

# FOLKESTONE

HY17 - Half Year Results  
ASX:FLK

28 February 2017



Folkestone

# CONTENTS

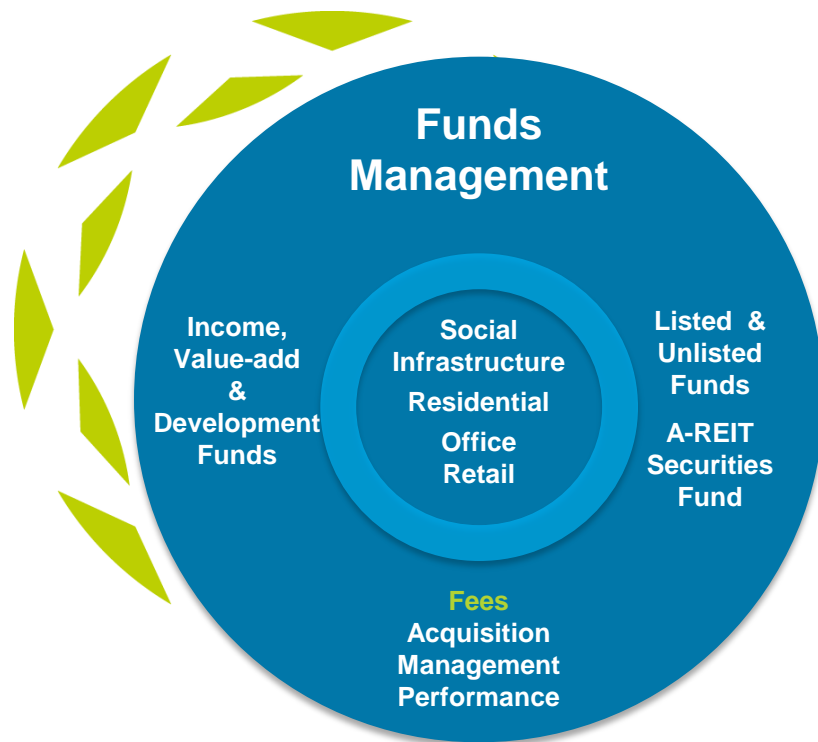
Overview	3
Half Year Performance	5
Funds Management	9
Development	15
Outlook	21

Appendix 1 - Financials	23
Appendix 2 - Developments	27

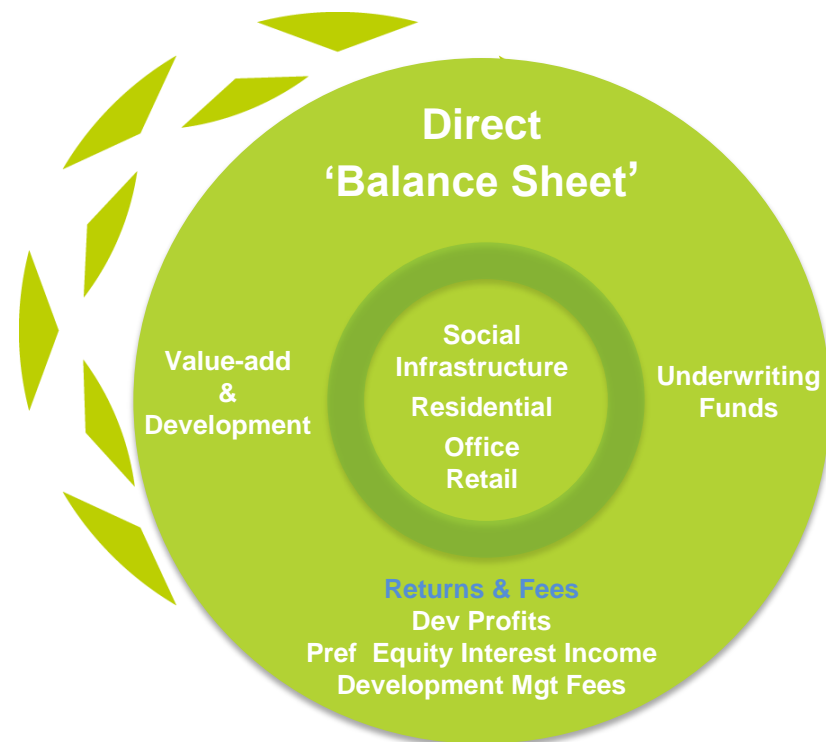


# FOLKESTONE OVERVIEW

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  
\$1.2 billion in funds under management<sup>1</sup>



On balance sheet activities focus on value-add and opportunistic (development) investments  
Market capitalisation of \$143 million<sup>1</sup>

<sup>1</sup> As at 27 February 2017.

# FOLKESTONE OVERVIEW

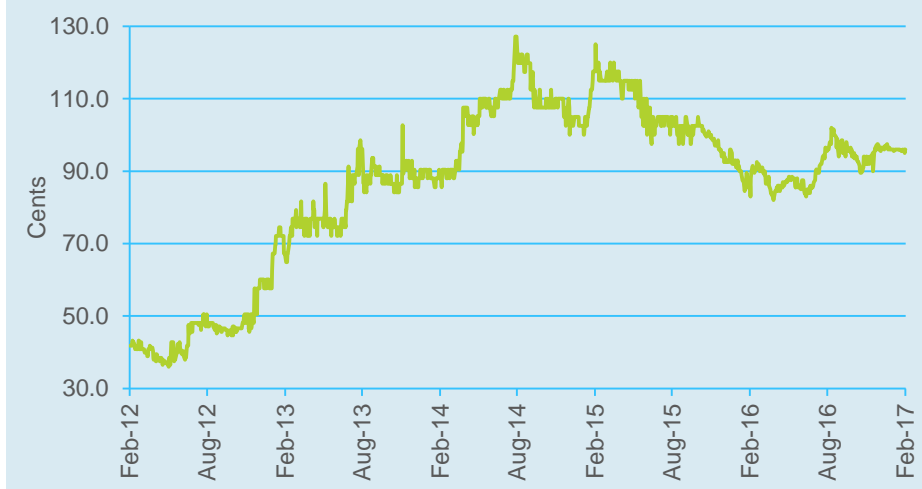
## Capital Structure

Share Price <sup>1</sup> (cents)	97.0
Fully Paid Ordinary Shares (m)	147.6
Market Capitalisation <sup>1</sup> (\$m)	143.2

## Major Shareholders

Phoenix Portfolios	10.11%
GJP Investments (related to Greg Paramor)	9.22%
FDC Construction & Fitout	6.34%
Top 20 Shareholders	58.1%

## Share Price<sup>2</sup>: February 2012 – February 2017



## Directors & Senior Management

Garry Sladden	Non-Executive Chairman
Mark Baillie	Deputy Chairman
Ross Strang	Non-Executive Director
Greg Paramor AO	Managing Director
Ben Dodwell	Head of Real Estate
Adrian Harrington	Head of Funds Management
Nick Anagnostou	CEO - FET
Stuart Nicolson	CEO - Seniors Living
Scott Martin	CFO & Company Secretary

1. As at 27 February 2017.

2. Share price has been restated to account for the 1:5 share consolidation completed in November 2015.



# HY17 PERFORMANCE



Folkestone

Watermark Castle Cove -  
an asset of the Folkestone Seniors Living Fund No. 1

# HY17 RESULTS - HIGHLIGHTS

- Revenue of \$10.4m down 0.2%
- Statutory NPAT of \$3.2m up 6.0%
- Statutory EPS of 2.2 cps up 5.6%
- Normalised NPAT<sup>1</sup> of \$3.2m up 2.3%
- Normalised EPS<sup>1</sup> of 2.2 cps up 1.9%
- Net Asset Value of 96.7cps down 2.3% from 30 June 2016
- Strong balance sheet:
  - net assets of \$142.7m down 2.1% from 30 June 2016
  - low gearing of 8.7% up from 4.2% at 30 June 2016
- Funds under management of \$1.2 billion up 12.6%
- First seniors living fund closed oversubscribed
- Strong sales across active development projects
- Added one new development project to the pipeline
- **FLK maintains full year dividend guidance of 2.62cps in respect of FY17 assuming no material change in market conditions**

1. The normalised NPAT and EPS are non-statutory amounts and in Folkestone's view better reflect the underlying operating performance of the business. The normalised figures exclude significant one-off items. See slide 7.



# HY17 RESULTS – PROFIT & LOSS

- Total revenue of \$10.4m in line with HY16:
  - Funds Management revenue of \$7.5m down 0.3% on HY16 but recurring fee income was up 20.6% and transaction fees were up 138.5% on HY16
  - Net development profit of \$2.8m up 8.1% on HY16
- Total expenses of \$5.4m down 4.3% on HY16
- Statutory NPAT of \$3.2m up 6.0% on HY16
- Normalised NPAT of \$3.2m up 2.3% on HY16

## Profit & Loss Attributable to Folkestone<sup>1</sup>

Half Year to December (\$m)	HY16	HY17	% Change
<b>Revenue</b>			
Funds Management	7.47	7.45	(0.3)
Development (Net)	2.63	2.84	8.1
Other	0.28	0.07	(73.7)
<b>Total Revenue</b>	<b>10.38</b>	<b>10.36</b>	<b>(0.2)</b>
<b>Expenses</b>			
Employee	(3.80)	(3.95)	(3.9)
Administration	(1.01)	(1.18)	(17.2)
Due Diligence (DD)	(0.67)	(0.11)	83.7
Rental	(0.14)	(0.14)	(4.4)
<b>Total Expenses</b>	<b>(5.62)</b>	<b>(5.38)</b>	<b>4.3</b>
<b>EBITDA (Statutory)</b>	<b>4.76</b>	<b>4.98</b>	<b>4.6</b>
<b>One-Off Items</b>			
Establishment Costs – Property Management	-	0.09	-
DD Costs - Transactions Not Proceeding	0.24	-	100.0
<b>Total One-Off Items</b>	<b>0.24</b>	<b>0.09</b>	<b>(62.7)</b>
<b>EBITDA (Normalised)</b>	<b>5.00</b>	<b>5.07</b>	<b>1.3</b>
Depreciation & Amortisation	(0.06)	(0.06)	-
Interest	(0.34)	(0.26)	25.0
<b>Net Profit Before Tax</b>	<b>4.36</b>	<b>4.66</b>	<b>7.0</b>
Tax	(1.34)	(1.47)	(10.2)
<b>Net Profit After Tax (Statutory)</b>	<b>3.02</b>	<b>3.19</b>	<b>6.0</b>
One-Off Items (Tax Effected)	0.17	0.06	(62.7)
<b>Net Profit After Tax (Normalised)</b>	<b>3.19</b>	<b>3.25</b>	<b>2.3</b>
<b>Statutory EPS</b>	<b>2.0</b>	<b>2.2</b>	<b>5.6</b>
<b>Normalised EPS</b>	<b>2.2</b>	<b>2.2</b>	<b>1.9</b>

1. Summary of profit & loss excludes the impact of consolidation of the Folkestone West Ryde Development Fund which is included in the Consolidated Financial Statements of the Group.

# HY17 RESULTS – BALANCE SHEET

- Strong balance sheet with low gearing of 8.7%
- Net assets of \$142.7m, down 2.1% primarily driven by:
  - \$4.0m decrement in value of FET Unitholding (\$2.8m net of tax)<sup>1</sup>
- Liabilities increased during current reporting period primarily driven by \$7.5m drawdown of ANZ corporate facility
- NAV of 96.7cps, down 2.3%
- NTA of 91.6cps, down 2.1%
- \$11.8m in cash and \$12.5m in undrawn facilities available giving capacity to fund new opportunities

## Balance Sheet Attributable to FLK

As at	June 2016 \$m	Dec 2016 \$m	% Change
Total Current Assets	42.79	33.35	(22.1)
Total Non-Current Assets	123.52	134.89	9.2
<b>Total Assets</b>	<b>166.32</b>	<b>168.24</b>	<b>1.2</b>
Total Current Liabilities	10.08	7.73	23.3
Total Non-Current Liabilities	10.51	17.84	(69.7)
<b>Total Liabilities</b>	<b>20.59</b>	<b>25.57</b>	<b>(24.2)</b>
<b>Net Assets</b>	<b>145.73</b>	<b>142.67</b>	<b>(2.1)</b>
<b>NAV (cents per security)</b>	<b>98.9</b>	<b>96.7</b>	<b>(2.3)</b>
<b>NTA (cents per security)</b>	<b>93.6</b>	<b>91.6</b>	<b>(2.1)</b>
<b>Gearing – Balance Sheet (%)</b>	<b>4.2</b>	<b>8.7</b>	<b>(104.0)</b>

1. Based upon the closing FET Unit price of \$2.67 at 30 June 2016 and \$2.54 at 31 December 2016. The closing FET Unit price at 27 February 2017 was \$2.74.





# FUNDS MANAGEMENT



Folkestone

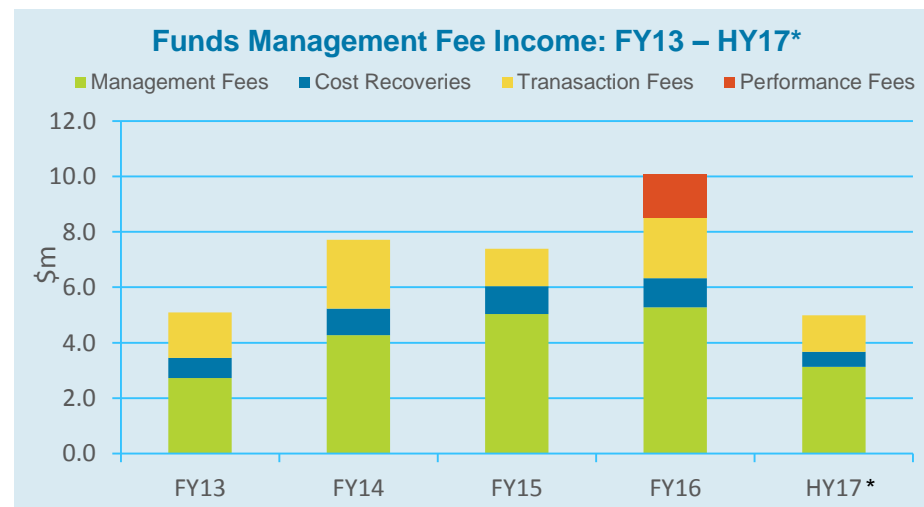
Sydney Olympic Park, NSW – an asset of the Folkestone Real Estate Income Fund at Sydney Olympic Park

# FUNDS MANAGEMENT – RESULTS OVERVIEW

- Funds under management of \$1.2bn
  - up 12.6% since June 2016
  - up 23.0% since December 2015
- Total revenue of \$7.5m in line with HY16:
  - recurring fees/cost recoveries up 20.6% and transaction fees up 138.5%
  - no performance fees was generated in HY16
- FLK manages Folkestone Education Trust (ASX: FET) and owns 12.3% of Units on issue:
  - \$3.4m in fees to FLK – up 34.8% on HY16
  - \$2.2m in distributions to FLK – up 1.5%
  - \$19.7m unrealised gain on Units held at 31 December 2016<sup>1</sup>
- FLK established a property management division to manage FET/FCIB assets, \$0.24m fees earned since October 2016
- Strong investment performance of all FLK's funds in HY17
  - all funds outperforming their relevant benchmark
  - 5 funds have performance fee structures which should generate additional performance fees when each fund's term expires between FY18 and FY19

- Comprises \$23.7m unrealised gain recognised to 30 June 2016 and a \$4.0m unrealised loss in the six months ended 31 December 2016. Unrealised Gains/Losses are recognised as other Comprehensive Income in the Consolidated Financial Statements of the Group.
- Management fees and cost recoveries from each fund.

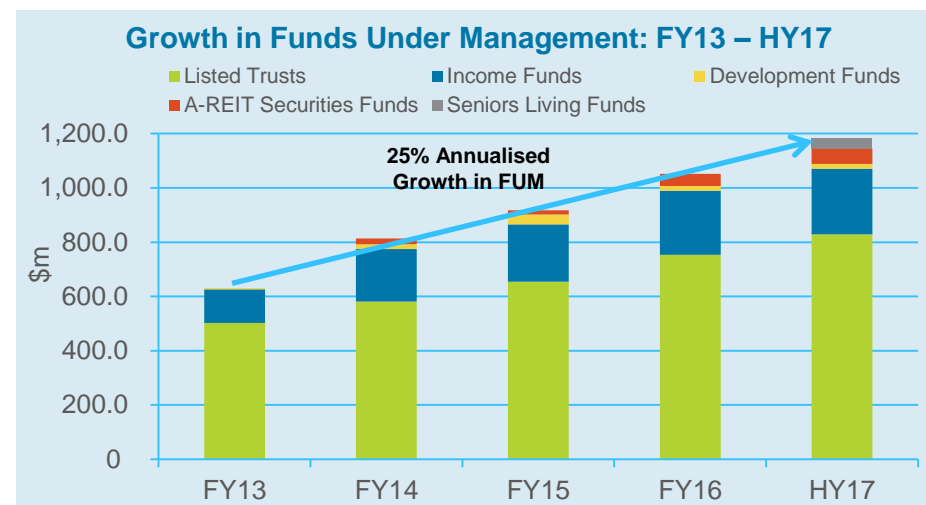
For the Half Year Ended 31 December	HY16 (\$m)	HY17 (\$m)	% Change
Management Fees/Cost Recoveries	3.04	3.66	20.6
Transaction Fees	0.56	1.35	138.5
Performance Fees	1.58	-	(100.0)
Property Management Fees	-	0.24	-
Distributions (FET & A-REIT Securities)	2.15	2.18	1.5
Other	0.14	0.02	(84.4)
<b>Total Revenue</b>	<b>7.47</b>	<b>7.45</b>	<b>(0.3)</b>



\* For the six months to 31 December 2016

# FUNDS MANAGEMENT – FUNDS UNDER MANAGEMENT

- FLK has more than 8,200 investors
  - retail – unlisted and A-REIT securities funds
  - high net worth – unlisted and A-REIT securities funds
  - institutions – principally via the ASX listed FET and CIB
  - wrap platforms – A-REIT securities
- FUM grew 12.6% since June 2016 and 87.6% since FY13
- New fund established in HY17:
  - Folkestone Seniors Living Fund No. 1 – \$25.7m equity raising completed in September 2016 closing significantly oversubscribed
- New funds already identified for second half of FY17:
  - Wollert Residential Development Fund – circa 550 lots in Melbourne’s northern corridor which received planning approval in February 2017. Circa \$23.5m equity raising to be launched in March 2017<sup>1</sup>. A 50% interest is currently warehoused on FLK’s balance sheet
  - Green Square Hotel Fund – Targeting a \$22.5m equity raising in June 2017 quarter to fund development of (on a fund through basis) and own long term a circa 142 room hotel at Green Square, Sydney. A 50% interest is currently warehoused on FLK’s balance sheet



1. Folkestone intends to hold 25.0% of the Fund with the third party capital raising to be circa \$17.7m

# FUNDS MANAGEMENT – FUND OVERVIEWS

	Folkestone Education Trust	CIB Fund	Sydney Olympic Park Income Fund	Wollongong Income Fund	Altona North Income Fund	Oxley Income Fund	Truganina Development Fund	Folkestone Maxim A-REIT Securities	FLK Seniors Living Fund No. 1
Type	Listed	Unlisted Income	Unlisted Income	Unlisted Income	Unlisted Income	Unlisted Income	Development	A-REIT Securities	Seniors Living
FUM (\$m)	830	86	38	33	40	44	18 (equity) 140 (end value)	56	39
FLK Co-Invest (\$m)	77.9	-	-	-	-	-	3.7	-	2.5
Base Fees (pa)	0.5% of Gross Assets	0.25% of Gross Assets	1.3% of Net Assets	1.3% of Net Assets	1.1% of Net Assets	1.3% of Net Assets	\$400,000	0.5% to 0.95% of Gross Assets	0.7% of Net Assets
Other Fees	Debt Arrange/ Dev Mgt/ Leasing	Leasing	Acquisition/ Performance	Acquisition/ Performance	Acquisition/ Performance	Acquisition/ Performance	Underwriting/ Acquisition/ Performance	-	Acquisition/ Performance
No. of Properties	402 <sup>2</sup>	11	1	1	1	1	1	n/a	1
Gearing (%)	27.4	14.4	38.4	39.8	38.7	37.8	Nil at Fund Level	-	Nil at Fund Level
Total Return in CY2016 (%)	18.7	31.3	30.4	24.6	29.9	17.4	21.5 <sup>4</sup>	14.4	n/a
Benchmark (%)	13.2 <sup>1</sup>	11.1 <sup>5</sup>	10.0 <sup>3</sup>	12.0 <sup>3</sup>	10.0 <sup>3</sup>	10.0 <sup>3</sup>	18.0 <sup>4</sup>	13.2 <sup>1</sup>	15.0 <sup>4</sup>

1. S&P/ASX300 A-REIT Accumulation Index.

2. Includes 389 investment properties and 13 development sites.

3. Annualised Total Return forecast over life of Fund.

4. Equity IRR (post fees, pre tax) forecast over life of Fund.

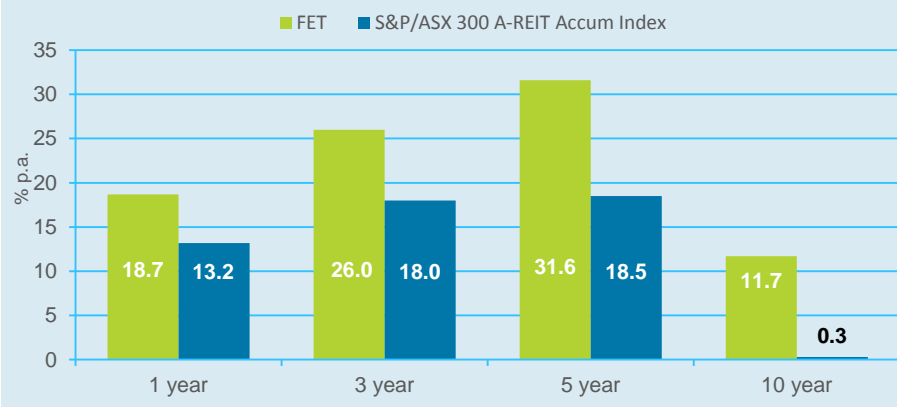
5. Mercer/IPD Australian Monthly Property Fund Index.

# FOLKESTONE EDUCATION TRUST (ASX: FET)

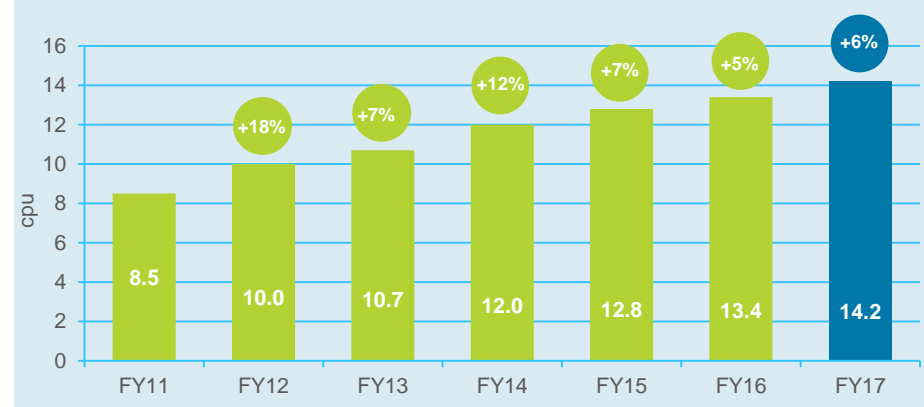
- Continued strong performance driven by execution of a clear strategy of focusing on childcare centres
- Australia's largest owner of childcare properties
- Significantly outperformed the S+P/ASX 300 A-REIT Accumulation Index over 1,3,5 and 10 years
- Strong contribution to FLK in HY17:
  - \$3.4m in fees to FLK – up 34.8%
  - \$2.2m in distributions to FLK – up 1.5%
  - \$19.7m unrealised gain on Units held at 31 December 2016<sup>1</sup>

	30 June 2016 (\$m)	31 Dec 2016 (\$m)	% Change
Gross Assets	753.6	829.1	10.0
FLK Co-investment in FET	81.9	77.9	(4.9)
Fees Paid to FLK <sup>2</sup>	2.54	3.43	34.8
Distribution Paid to FLK <sup>2</sup>	2.14	2.18	1.5

**FET Annualised Total Return Performance vs S&P/ASX 300 A-REIT Index: To 31 December 2016**



**Distribution Growth CPU: FY11– FY17**



- Comprises \$23.7m unrealised gain recognised to 30 June 2016 and a \$4.0m unrealised loss in the six months ended 31 December 2016. Unrealised Gains/Losses are recognised as other Comprehensive Income in the Consolidated Financial Statements of the Group.
- Six months to 31 December 2016. Comparative is for the six month period ended 31 December 2015.

# FOLKESTONE SENIORS LIVING

## Fund No. 1

- Closed significantly oversubscribed in September 2016
- Initial asset – Watermark Castle Cove comprising 50 existing independent living apartments (ILA) with the opportunity to develop at least another 29 ILA's
- Has the capacity to acquire additional assets that meet the investment criteria of high quality seniors living communities in Sydney that are to be developed or have the capacity to be expanded
- Future acquisitions:
  - terms agreed to partner with Watermark Partners to JV with a golf club on Sydney's Lower North Shore to develop a premium retirement living community and a new clubhouse
  - in due diligence to JV with another quality retirement village operator, hotel operator/builder and a golf club to develop a high-end retirement living community in northern Sydney
  - FLK intends to enter both transactions using its balance sheet to take the development approval (DA) risk and then sell down its position to the Fund once each of the DAs have been secured

## Fund No. 2 Targeted to be Launched in June Quarter 2017

- Will target quality facilities in Sydney, Melbourne and Brisbane
- In DD to acquire a 100% interest in a fully operational large seniors living community in Sydney
- A number of other opportunities are being explored at present



Watermark Castle Cove –  
An asset of the Folkestone Seniors Living Fund No. 1

# DEVELOPMENTS



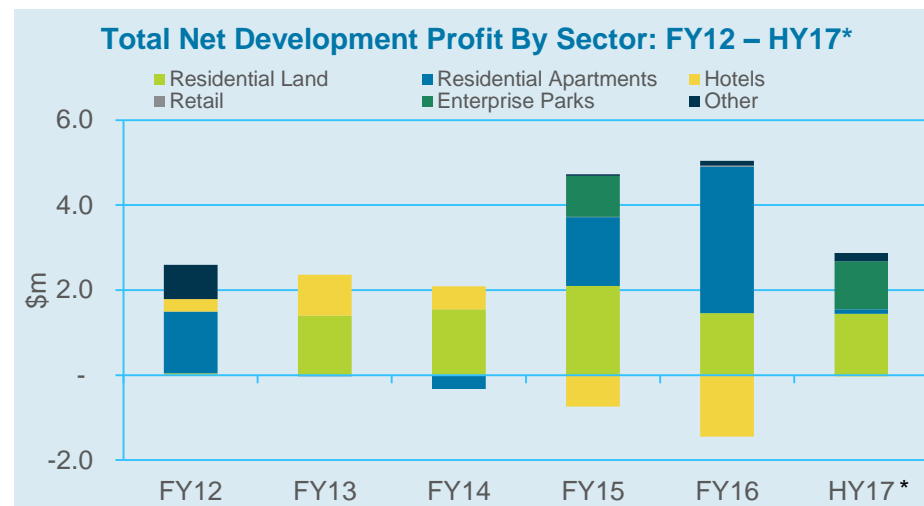
Folkestone

Millers Junction Business - Altona North, Vic

# DEVELOPMENTS – RESULTS OVERVIEW

- Total net development division returns of \$2.8m in HY17 up 8.1%
- Key contributions:
  - \$1.1m from FLK's share of development profit from Millers Junction Business project at Altona North, Victoria
  - \$1.0m from FLK's share of development profit from the Northside residential land project at Officer, Victoria
  - \$0.7m preferred equity interest - Wollert, South Dural, Hornsby, Northside, the Truganina Development Fund Loan Notes and other sundry loans
  - \$0.2m in reversal of prior period impairment on Stage 3 land at Altona North
  - \$0.2m rental expense on land under option adjacent to Stage 3 land at Altona North

Attributable to FLK <sup>1</sup>	HY16 (\$m)	HY17 (\$m)	% Change
Net Development Profit	3.61	2.14	(40.7)
Preferred Equity Interest Income	0.38	0.70	84.2
Reversals of Prior Period Impairment	0.69	0.24	(65.9)
Impairment Provisions	(1.24)	-	100.0
Rental Expense on Operating Leases	(0.82)	(0.24)	(71.0)
<b>Total Net Development Division Profit</b>	<b>2.62</b>	<b>2.84</b>	<b>8.1</b>



1. The HY16 Development results summary excludes the impact of the consolidation of the Folkestone West Ryde Development Fund which is included in the Consolidated Financial Statements of the Group.

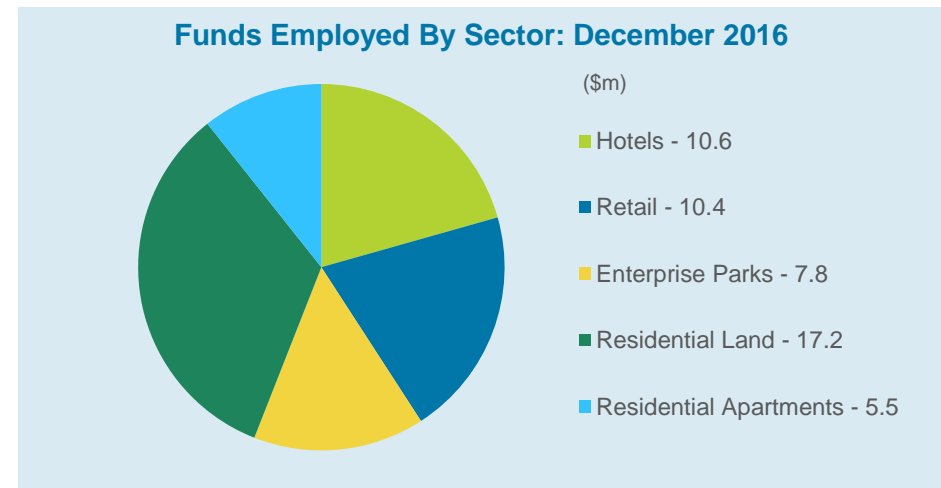
\* For the six months to 31 December 2016



# DEVELOPMENTS - OVERVIEW

- Total funds employed - \$51.5m reflects use of capital efficient structures (i.e. deferred settlement, JV's, options)
- Disciplined acquisition strategy
- Quality JV partners – ID\_Land, Wilmac, Lyon Group, Furnished Property
- One new project secured in HY17:
  - Green Square – 50/50 JV with Furnished Property to develop a 142 room hotel at Green Square, Sydney that is intended to be funded on a fund through basis by a new FLK fund to be launched in the June quarter 2017
- Development business on track for a strong profit contribution in 2H17 and beyond given pipeline that has been established in past three years

1. 2.2ha of Altona North Stage 3 to be developed as an Enterprise Park.
2. It is assumed that the land is sold in 1st Half FY19 as a DA approved site. FLK may decide to develop this in JV with the Lyon Group or bring in other third party capital.



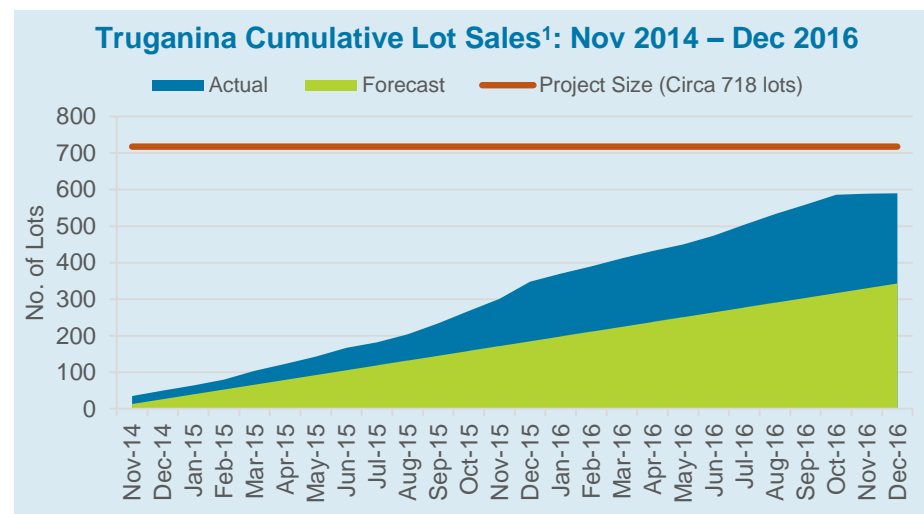
## FLK Development Book

Settlements Forecast		FY17		FY18		FY19		FY 20+
Financial Year	Status	1st HY	2nd HY	1st HY	2nd HY	1st HY	2nd HY	
Millers Junction Business	Construction							
Millers Junction Business 2 <sup>1</sup>	STCA							
Knoxfield	Construction							
Nunawading	Pre-Construction							
Truganina	Construction							
Potters Northside	Construction							
Green Square	Pre-Construction							
Wollert	Pre-Construction							
Millers Junction Retail	STCA							
Truganina NAC	STCA							
Hornsby <sup>2</sup>	STCA							
South Dural	STCA							

■ Forecast project duration as at 31 December 2016

# DEVELOPMENTS - OVERVIEW

- Strong sales at active projects:
  - Truganina, Melbourne – residential land
  - Potters Northside, Melbourne – residential land
  - Wollert, Melbourne – residential land
  - Millers Junction Business, Melbourne – enterprise park
  - Knoxfield, Melbourne – enterprise park
  - Nunawading, Melbourne – enterprise park
- Core development markets continue to perform well – especially enterprise parks and residential land
- Key Melbourne markets are a priority to take advantage of strong population growth and improving economy



Project	No. Units/Lots	Sales in HY17	Sales in HY17 as % of Total Project	Settlements in HY17	Settlements in HY17 as % of Total Project	Total Sales To 31 Dec 16	Sales to 31 Dec 16 as % of Total Project	Total Settlements to 31 Dec 2016	Settlements to 31 Dec 16 as % of Total Project
Potters Grove, Officer	240	1	0.4	1	0.4	240	100	240	100
Northside, Officer	242	22	15	68	48	142	100	68	48
Elements, Truganina	718	121	17	24	3	590	81	178	25
Amber, Wollert	554	65	12	0	0	65	12	0	0
<b>Total Residential Land</b>	<b>1,754</b>	<b>209</b>	<b>12</b>	<b>93</b>	<b>5</b>	<b>1,037</b>	<b>59</b>	<b>486</b>	<b>28</b>
Millers Junction Business, Altona North	70	23	33	28	40	67	96	28	40
Industria, Knoxfield	88	14	16	0	0	31	35	0	0
Industria, Nunawading	81	34	42	0	0	34	42	0	0
<b>Total Enterprise Parks</b>	<b>239</b>	<b>71</b>	<b>30</b>	<b>28</b>	<b>12</b>	<b>132</b>	<b>55</b>	<b>28</b>	<b>12</b>

1. Lot sales as at 31 December 2016, 178 lots of the 590 sold to date had settled. Truganina is in 80/20 JV between the Folkestone Truganina Development Fund and ID\_Land of which FLK owns 18.8% of the units in the Fund.

# GREEN SQUARE HOTEL FUND

- 50/50 JV with Furnished Property to develop circa 142 room hotel
- Located at 18 O’Riordan Street, Alexandria:
  - within the \$13bn, 278 hectare Green Square Urban Regeneration Area
  - 100 metres from Green Square Train Station
  - 2 stops from Domestic Airport Station to the south and one stop to Central Station to the north
- DA held for 8 storey, 142 room hotel – Section 96 Application to be lodged to enhance room layout, floor to ceiling heights and functional efficiency
- FLK intends to launch in June quarter 2017 the Folkestone Green Square Hotel Fund and raise circa \$22.5m to fund the development on a fund through basis and own long-term the hotel
- FLK and Furnished Property will act as Developer to develop the hotel on behalf of the Fund
- Furnished Property will operate the hotel under their VERIU brand from hotel opening on a 10 year lease with options
- Construction forecast to commence in June quarter 2017 and complete in late 2018
- FLK will earn profits from the development, an acquisition fee from establishing the Fund and ongoing fund management fees



# DEVELOPMENTS – FOCUS FOR FY17

Sector	Key Target Metrics
Residential Land	<ul style="list-style-type: none"><li>• Target margin &gt;17.5%</li><li>• Key corridors in Melbourne/Sydney</li><li>• Land purchased on deferred terms, capacity of 150–1,000 lots with possible town centre/infrastructure</li><li>• Capable of being included in FLK development funds (e.g. Truganina and Wollert)</li></ul>
Residential Apartments and Townhouses	<ul style="list-style-type: none"><li>• Target margin &gt;17.5%</li><li>• Strategic locations in Melbourne/Sydney with structural undersupply/quality infrastructure</li><li>• 50+ apartments/townhouses</li><li>• Capable of being included in FLK development funds (e.g. West Ryde)</li></ul>
Enterprise Parks	<ul style="list-style-type: none"><li>• Target margin 20%</li><li>• Strategic sites \$5m - \$10m in Melbourne/Sydney inner &amp; middle ring</li><li>• Capable of being staged</li></ul>
Retail/Commercial	<ul style="list-style-type: none"><li>• Target margin &gt;10%</li><li>• Capable of being included in FLK development funds and upon completion into FLK income fund series (e.g. Millers Junction Home)</li><li>• Value add, refurbishment or new build and fund through</li></ul>
Seniors Living	<ul style="list-style-type: none"><li>• Target margin &gt;15%</li><li>• Strategic locations with strong ageing demographics</li><li>• Capable of staging and systematic sell down into the FLK Seniors Living Funds platform</li></ul>
Hotels	<ul style="list-style-type: none"><li>• Target margin &gt;10%</li><li>• Strategic locations in Sydney/Melbourne</li></ul>



# OUTLOOK



Folkestone



Watermark Castle Cove, NSW –  
an asset of Folkestone Seniors Living Fund No. 1

## FLK has Created a Pipeline of Opportunities to Deliver in Future Years

### Funds Management

- Launch new funds across seniors living, development, and income when suitable assets offering attractive risk adjusted returns become available
- Grow the ASX listed Folkestone Education Trust and the A-REIT securities funds

### Seniors Living

- Expand FLK's seniors living platform across existing mature assets and development opportunities

### Development

- Deliver on the existing pipeline of projects
- Selectively acquire new projects that can be undertaken on balance sheet or seed/co-invest, in FLK managed development funds

### Capital Management

- Focussed and disciplined approach to capital allocation to drive sustainable growth
- Continue to employ capital efficient structures to optimise ROE

### Dividend Forecast

- FLK maintains a dividend guidance of 2.625 cps fully franked in respect of FY17 (5% growth on FY16) assuming no material change in market conditions

***Well Positioned For Sustainable Medium To Long-term Growth and Value Creation Across Funds Management and Development***



# APPENDIX 1 - FINANCIALS



Folkestone

Amber, Wollert, Vic

# PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME – CONSOLIDATED GROUP

	HY16 (\$m)	HY17 (\$m)	Variance (%)	Key Items At 31 December 2016
<b>Revenue</b>				
Funds Management	7.47	7.45	(0.3)	Includes \$3.7m management fees & cost recoveries, \$0.2m FET debt establishment fee, \$0.2m leasing fees (FET), \$0.3m development management fees (FET), \$0.3m property management fees (FET and CIB) and a \$0.6m acquisition fee (FSLF), \$2.2m FET trust distributions
Development (Net)	5.93	2.84	(52.1)	Includes \$2.1m share of project profits (Millers Junction Business \$1.1m, Officer Northside \$1.0m) \$0.7m preferred equity interest (Wollert, South Dural, Hornsby, Officer Northside)
Other	0.28	0.07	(73.7)	Interest on cash reserves
<b>Total Revenue</b>	<b>13.68</b>	<b>10.36</b>	<b>(24.2)</b>	
<b>Expenses</b>				
Employee Expenses	(3.80)	(3.95)	(3.9)	
Administration	(1.01)	(1.18)	(17.2)	
Due Diligence	(0.67)	(0.11)	83.7	
Finance	(0.34)	(0.26)	25.0	
Rental	(0.14)	(0.14)	(4.4)	
Depreciation & Amortisation	(0.06)	(0.06)	-	
<b>Total Expenses</b>	<b>(6.02)</b>	<b>(5.70)</b>	<b>5.4</b>	
<b>Net Profit before Tax</b>	<b>7.65</b>	<b>4.66</b>	<b>(39.1)</b>	
Income Tax Expense	(1.02)	(1.47)	(43.8)	
<b>Net Profit after Tax</b>	<b>6.63</b>	<b>3.19</b>	<b>(51.8)</b>	
Other Comprehensive Income (Net of Tax)	3.55	(2.79)	(178.6)	Unrealised loss on FET units (\$4.0m before tax)
<b>Total Comprehensive Income</b>	<b>10.18</b>	<b>0.40</b>	<b>(96.1)</b>	
Total Comprehensive Income Attributable to FLK	6.56	0.39	(93.9)	
Total Comprehensive Income Attributable to NCI	3.62	0.01	(100.0)	
<b>Total Comprehensive Income</b>	<b>10.18</b>	<b>0.40</b>	<b>(96.1)</b>	



# BALANCE SHEET – CONSOLIDATED GROUP

	30 June 2016 (\$m)	31 Dec 2016 (\$m)	Variance (%)	Key Items At 31 December 2016
Total Current Assets	42.92	33.47	(22.0)	Principally comprises cash reserves (\$11.8m), Altona North land (\$13.7m), trade and other receivables including project loans (\$7.3m)
Total Non-Current Assets	123.52	134.89	9.2	Principally comprises FET units (\$77.9m), non-current JV investments (\$17.3m), management rights/goodwill (\$12.8m), non-current trade and other receivables including project related loans (\$19.4m), units in Truganina Development Fund (\$3.7m), units in FSLF (\$2.5m)
<b>Total Assets</b>	<b>166.44</b>	<b>168.36</b>	<b>1.2</b>	
Total Current Liabilities	10.16	7.81	23.2	Altona Stage 3 debt facility and Stage 2 JV loan (\$5.3m), trade and other payables (\$1.5m)
Total Non-Current Liabilities	10.51	17.84	(69.7)	ANZ loan currently drawn to \$12.5m and secured against FET units, deferred tax liability of \$5.3m principally relating to unrealised gain on FET units
<b>Total Liabilities</b>	<b>20.68</b>	<b>25.65</b>	<b>(24.0)</b>	
<b>Net Assets</b>	<b>145.77</b>	<b>142.71</b>	<b>(2.1)</b>	
- FLK Interest	145.73	142.67	(2.1)	
- Non-Controlling Interest	0.04	0.04	-	
<b>Total Net Assets</b>	<b>145.77</b>	<b>142.71</b>	<b>(2.1)</b>	

# CAPITAL MANAGEMENT

- ANZ corporate facility provides additional debt capacity:
  - ANZ facility extended during the year until December 2019
  - base facility limit increased from \$22.5m to \$25.0m
  - temporary facility limit increases to be negotiated on an as needs basis to assist with securing opportunities for the funds management platform
  - facility secured by FLK's unitholding in FET
- Drawn debt of \$12.5m at 31 December 2016:
  - LVR against security pool of 16.0% (on drawn funds) and 32.1% on total facility limit
  - all LVR and ICR covenants have significant headroom
- Balance sheet gearing of 8.7%
- Look through gearing of 15.3%

	31 December 2016 (\$m)
Total Facility	25.0
Debt Drawn	12.5
Available Debt	12.5

	Interest Rate inclusive of Margin (%)	Line Fee (%)
Base Facility	2.90	0.90



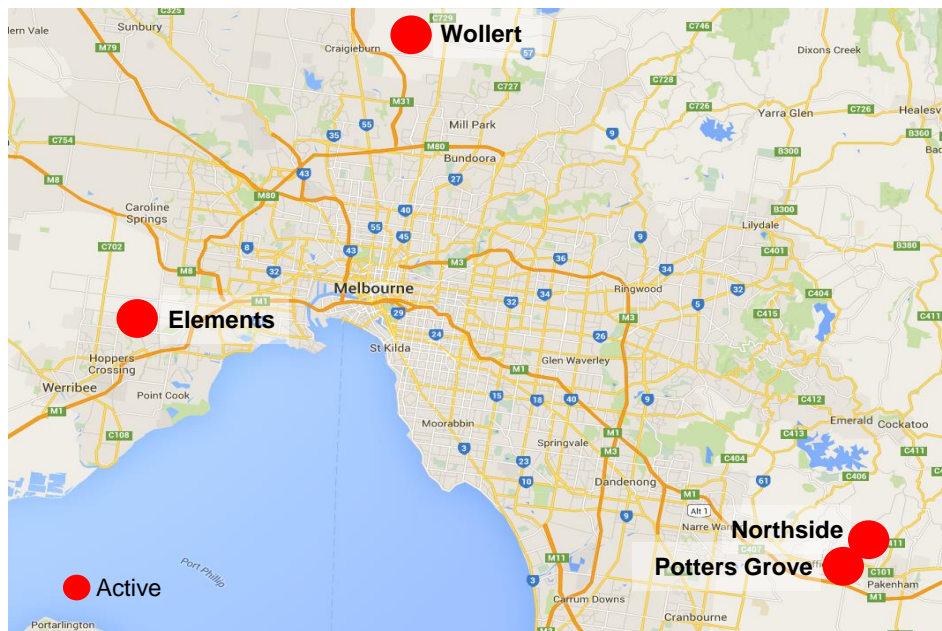
# APPENDIX 2 - DEVELOPMENTS



Folkestone

Potters Grove, Officer, Vic

# MELBOURNE RESIDENTIAL LAND DEVELOPMENTS



Project	Construction Commence Date	Forecast Completion	Total Lots	Total Sold as at Dec 2016	% Sold	FLK Share (%)	FLK Funds Employed (\$m) <sup>1</sup>
<b>Current</b>							
Elements	Jun 2015	Mid 2019	718	590	82	19	3.7
Potters Grove	Oct 2012	Sept 2016	240	240	100	50	0.1
Potters Northside	Oct 2015	Mid 2017	142	142	100	50	1.7
Wollert	April 2017	2021	~550	65	12	50 <sup>3</sup>	3.9
<b>TOTAL</b>			<b>1,654</b>	<b>1,037</b>	<b>63</b>		<b>9.4</b>
<b>Pipeline</b>							
Elements North	Planning	2024	~600	n/a	n/a	-	-
<b>TOTAL</b>			<b>2,254</b>				<b>-</b>

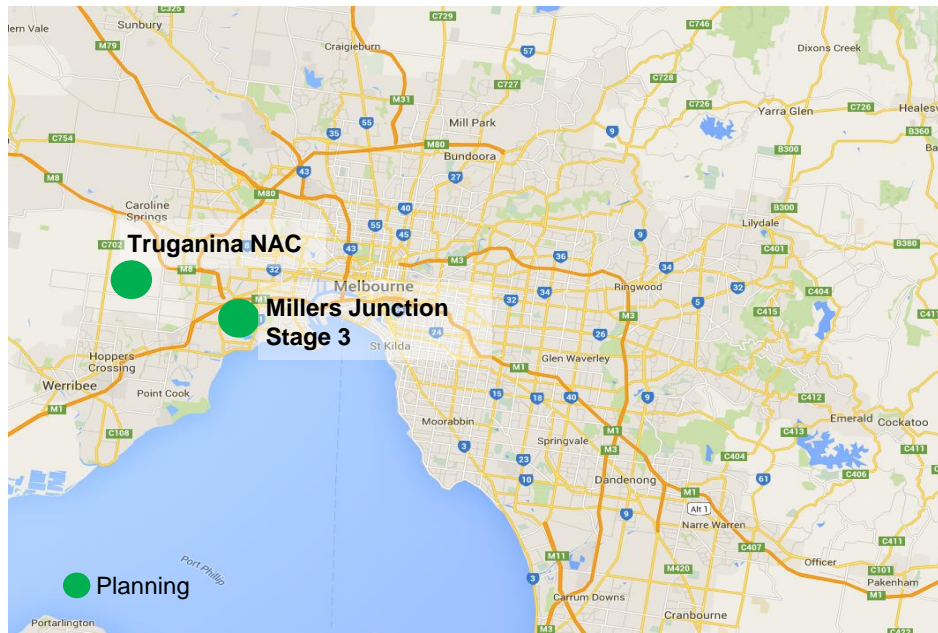
- Projects in JV with ID\_Land
- Land acquired on deferred settlement terms
- Exposure in three key growth corridors of Melbourne
- Victoria recorded Australia's fastest population growth in year to December 2016 – 1.9%<sup>2</sup> and is forecast for further strong population growth in the coming years
- Sales volumes at active projects ahead of budget
- Wollert received planning approval in February 2017 – estimated timeframe 4.5 years to complete

1. As at 31 December 2016.

2. ABS 3101.0 - Australian Demographic Statistics - Dec 2015.

3. FLK and ID\_Land currently have a 50/50 interest in the project. It is intended that both parties sell down part of their interest to third party capital whereby the Folkestone Wollert Development Fund has an 80% interest (with FLK owning 25% of the Fund) and ID\_Land has a 20% interest.

# MELBOURNE RETAIL DEVELOPMENTS



Project	Construction Commence Date	Forecast Project Completion	Sqm	% Pre-Committed	% Sold	FLK Share (%)	FLK Funds Employed (\$m) <sup>1</sup>
Millers Junction Stage 3	Planning	2019	~13,286	n/a	n/a	100	10.4 <sup>3</sup>
Truganina NAC	Planning	2020	~5,000	n/a	n/a	80 <sup>2</sup>	-
<b>TOTAL</b>			<b>~18,286</b>				<b>10.4</b>

- Strategic sites in key western growth corridor
- Sites sit within existing FLK projects – Altona North and Truganina
- Millers Junction, Altona North Stage 3 – supermarket/neighbourhood centre:
  - rezoning and DA application lodged
  - supermarket Agreement for Lease (AFL) executed
- Truganina – Neighbourhood Activity Centre (NAC):
  - supermarket operator commercial terms agreed, AFL pending
  - zoned for retail development – planning permit pending

1. As at 31 December 2016.  
 2. Folkestone Truganina Development Fund owns 80% of the project. FLK has an 18.8% investment in the Fund  
 3. \$8.3m in equity and \$2.1m debt held on FLK's balance sheet.

# MELBOURNE ENTERPRISE PARKS DEVELOPMENTS

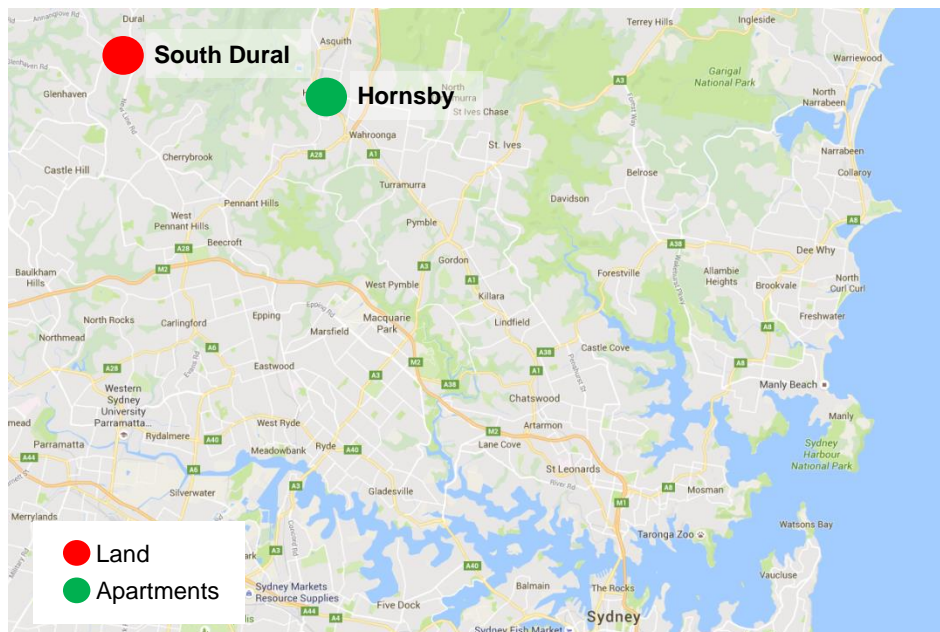


Project	Construction Commence Date	Forecast Project Completion	Total Units	Total Sold as at 31 Dec 2016	% Sold	FLK Share (%)	FLK Funds Employed (\$m) <sup>1</sup>
Millers Junction	Sept 2015	Mid 2017	70	67	96	51	3.1
Knoxfield	June 2016	Early 2020	88	31	35	50	1.9
Nunawading	March 2017	Early 2019	81	34	42	50	2.8
<b>TOTAL</b>			<b>239</b>	<b>132</b>	<b>55</b>		<b>7.8</b>

- Projects in JV with Wilmac Properties
- Flexible uses through a mix of office/warehouse/retail units
- Industria brand used for Knoxfield and Nunawading
- Well located in established areas near major industrial and large format retail nodes
- Target purchasers – owner-occupiers and investors

1. As at 31 December 2016.

# SYDNEY RESIDENTIAL DEVELOPMENTS



Project	Construction Commence Date	Forecast Project Completion	Size	% Pre-Committed	% Sold	FLK Share (%)	FLK Funds Employed (\$m) <sup>1</sup>
Hornsby	Pre-Planning	FY2019	~ 600 Apartments	n/a	n/a	50	5.5
South Dural	Pre-Planning	FY2020 +	~2,900 <sup>2</sup> Lots	n/a	n/a	50	7.6
<b>TOTAL</b>			<b>3,500 Lots/ Apartments</b>				<b>13.1</b>

- Projects in JV with Lyon Group
- Located in Sydney's fast growing north-west sector
- South Dural:
  - JV has acquired development rights to 60 ha of land owned or under option
  - JV appointed as Developer Proponent by local residents to facilitate rezoning of 240 ha of land

- Hornsby:
  - strategic site of circa 3,200 sqm owned or under option opposite Hornsby rail station and adjacent to Westfield Hornsby
  - medium term opportunity for substantial mixed use development consisting of apartments and commercial
  - Once DA has been secured, FLK may decide to develop in JV with the Lyon Group or bring in other 3rd party capital and sell down, all or part of the project

1. As at 31 December 2016.  
 2. A plan for 2,900 lots across the 240 hectares has been submitted to Council and may be subject to change if a precinct approach is adopted.

# DIRECTORY

## FOLKESTONE

ASX Code: FLK

Website: [www.folkestone.com.au](http://www.folkestone.com.au)

ABN: 21 004 715 226

Level 14, 357 Collins Street  
Melbourne VIC 3000  
T: +61 3 9046 9900

Level 10, 60 Carrington Street  
Sydney, NSW 2000  
T: +61 2 8667 2800

## INDEPENDENT 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  
Telephone: +61 3 9046 9910

## INVESTOR RELATIONS

Lula Lioffi  
Telephone: +61 3 9046 9946  
[lloffi@folkestone.com.au](mailto:lloffi@folkestone.com.au)

## REGISTRY

Boardroom Pty Limited  
P.O. Box R67, Royal Exchange NSW 1223  
Telephone: 1300 737 760 or +61 2 9290 9600  
[enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

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