹	100	30	30	Mid 2018
Millers Junction Stage 3	Retail/Large Format Retail/Community	Altona North, VIC	~13,000 sqm	STCA ¹	100	65	65	2018
Knoxfield	Office/Retail/Warehouse Mews	Knoxfield, VIC	~83 Mews	Marketing	50	31	16	2020
North-West Sydney	Mixed-use	North-West Sydney NSW	~600 Apartments	STCA ¹	50	435 ⁴	218 ⁴	2020
South Dural	Residential	South Dural, NSW	~1,500 Lots	STCA ¹	50	610 ⁴	305 ⁴	2022
Wollert	Residential	Wollert, VIC	~513 Lots	STCA ¹	50	118 ⁴	24 ⁴	2021
TOTAL						1,605	747	

- FLK current projects – forecast completion value \$1,605 million and FLK share \$747 million
- Exposure to key residential markets – Sydney land and apartment, Melbourne land
- Strong JV Partners – ID_Land, Wilmac, Lyon Group
- Folkestone may look to recycle some of these developments into funds or sell to other developers

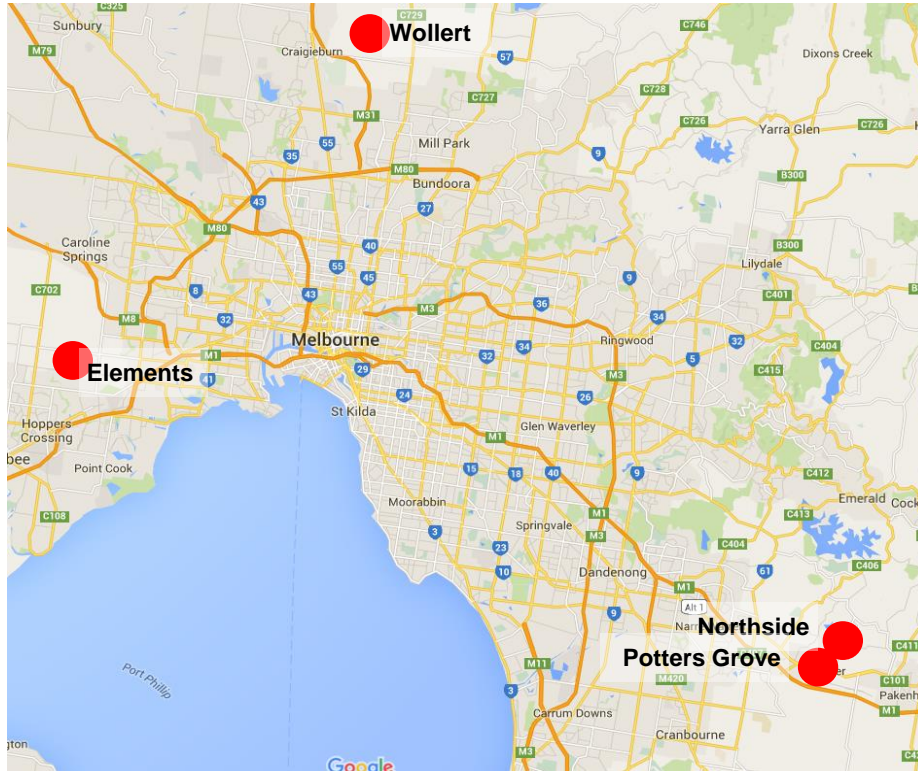
¹ STCA – subject to council approval.

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

³ Folkestone holds 18.8% of the Folkestone Truganina Development Fund which has a 80% interest in the project.

⁴ End value reflects the total estimated value of the development upon completion. It is anticipated that Folkestone may sell down all or part of its position to a 3rd party.

FOLKESTONE'S MELBOURNE LAND EXPOSURE

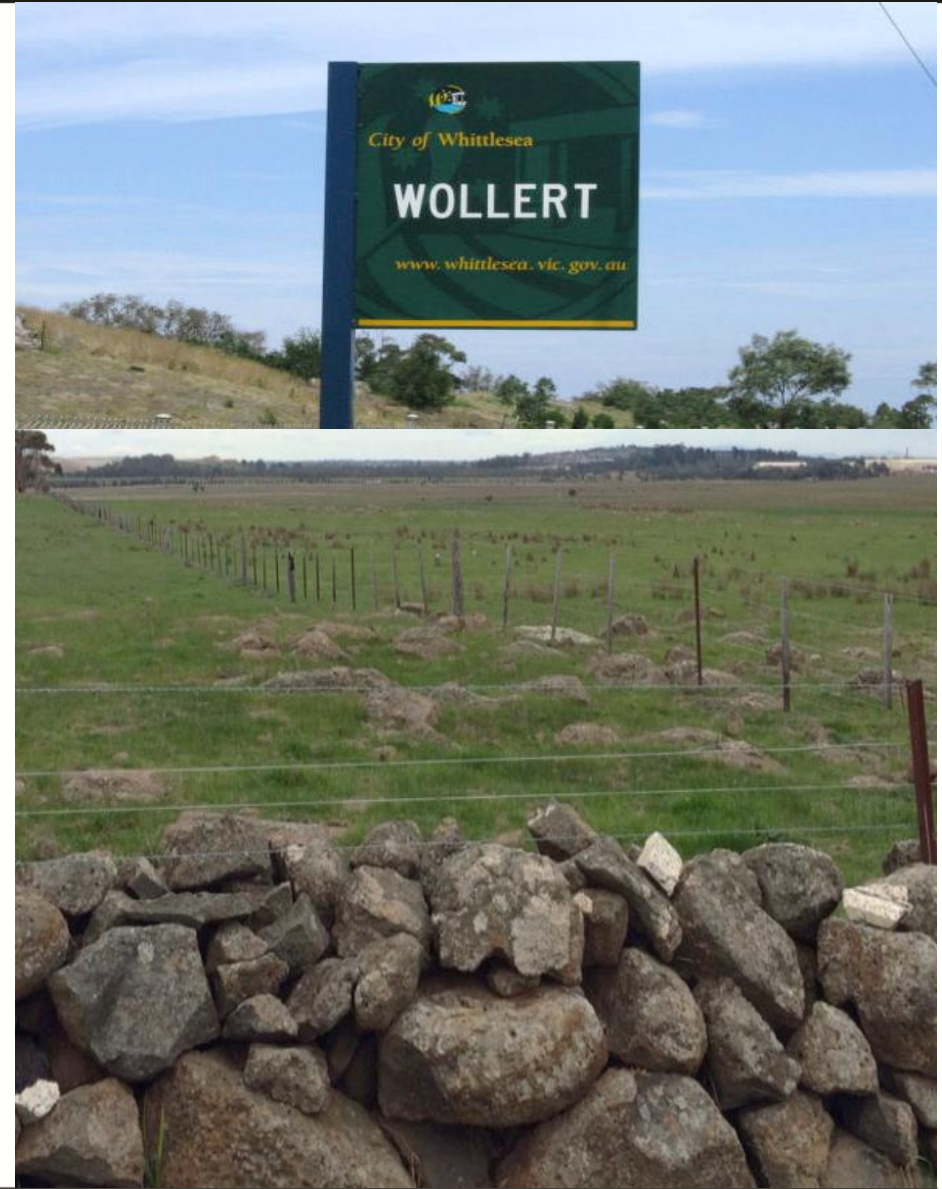


PROJECT	CONSTRUCTION COMMENCEMENT DATE	FORECAST PROJECT COMPELTION	TOTAL LOTS	TOTAL SOLD As At 31 DEC 2015	% SOLD
Current					
Elements	Jun-2015	Mid 2019	707	352	49.8
Potters Grove	Oct-12	March 2016	240	237	98.8
Potters Northside	Oct-15	Mid 2017	~140	95	64.2
TOTAL			1,087	684	62.9
Pipeline					
Wollert	Planning	2021	~500	n/a	n/a
Elements North	Planning	2024	~600	n/a	n/a
TOTAL			2,187		

- All sites acquired on deferred settlement terms
- Exposure in three key growth corridors of Melbourne
- Current project sales ahead of budget – especially Elements with lot sales running 50% ahead of schedule
- Wollert subject to planning approval expected in April 2016 - estimated timeframe 5 years to complete
- Victoria recorded Australia's fastest population growth in year to June 2015 – 1.7% and is forecast for further strong population growth in the coming years

LAND DEVELOPMENT STRATEGY

- Experienced specialist, private JV with developers
- Land in key corridors with significant existing/proposed infrastructure and amenity
- Planning regime and consent authorities relatively known
- Surrounded by larger estates, capable of providing large scale display home villages
- Flexible terms with land vendors allowing for staged land take up with variable super-lot sizes – more efficient use of capital
- Land settlement triggered by earlier of a long-stop date, or an event such as re-zoning
- Relatively low debt levels employed during project due to efficient capital structure
- Opportunities for structural uplift in lot yield (density) and pricing (product) during development
- Price point, sales volumes and cost base meets FLK benchmarks
- Target Development Margin (Return on Cost) >15% and Internal Rate of Return (IRR) > 25%
- FLK will typically look to:
 - secure opportunity on-balance sheet; and
 - sell down part or all to an FLK fund once planning approval granted



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 4 development projects with a combined estimated completion value of circa \$365 million (FLK indicative share circa \$217 million)

UNDER EXCLUSIVE DUE DILIGENCE	LOCATION	STATUS	FLK INDICATIVE SHARE (%)	ESTIMATED COMPLETION VALUE (\$m)	FLK INDICATIVE VALUE (\$m)
Mixed Use (health, aged care, retail, hotel)	NSW	Planning	50.0	72.0	36.0
Seniors Living ¹	NSW	Planning	49.0	140.0	69.0
Seniors Living ¹	NSW	Planning	80.0	120.0	96.0
Office	NSW	Planning	50.0	33.0	17.0
Total				365.0	217.0

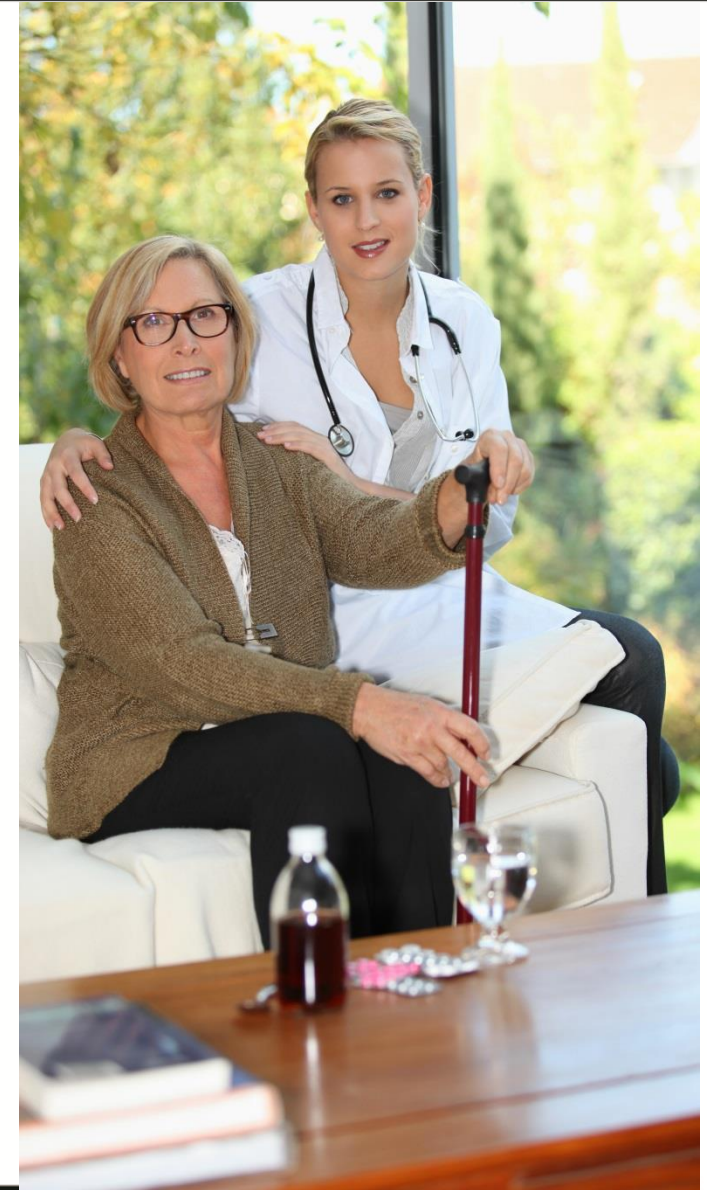
¹ FLK is also in due diligence on a number of completed seniors living assets (see page 19).

SENIORS LIVING



SENIORS LIVING

- FLK is seeking to expand into the seniors living sector
- Driven by:
 - strong demographics – aging population and extended life expectancy
 - growing penetration rates
 - consolidation opportunities in the sector
 - integration of independent living and the provision of aged care
 - opportunities to develop new facilities and services that respond to changing consumer demands and government regulations
- Focus will be on:
 - partnering with best of breed providers in both the operations and real estate
 - a blend of assets across the continuum of seniors living and care – independent living/retirement, aged care, home care, community care
 - both greenfield developments and existing facilities
 - metropolitan and major regional locations
 - facilities located in strong socio-economic areas with favourable demographics
 - combination of mature/cash-producing assets and development projects with a maturing cash profile
- Stuart Nicolson appointed CEO of Seniors Living in November 2015
 - 10 years sector experience
 - Former CEO of Retirement Alliance and Becton Seniors Living
- FLK will use both its balance sheet and establish fund(s) to invest in the sector
- FLK in due diligence on 8 existing facilities and greenfield developments across independent living/retirement and aged care assets



OUTLOOK



FOLKESTONE OUTLOOK

- Well positioned with strong balance sheet to continue to deliver on the strategy to:
 - grow its suite of 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 and seniors living
 - mixed-use – inner and middle ring suburbs
 - developments where FLK can manufacture quality product for its funds management platform or sell into the open market
- FLK confirms its earlier dividend advice - forecast fully franked dividend of at least 2.5 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's centres are leased to 28 tenants including Goodstart Early Learning, G8 Education and Affinity
- Average property yield 7.6%, 99.5% occupancy, 7.8 year WALE (by rental income)
- FET has generated strong outperformance 20.6% vs 14.4% for the Benchmark¹
- FLK holds 12.8 per cent of FET units on issue²
- FLK contributed \$4.6 million in management fees/ distributions and generated an unrealised gain of \$3.6 million³ on its investment in FET in HY16
- FY16 forecast distribution of 13.4 cpu, up 4.7% on FY15

Profile	As at 31 December 2015
Type	Listed
Sector	Early Learning
Location	Australia & New Zealand
No. of Properties	396
Occupancy (%)	99.5
Gross Assets (\$m)	708.7
FY16 Forecast Distribution (cpu)	13.4

¹ S&P/ASX 300 A-REIT Accumulation Index for year to 31 December 2015

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

³ After tax



- Wholesale fund established in June 2001 – four investors
- Nine police stations and two law courts
- Tenanted by Victorian State Government
- 100% occupancy – leases recently extended to 2020
- Yields range between 8.75% and 9.75%

Profile	As at 31 December 2015
Type	Unlisted
Sector	Police Stations & Courts
Location	Victoria
No. of Properties	11
Gross Assets (\$m)	73.1
NTA (\$)	2.07



- 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 9.7 years by income and 9.4 years by area
- Forecast distribution of 8.75% in FY16 paid quarterly
- Total return of 28.4% in 2015
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

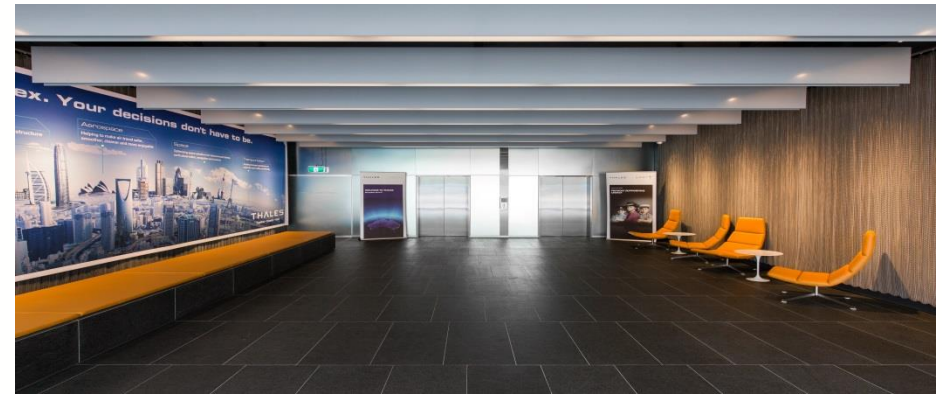


Profile	As at 31 December 2015
Type	Unlisted
Sector	Large Format Retail
Location	Altona North
No. of Properties	1
Gross Assets (\$m)	35.9
Occupancy (%)	100
FY16 Forecast Distribution (%)	8.75
Fund Expires	November 2020



- 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 10.2 years and 11.5 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
- Forecast distribution yield of 8.1% in FY16 paid quarterly
- Total return of 19.6% in 2015
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

Profile	As at 31 December 2015
Type	Unlisted
Sector	Neighbourhood Shopping Centre
Location	Oxley
No. of Properties	1
Gross Assets (\$m)	37.6
Occupancy (%)	98.9
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
- Weighted average lease length is 6.2 years by income and 6.4 years by area
- Forecast distribution yield of 9.0% in FY16 paid quarterly
- Total return of 20.9% in 2015
- Target return to exceed equity IRR hurdle rate of 10.0% p.a. over life of Fund

Profile	As 31 December 2015
Type	Unlisted
Sector	Office
Location	Sydney Olympic Park
No. of Properties	1
Gross Assets (\$m)	34.3
Occupancy (%)	100
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 74% of the income is currently sourced from Commonwealth and State Government tenants
- Weighted average lease length is 2.7 years by income and 2.6 years by area
- Major capital expenditure program continues to reposition and enhance the building
- Forecast distribution yield of 11.0% in FY16 paid quarterly
- Total return of 21.6% in 2015
- Target return to exceed equity IRR hurdle rate of 12.0% p.a. over life of Fund

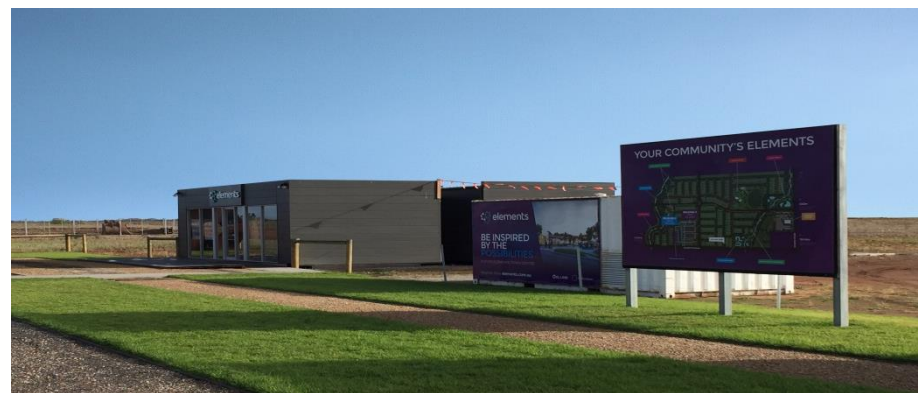
Profile	As at 31 December 2015
Type	Unlisted
Sector	Office
Location	Wollongong
No. of Properties	1
Gross Assets (\$m)	30.5
Occupancy (%)	98.7
FY16 Forecast Distribution (%)	11.0
Fund Expires	June 2019



- Unlisted development fund in a 50/50 JV with Toga
- 229 apartment residential apartment project in West Ryde, 20 kms west of Sydney CBD
- Practical completion – June 2015
- 64 lots settled at 30 June 2015 with further 165 lots settled in HY16 – 9 months ahead of schedule
- Fund return on equity of 32%¹ and equity IRR of 18%¹ upgraded to 50%¹ and 30%¹ respectively
- FLK invested \$8.7 million in equity in the Fund and generated a return on equity of 79% over life of Fund comprising:
 - acquisition fee of \$0.6 million
 - management fees & cost recoveries \$0.3 million
 - performance fee of \$1.6 million paid in HY16
 - co-investment net profit before tax of \$4.4 million with \$3.3 million earned in HY16

Profile	As at 31 December 2015
Type	Unlisted
Sector	Residential Apartments
Location	West Ryde
Fund Share - Project (%)	50
JV Partner	Toga
No. of Apartments	229
Fund Return (%)¹	Equity IRR p.a: 30 Return on Equity: 50
Project Completion	September 2015
Fund Completion	June 2016

¹ Post fees, pre-tax.



- Unlisted development fund in a 80/20 JV with ID_Land
- Residential land sub-division comprising circa 707 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 July 2018
- Strong pre-sales to date - almost double the number of lots in the base case feasibility
- Construction commenced May 2015 with first settlements expected March 2016
- In October 2015, FLK raised an additional \$2.5 million from Investors and provided \$2.5 million on an at call basis via a loan note offer to accelerate the development based on the strong pre-sales

¹ Post fees, pre tax.

Profile	As at 31 December 2015
Type	Unlisted
Sector	Residential Land
Location	Truganina, VIC
Fund Share – Project (%)	80
JV Partner	ID_Land
No. of Lots	Circa 707
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 Forecast Return p.a. (%)¹	Equity IRR: 20 Return on Equity: 69
Forecast Fund Completion	July 2018



- 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 in 2015 of 16.8% (after fees, before tax) vs Index¹ return of 14.4%
- No 1 performing fund in the Mercer A-REIT Australian Institutional Sector Survey at December 2015 and number 2 performing fund over 3 years

Profile	As at 31 December 2015
Type	Unlisted
Sector	A-REIT Securities
Investment	3-5 Years
Distributions	Quarterly
Fund Inception	October 2005

A High Conviction Manager Of A-REIT Securities

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

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 2)

DIRECT



- FLK entered a 50/50 JV with Wilmac Properties in September 2014
- Approximately 74 strata style office/warehouse/retail mews - forecast gross revenue of \$30m
- As at 31 December 2015, 32 pre-sales had been secured, representing 73% of units released to the market
- Construction commenced in September 2015
- Stage 1 comprising 29 mews to be completed and settled in September quarter 2016
- Stage 2 comprising 14 mews forecast to begin construction in March 2016
- Marketing of Stage 3A (13 units) was launched in January 2016
- FLK funds invested - \$2.0 million and a further \$0.5 million is forecast to complete the project

Profile	As at 31 December 2015
Sector	Office/Warehouse/Retail
Location	Altona North, VIC
Area (ha)	2.6
Acquired / Date of JV	Dec 2007 / Sept 2014
FLK Share (%)	50
FLK Funds Invested (\$m)	2.0
JV Partner	Wilmac Properties
No. of Mews	Circa 74
Forecast Project Value – Gross Revenue (\$m)	30.0
Forecast Completion Date	Late 2018

MILLERS JUNCTION, ALTONA NORTH (Stage 3)

DIRECT



- A master plan is currently being prepared for Stage 3 with focus on traditional retail, large format retail, commercial, family – early learning and other recreational and community facilities
- In 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 proposal is to consolidate the 3.4 hectare parcel with FLK's existing Stage 3 land holding (4.4 hectares) to create a substantial development opportunity
- Heads of Agreement with a major supermarket secured
- Strong interest from proposed occupiers following success of Stage 1 Millers Junction Home (completed) and Stage 2 Millers Junction Business (under construction)
- FLK funds invested - \$6.7 million and a further \$1.9 million is forecast to fund master planning costs and the remainder of the sublease costs payable to Bunnings up to the option exercise date

Profile	As at 31 December 2015
Sector	Retail/Large Format Retail /Community
Location	Altona North, VIC
Area (ha)	4.4 Owned 3.4 Optioned
Acquired	Dec 2007 (land) / May 2015 (option)
Optioned Land Exercise Date	July 2016
FLK Share (%)	100
FLK Funds Invested (\$m)	6.7
Forecast Project Value – Gross Revenue (\$m)	65.0
Forecast Completion Date	Early 2018

INDUSTRIA, 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 (March 2016)
- As at 31 December 2015, 6 pre-sales had been secured, and a further 2 secured since that date
- Construction of Stage 1A (12 mews) to commence in May 2016
- FLK funds invested - \$0.4 million and a further \$1.7 million is forecast to complete the project

Profile	As at 31 December 2015
Sector	Office/Warehouse/Retail
Location	Knoxfield, VIC
Area (ha)	2.75
Acquired/Option Date	May 2015/April 2016
FLK Share (%)	50
FLK Funds Invested (\$m)	0.4
JV Partners	Wilmac Properties
No. of Mews	Circa 88
Forecast Project Value – Gross Revenue (\$m)	31.0
Forecast Project Completion	Early 2020



- 14.1 hectare site located in the Cardinia Shire, in south-east Melbourne
- 50/50 JV with ID_Land
- As at 31 December 2015:
 - 236 lots had settled – 38 of these occurred in HY16
 - 4 were unsold (1 unsold as at 17 February 2016)
- FLK total project return totaled \$4.5 million profit before tax (includes development profit and preferred equity interest)
- FLK Equity IRR of 26.8%
- FLK funds invested - \$0.5 million and no further funds are required for this development

Profile	As at 31 December 2015
Sector	Residential Land
Location	Officer, VIC
Area (ha)	14.1
Ownership Interest (%)	50
FLK Funds Invested (\$m)	0.5
JV Partner	ID_Land
No. of Lots	240
% of Lots Sold¹	99
Project Completion	March 2016

¹ As at 18 February 2016 1 lot remaining.

POTTERS NORTHSIDE, OFFICER

DIRECT



- 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
- Construction has commenced with 1st settlements expected in 2nd quarter 2016
- Pre-sales secured to date remain ahead of budget
- FLK funds invested - \$2.1 million and a further \$1.2 million is forecast to complete the project

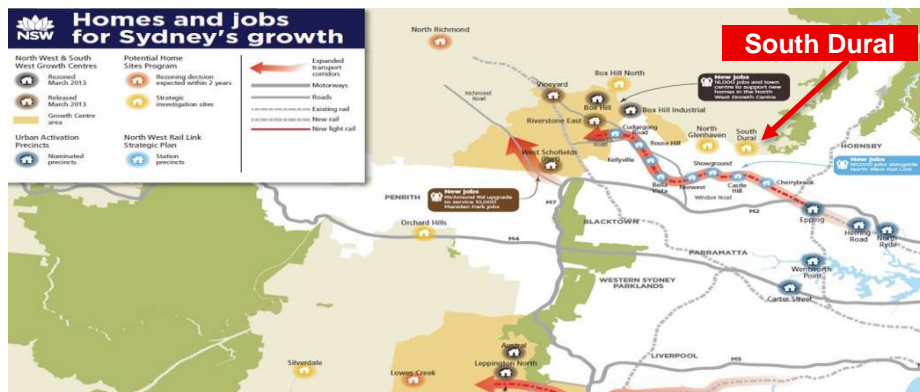
Profile	As at 31 December 2015
Sector	Residential Land
Location	Officer, VIC
Area (ha)	8.0
Ownership Interest (%)	50
FLK Funds Invested (\$m)	2.1
JV Partner	ID_Land
Option Acquired	August 2014
No. of Lots	Circa 140
Forecast Project Value – Gross Revenue (\$m)	28.0
Forecast Project Completion	Mid 2017



- 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
- FLK funds invested - \$4.2 million and a further \$0.8 million is forecast to achieve rezoning of the land

Profile	As at 31 December 2015
Sector	Mixed Use
Location	Sydney, NSW
Ownership Interest (%)	50
FLK Funds Invested (\$m)	4.2
JV Partner	Lyon Group
JV Commenced	December 2014
Land Area Optioned/Owned (sqm)	2,865
Forecast Project Value – Gross Revenue (\$m)¹	Circa 435
Forecast Project Completion	2020

¹ End value reflects the total estimated value of the development upon completion. It is anticipated that Folkestone may sell down all or part of its position to a 3rd party.



- Second 50/50 JV with the Lyon Group
- JV has acquired development rights to circa 60 hectares of land owned / under option by the Lyon Group
- JV appointed Developer Proponent by South Dural Residents and Ratepayers Association
- JV seeking rezoning of broader South Dural precinct (240 hectares) to facilitate staged residential and mixed use development
- FLK funds invested - \$5.9 million and a further \$0.6 million is forecast to achieve rezoning of the land

Profile	As at 31 December 2015
Sector	Residential
Location	South Dural, NSW
Ownership Interest (%)	50.0
FLK Funds Invested (\$m)	5.9
JV Partner	Lyon Group
JV Commenced	October 2015
Land Area Optioned/Owned (ha)	~60.0
Forecast Project Value – Gross Revenue (\$m)¹	610
Forecast Project Completion	2022

¹ End value reflects the total estimated value of the development upon completion. It is anticipated that Folkestone may sell down all or part of its position to a 3rd party



- 50/50 JV with ID_Land
- Wollert is located in the city of Whittlesea, approximately 25km north of Melbourne in the rapidly growing Northern Growth Corridor
- Acquired 48 hectares of land on a staged settlement basis
- Land is located within Wollert Precinct Structure Plan with rezoning expected to occur in mid 2016
- Project will encompass ~500 residential lots with an estimated end value of circa \$120m
- Following PSP approval, Folkestone and ID_Land may sell down part of their investment in the project to a FLK Fund
- FLK funds invested - \$2.7 million and a further \$0.3 million is forecast to achieve rezoning of the land

Profile	As at 31 December 2015
Sector	Residential land
Location	Wollert, VIC
Ownership Interest (%)	50
FLK Funds Invested (\$m)	2.7
JV Partner	ID_Land
JV Commenced	December 2015
Land Area (ha)	48.0
No. of Lots	~500
Forecast Project Value – Gross Revenue (\$m)	~120.0
Forecast Project Completion	June 2021



- Providing short and long-term accommodation in Karratha
- Stage 1 consists of 108 one bedroom villas:
 - Stage 1a (41 villas) – complete, all 41 lots have sold and settled
 - Stage 1b (32 villas) – complete, all 32 have been pre-committed. As at 31 December 2015, 12 villas had settled, 4 are anticipated to settle in March quarter 2016, with remaining 16 villas to be acquired by JV partners
 - Stage 1c (35 villas) – on hold, pending market support
- Stage 2 - 7.1ha site with potential for urban development
- Stage 1a & 1b occupancy averaged 61% for the year to 31 December 2015¹
- A further \$1.2 million impairment provision made at 31 December 2015, \$0.4 million against equity investment and \$0.8 million against the preferred equity loan

Profile	As at 31 December 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
FLK Funds Invested (\$m)	3.3
JV Partner	Various Parties
No. of Villas	Stage 1 – 108
Forecast Project Value – Gross Revenue (\$m)	Stage 1 – 55.0

¹ The occupancy reported is inclusive of an increase in units from 41 to 69 throughout Q4

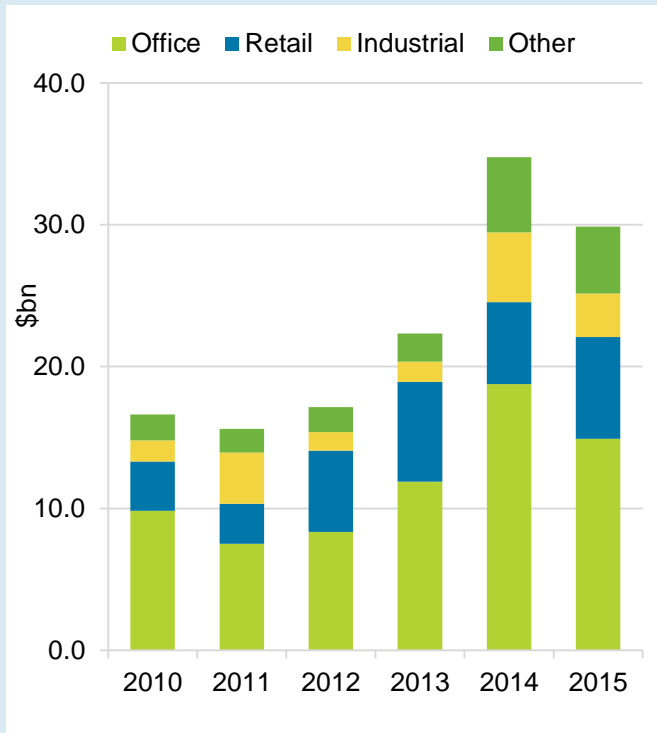
APPENDIX 3 – Market Outlook



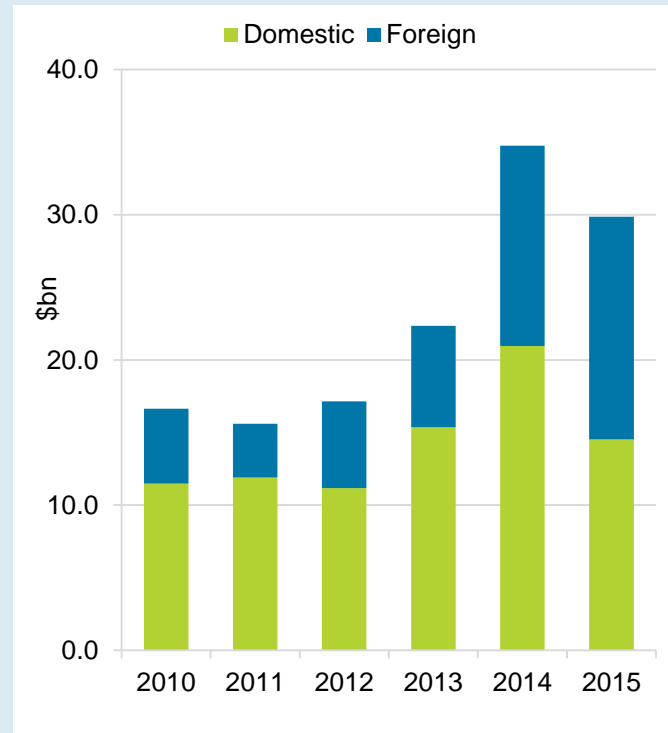
Sydney Olympic Park

AUSTRALIAN MARKET CONDITIONS – TRANSACTIONS

Foreign Investment by Source of Sector:
2010 - 2015



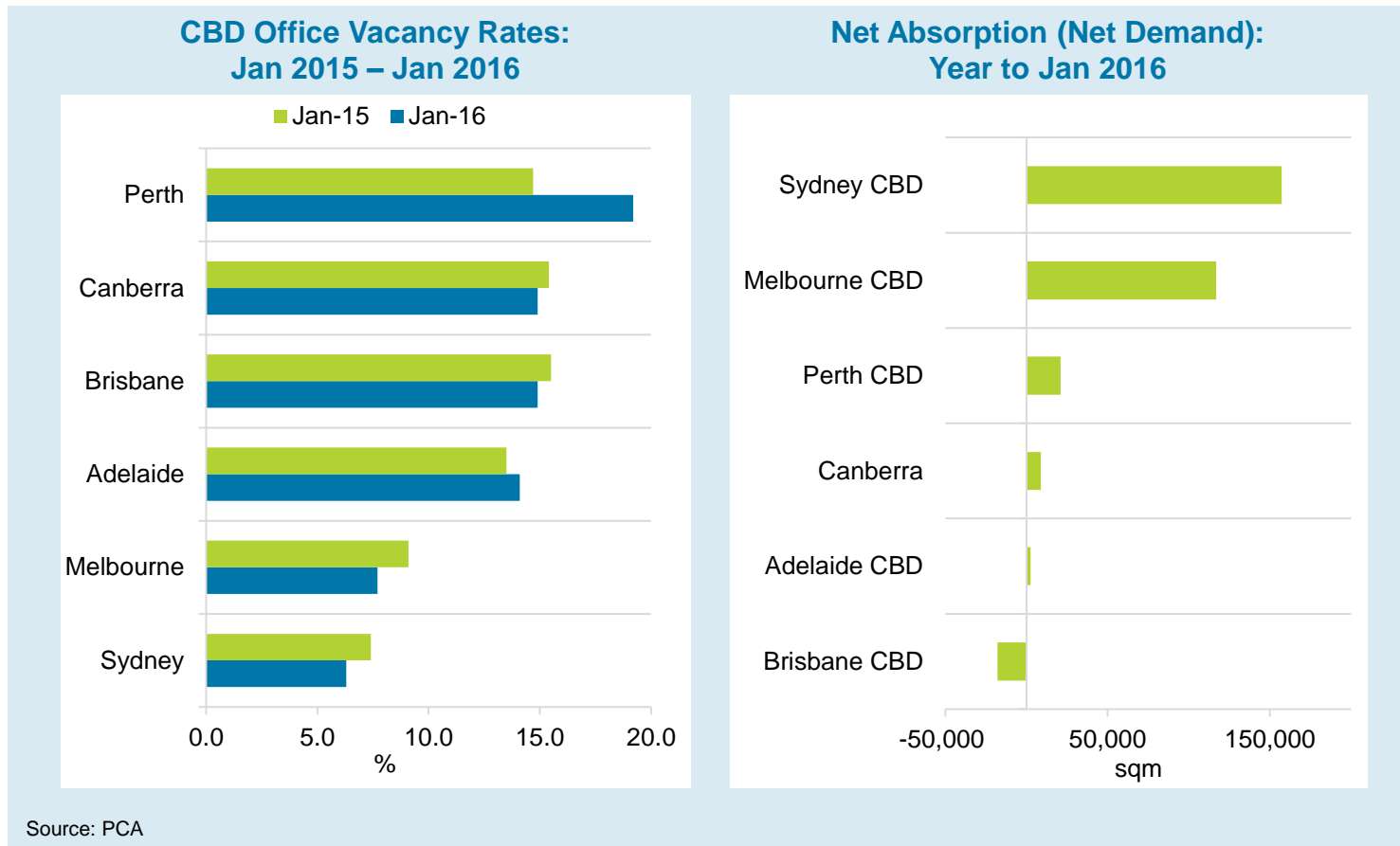
Total Purchasing Activity by Source of
Capital: 2010 - 2015



Source: Cushman & Wakefield

- \$29.9 billion of non-residential assets was transacted in 2015 – down 14% on last year's post-GFC record of \$34.8 billion
- Activity running below levels in 2014 due to stock availability rather than capital drying up
- Foreign investors accounted for a record 51% of transaction value in the past year
- Office remains the key target for foreign investors (Sydney and Melbourne), also strong interest in prime industrial and hotels

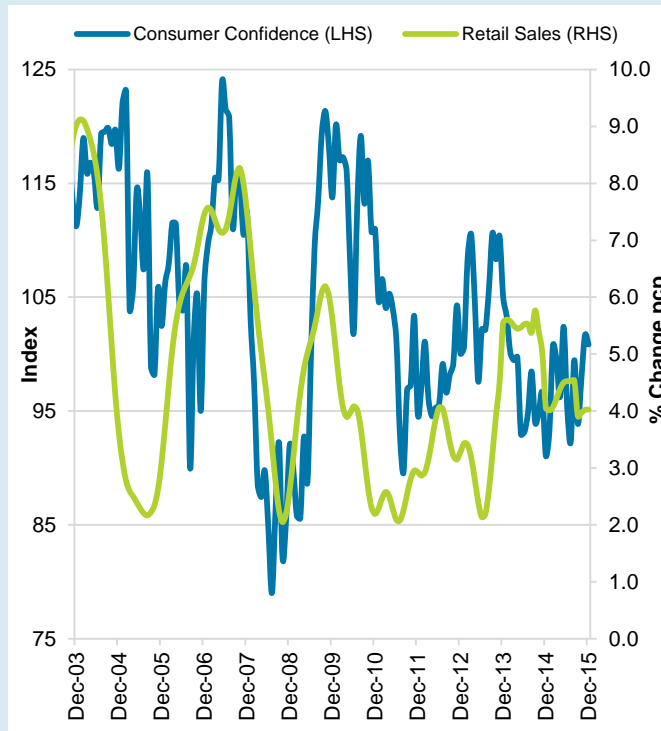
AUSTRALIAN MARKET CONDITIONS – OFFICE



- Vacancy rates reflect divergent economic growth prospects of the major markets
- Sydney and Melbourne are the only CBD markets to record single digit vacancies
- Tenant demand was subdued in most markets except Sydney and Melbourne CBD's - we expect this to be the case again in 2016

AUSTRALIAN MARKET CONDITIONS – RETAIL

Retail Sales vs. Consumer Confidence:
2003 – 2015



Source: ABS

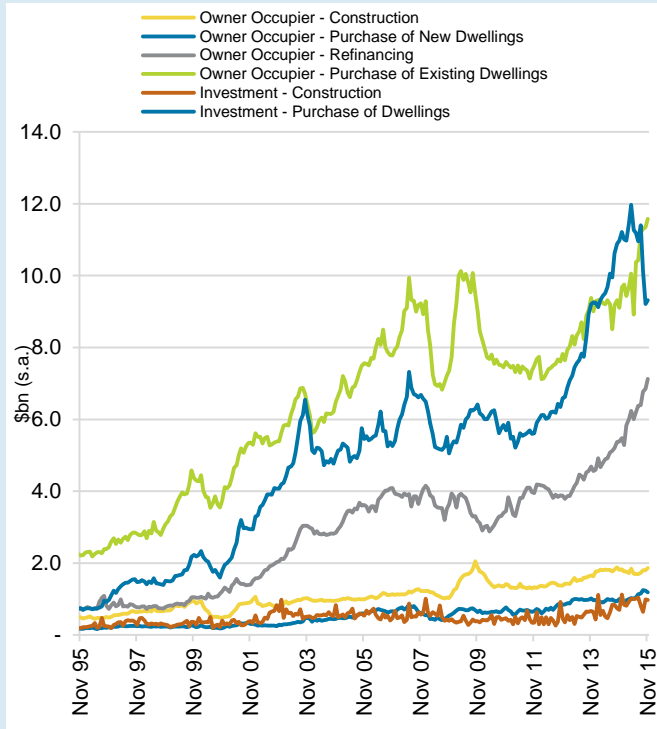
Retail Turnover by Type:
Year to Dec 2015



- Retail sales grew by 4.2% in 2015 driven by 8.1% growth in household goods (impact of strong housing market)
- Consumer confidence improved in 2nd half of 2015 - positive for retail sector
- Strong population growth, lower petrol prices rising house prices and equity values (the “wealth effect”) helped spending in 2015
- Keys for confidence and retail spending in 2016 will be economic prospects, the direction of equity and equity markets

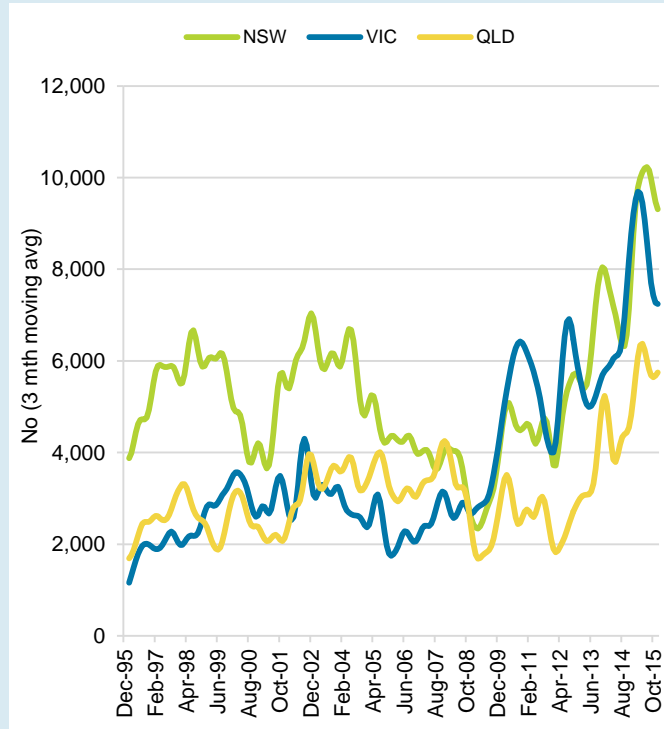
AUSTRALIAN MARKET CONDITIONS – RESIDENTIAL

Housing Finance by Type of Borrower and Use: 1995 - 2015



Source: ABS

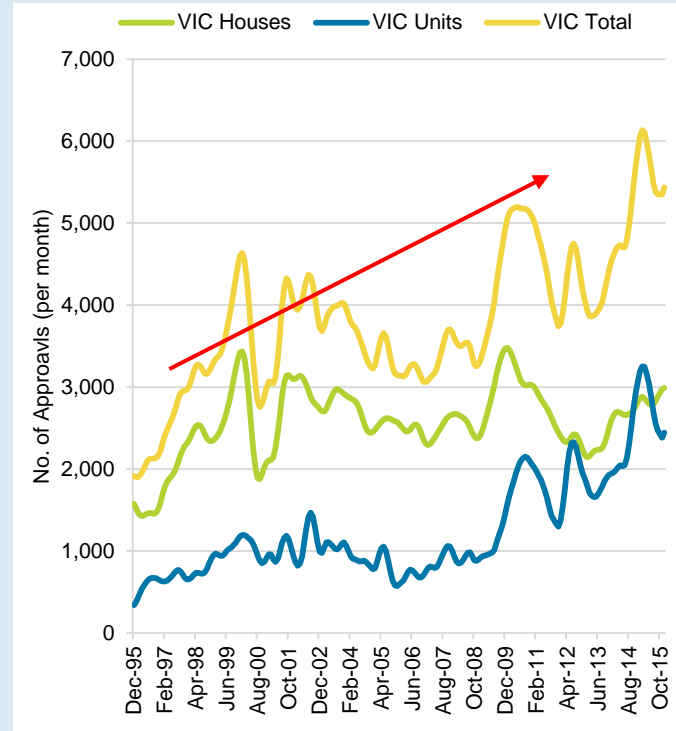
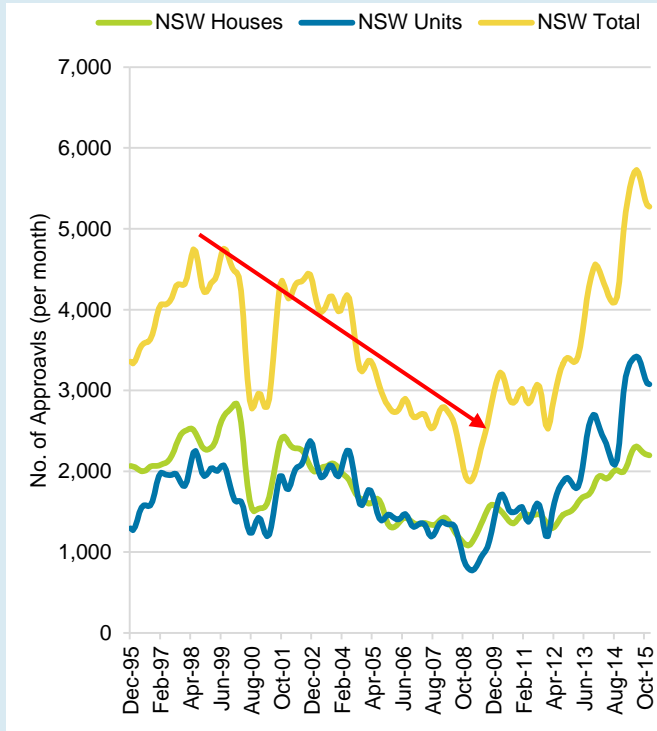
Multi- Unit Dwellings Approvals: 1995 - 2015



- Investor activity has been driving the residential market between 2012 - early 2015
- However, APRA macro-prudential controls on bank lending now having an impact on the investor market
- Lending to borrowers purchasing existing dwellings now back on top
- As finance has contracted so too has apartment dwelling approvals which was a key target segment for investors

AUSTRALIAN MARKET CONDITIONS – RESIDENTIAL

House and Apartment Approvals – NSW and Victoria: 1995 – 2015

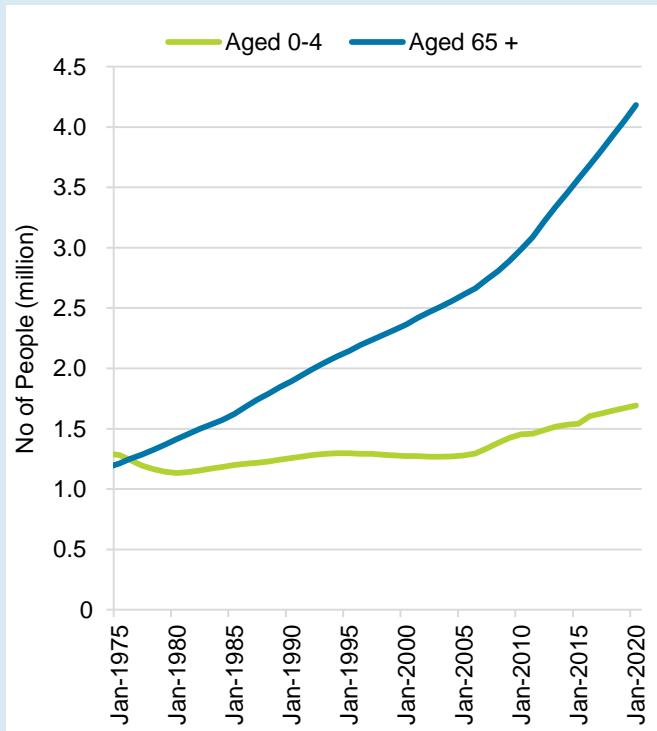


Source: ABS

- NSW approvals declined significantly between 2003 and 2008 but significantly picked up in past 3 years
- VIC approvals continue to run ahead of long-term average and also ahead of NSW – more efficient planning system
- Declining affordability, macro prudential controls on investor lending, concerns of oversupply in some sub-markets (inner Melbourne, South Sydney), supply bottlenecks (Sydney planning) will see supply taper off in 2016

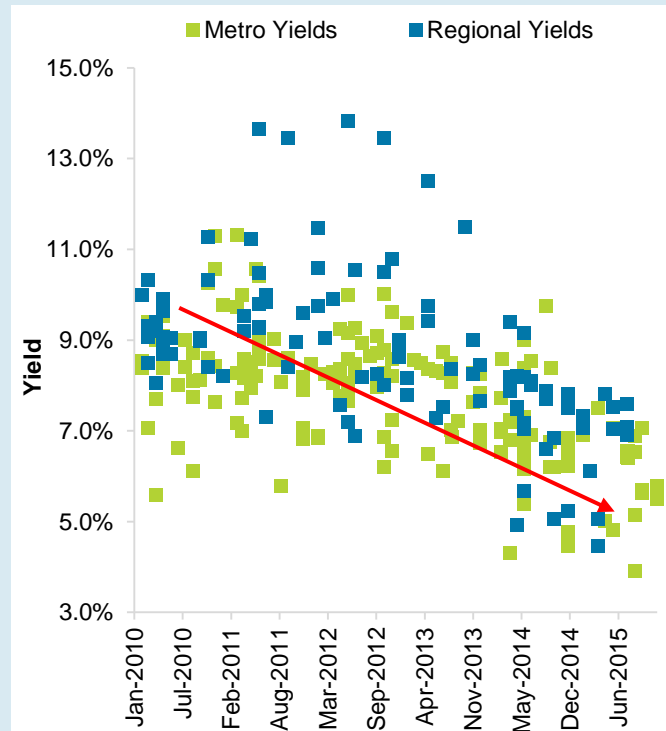
AUSTRALIAN MARKET CONDITIONS – SOCIAL INFRASTRUCTURE

**Australia's Population:
1972 - 2020**



Source: ABS

**Early Learning Centre Sale Yields:
2010 - 2015**



- Demographic tailwinds are positive – next 5 years 0-4 years old to grow at 2.0% p.a. and over 65's 3.4% p.a. both above the overall growth in population
- 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
- 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 but stock availability will temper transaction activity in 2016
- Capital values for prime non-residential assets should rise in year ahead (still scope for further cap rate compression), albeit not to extent recorded in 2015
- Availability of equity and debt will be critical – secondary assets may come under pressure if capital contracts and/or there is no clear strategy for value creation
- 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 slowing but unlikely to collapse
- Investors need to identify and quantify the risk in their real estate portfolios and focus on the underlying real estate fundamentals



FOLKESTONE REAL ESTATE INCOME FUND AT SYDNEY OLYMPIC PARK,NSW



FOLKESTONE REAL ESTATE INCOME FUND AT OXLEY, QLD



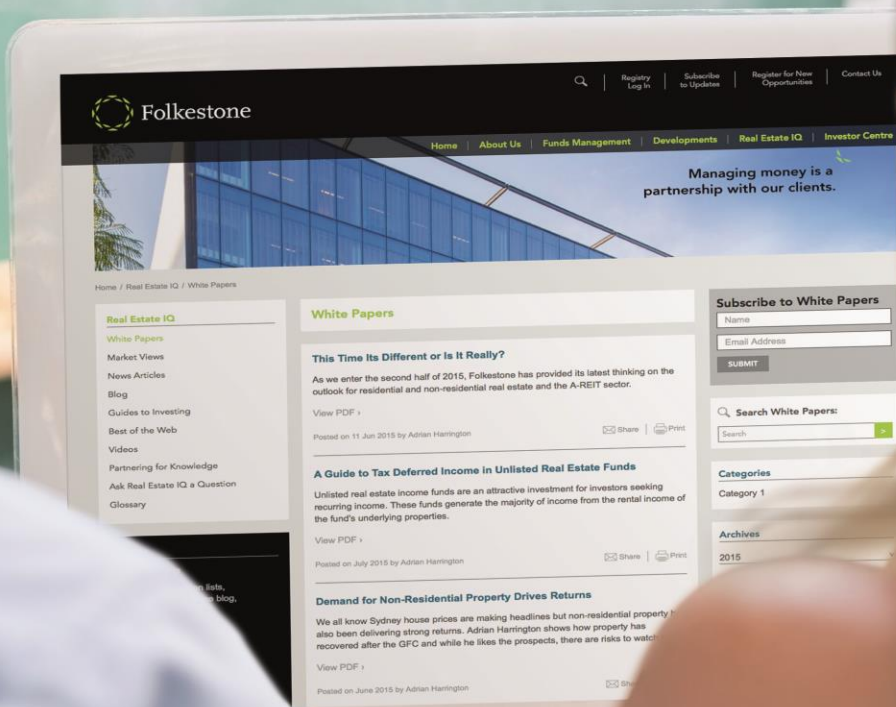
FOLKESTONE AND I LAND'S DEVELOPMENT AT POTTERS GROVE, VIC



FOLKESTONE EDUCATION TRUST – NIDO EARLY LEARNING SCHOOL, NEDLANDS, WA



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