



FOLKESTONE

HY18 – Results

28 February 2018
ASX:FLK



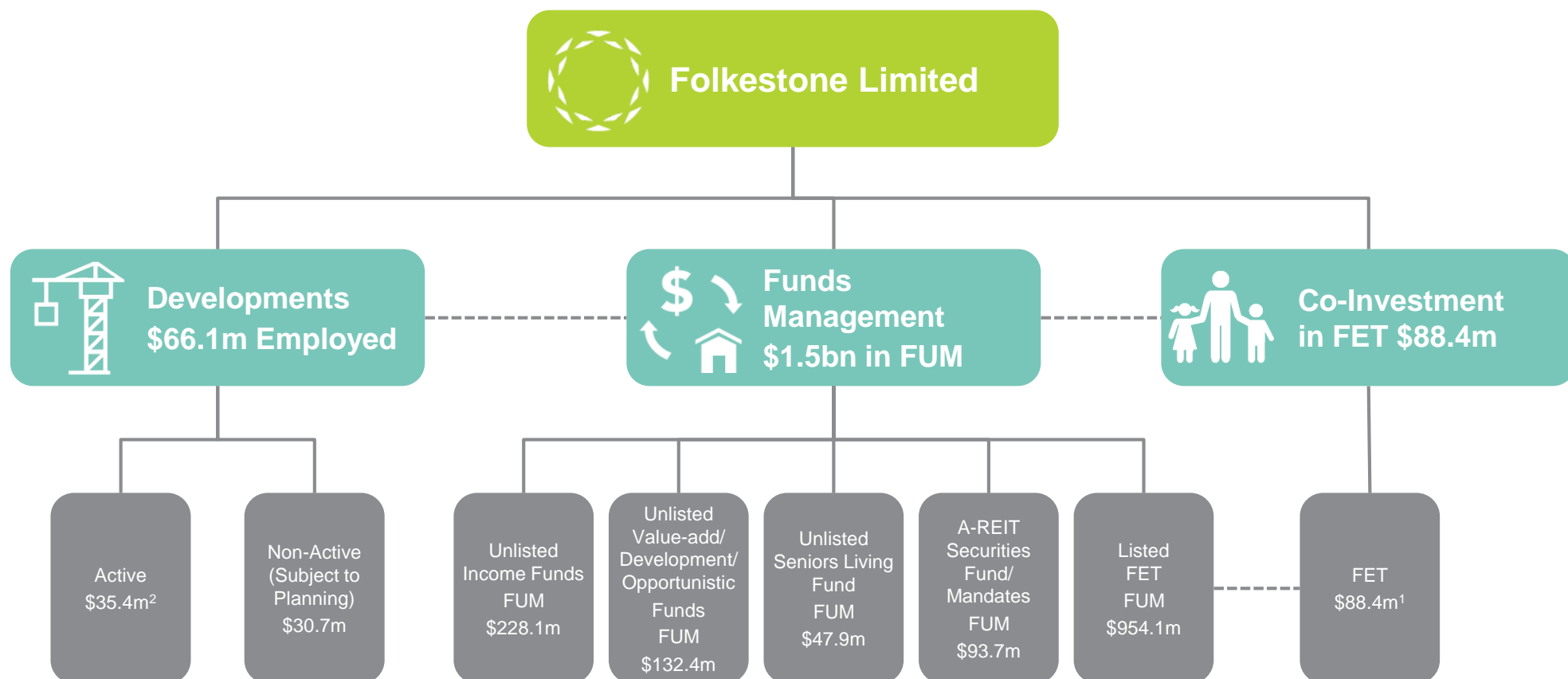
Folkestone

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Folkestone is an ASX listed real estate funds manager and developer providing real estate wealth solutions for private clients and select institutions



1. Based on Folkestone Education Trust's (ASX:FET) Unit price of \$2.88 at 31 December 2017. Excludes interest in FET held by Folkestone Maxim A-REITs Fund/Mandates.

2. Includes FLK's co-investments in the Folkestone Seniors Living Fund No.1, Folkestone Truganina Development Fund and Folkestone Wollert Development Fund.

HY18 PERFORMANCE



Folkestone

7 Murray Rose Ave, Sydney Olympic Park – an asset of the Folkestone Real Estate Income Fund at Sydney Olympic Park

Active HY18 Across The Platform



FUNDS MANAGEMENT

FUM up 14.1% to \$1.5bn

3 new unlisted Funds launched
generating \$3.3m in acquisition fees

1 Fund wound-up and 1 Fund extended
generating \$5.1m in performance fees

Winner of Financial Standard Investment
Leadership Award for A-REITs



DEVELOPMENT

Strong margins across
development pipeline

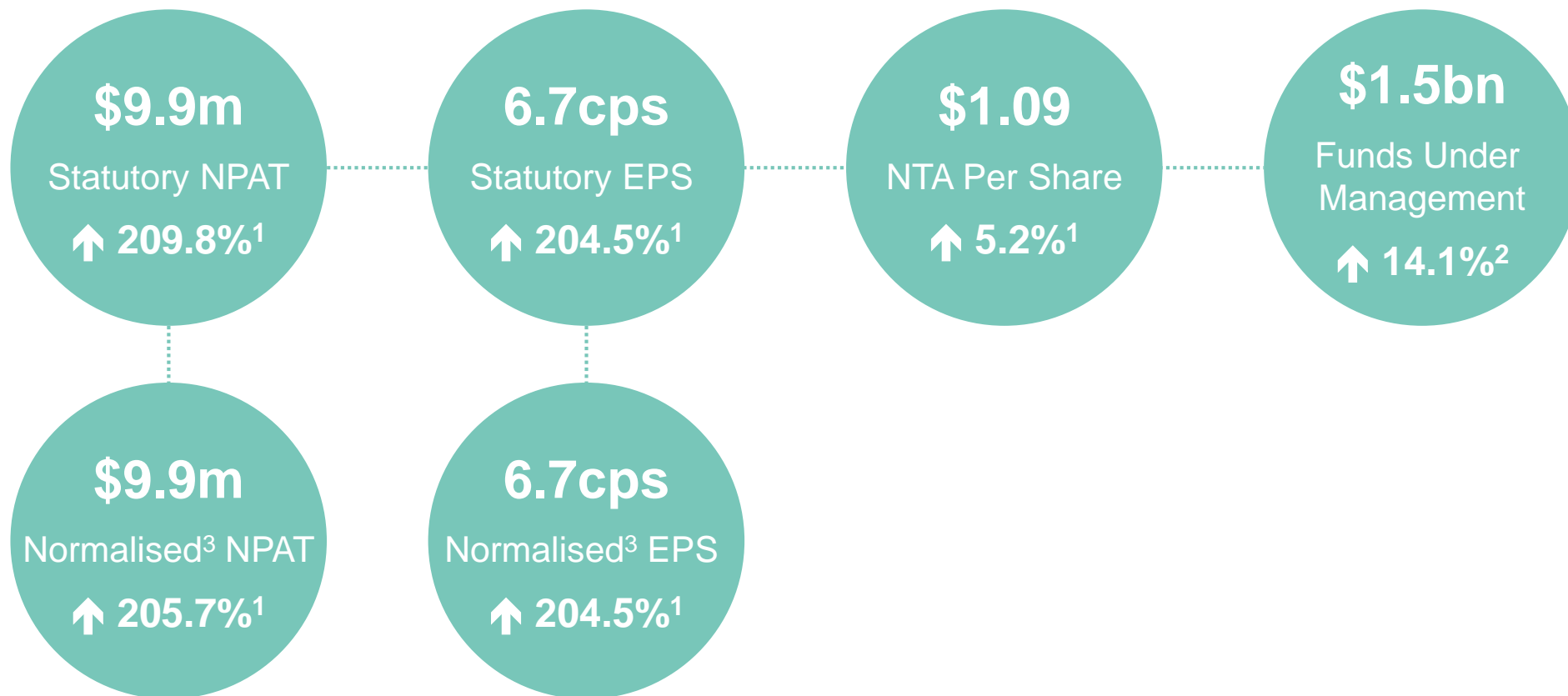
Strong sales across land
and enterprise parks

Expanded into townhouse development

Pre-sold Green Square hotel on a fund
through basis to an FLK unlisted fund

HY18 RESULTS – HIGHLIGHTS

The strong financial results in HY18 reflect the positive contributions from our funds management platform and our on-balance sheet development activities



1. Compared to HY17.

2. Six months to 31 December 2017.

3. 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 figure excludes significant one-off items.



HY18 RESULTS – PROFIT & LOSS

\$4.4m in management fees/cost recoveries, \$1.7m in leasing fees, \$0.4m in development management fees, \$0.6m in property management fees, \$2.3m in FET trust distributions, \$5.1m in performance fees, \$3.3m in acquisition fees

\$3.3m in share of project profits, \$0.5m in preferred equity interest, (\$0.8m) in expensing of South Dural development costs

Profit & Loss Attributable to Folkestone

Half Year to December (\$m)	HY17 (\$m)	HY18 (\$m)	% Change
Revenue			
Funds Management	7.45	17.82	139.3
Development (Net)	2.84	3.11	9.5
Other	0.07	0.07	(4.8)
Total Revenue	10.36	21.00	102.7
Expenses			
Employee	(3.95)	(5.10)	(29.2)
Administration	(1.19)	(1.21)	(1.3)
Due Diligence	(0.11)	(0.08)	23.8
Rental	(0.14)	(0.16)	(14.6)
Total Expenses	(5.39)	(6.55)	(21.6)
EBITDA (Statutory)	4.97	14.44	190.3
Finance Costs	(0.26)	(0.26)	(3.5)
Depreciation & Amortisation	(0.06)	(0.07)	(14.2)
Net Profit Before Tax (Statutory)	4.65	14.11	202.8
Tax Expense	(1.48)	(4.23)	(187.9)
Net Profit After Tax (Statutory)	3.17	9.88	209.8
Adjustment For One-Off Items (Net of Tax)			
Property Management Establishment Costs	0.06	-	100
Net Profit After Tax (Normalised)¹	3.23	9.88	205.7
Statutory EPS (Cents Per Share)	2.2	6.7	204.5
Normalised EPS (Cents Per Share)¹	2.2	6.7	204.5

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 figure excludes significant one-off items.

HY18 RESULTS – BALANCE SHEET

Strong balance sheet provides the financial flexibility to take advantage of new investment opportunities

Balance Sheet Attributable to Folkestone

		30 Jun 2017 (\$m)	31 Dec 2017 (\$m)	% Change
	Current Assets			
Includes \$6.0m regulatory capital	Cash	21.9	24.8	13.2
	Trade & Other Receivables	4.9	4.2	(14.4)
Includes Altona North land (\$12.8m)	Developments/Co-investments	13.8	14.0	1.5
	Other Current Assets	0.4	0.5	25.4
	Total Current Assets	40.9	43.4	6.1
	Non-Current Assets			
Includes interest in joint ventures (\$17.0m), co-investments in FLK funds (\$11.8m), PE loans and other project related loans (\$23.4m)	Developments/Co-investments	45.9	52.2	13.8
12.1% Unitholding in FET	FET Units	85.6	88.4	3.2
Management rights (\$11.4m) and goodwill	Intangible Assets	12.8	12.8	-
	Other Non-Current Assets	0.6	0.5	(8.1)
	Total Non-Current Assets	144.9	153.9	6.2
	Total Assets	185.8	197.4	6.2
	Current Liabilities			
Debt on Altona Stage 3 land	Trade & Other Payables	4.1	2.5	39.8
\$8.3m provision for income tax	Borrowings	2.7	2.2	18.4
	Provisions	5.1	9.5	(85.7)
	Total Current Liabilities	11.9	14.2	(18.8)
	Non-Current Liabilities			
Drawn amount of ANZ corporate debt facility	Borrowings	7.4	8.5	(13.8)
\$8.4m provision for deferred tax liability principally associated with unrealised gain on FET units	Provisions	7.7	8.5	(10.3)
	Total Non-Current Liabilities	15.2	17.0	(12.0)
	Total Liabilities	27.1	31.2	(15.0)
	Net Assets	158.74	166.22	4.7
	NAV (\$ per share)¹	1.08	1.12	4.5
	NTA (\$ per share)²	1.04	1.09	5.2

1. Net Asset Value (NAV) per share is calculated using total assets less total liabilities.

2. Net Tangible Asset (NTA) per share is calculated using assets less liabilities, net of tangible assets and deferred tax liabilities.

- Corporate facility provides additional debt capacity:
 - ANZ facility expiry date is December 2019
 - 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 \$8.5m at 31 December 2017:
 - LVR against security pool of 9.6% (on drawn funds) and 28.3% on total facility limit
 - all LVR and ICR covenants have significant headroom
- Balance sheet gearing of 5.4%
- Look through gearing of 13.3%

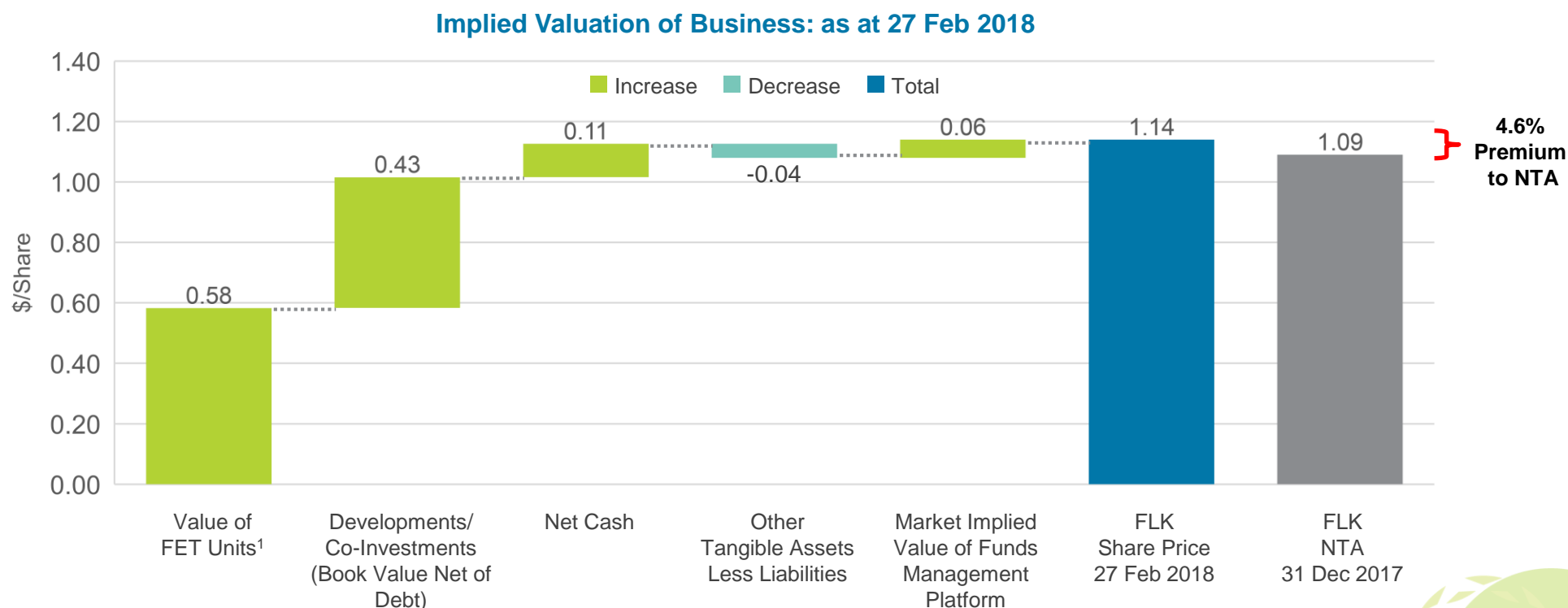
	31 Dec 2017 (\$m)
Total Facility	25.0
Debt Drawn	8.5
Available Debt	16.5

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



IMPLIED FUNDS MANAGEMENT PLATFORM VALUATION

- FLK closing price of \$1.14 on 27 February 2018: 4.6% premium to NTA
- Based on value of FET units and holdings in development book at cost, implied value of FUM platform is 6.0 cents per share = \$9.0m. Based on \$1.5bn of FUM equals 0.62% of FUM
- Current share price also does not reflect the value of future development profits



1. Based on FET's closing price of \$2.81 per Unit on 27 February 2018.



FUNDS MANAGEMENT



Only About Children Early Education Centre, Camberwell, VIC – an asset of the Folkestone Education Trust

FUNDS MANAGEMENT – RESULTS OVERVIEW

- Funds under management of \$1.5bn:
 - up 14.1% since 30 June 2017
 - up 23.0% on HY17
- Total revenue of \$17.8m up 139.3% on HY17:
 - recurring fees/cost recoveries up 19.1% due to 3 new funds and growth in existing fund FUM
 - transaction fees up 306.0% to \$5.4m due to acquisition fees for 3 new funds and leasing fees for CIB Fund
 - \$5.1m in performance fees on sale of Wollongong office building and extension of Sydney Olympic Park Income Fund
- FLK manages Folkestone Education Trust (ASX: FET) and owns 12.1% of Units on issue:
 - \$3.9m in fees to FLK – up 13.5% on HY17
 - \$2.3m in distributions to FLK – up 6.4%
 - \$30.2m unrealised gain on units held at 31 December 2017¹

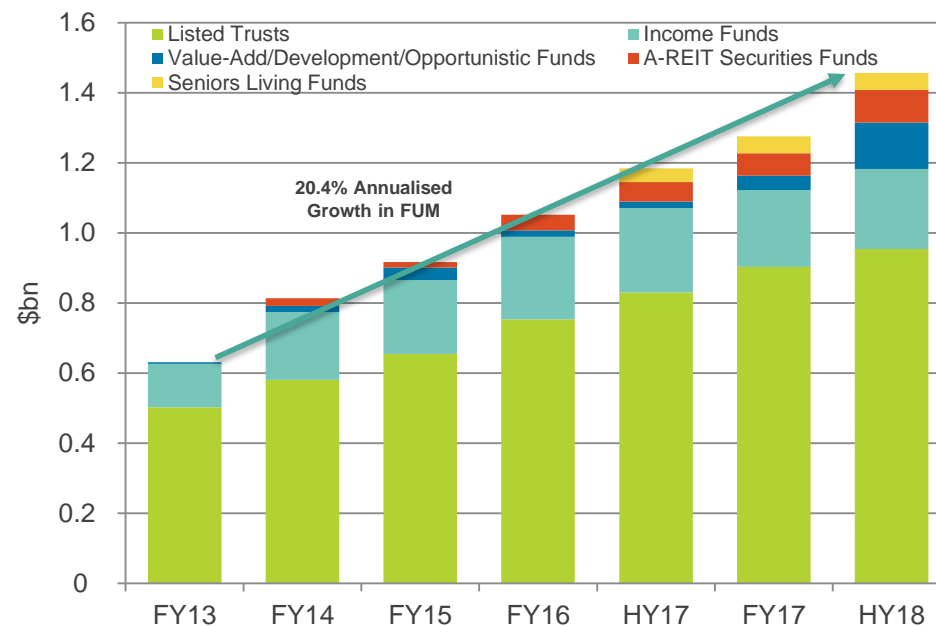
For the Half Year Ended 31 Dec	HY17 (\$m)	HY18 (\$m)	% Change
Management Fees/Cost Recoveries	3.67	4.37	19.1
Transaction Fees	1.33	5.38	306.0
Performance Fees	-	5.14	-
Property Management Fees	0.25	0.60	140.3
Distributions (FET)	2.18	2.32	6.4
Other	0.02	0.01	(52.9)
Total Revenue	7.45	17.82	139.3

1. Comprises \$27.4m unrealised gain recognised to 30 June 2017 and a \$2.8m unrealised gain in HY18. Unrealised Gains/Losses are recognised as other Comprehensive Income in the Consolidated Financial Statements of the Group.



- More than 9,000 investors across the platform
- FUM up 23.0% since HY17 and 130.7% since FY13
- 3 new funds - \$97.9m in equity raised – all closed significantly oversubscribed in HY18
 - Folkestone SOP Opportunity Fund – \$24.7m equity raising completed in July 2017
 - Folkestone Sydney Airport Hotel Fund – \$50.0m equity raising completed in December 2017
 - Folkestone Green Square Hotel Fund – \$23.2m equity raising completed in November 2017
- Wollongong Fund wound-up early after sale of building
 - Unitholders received an equity IRR of 23.6% p.a. (hurdle rate 12.0% p.a.)
 - FLK generated \$2.9m performance fee
- Sydney Olympic Park Income Fund term extended for 3 years:
 - Unitholders have received a total return of 17.2% p.a since inception (hurdle rate 10.0% p.a)
 - FLK generated \$2.2m performance fee

Growth in Funds Under Management: FY13 – HY18



**FINANCIAL
STANDARD**

Folkestone Maxim Wins Industry Leadership Award

In December 2017, Folkestone Maxim won the inaugural Financial Standard Investment Leadership Award for Australian Listed Property.

The Financial Standard award recognises "investment strategies that showcase all the qualities investors - whether they be advised or self directed - are looking for in a manager".

FUNDS MANAGEMENT – FUND OVERVIEWS

	Type	FUM (\$m)	FLK Co-Invest (\$m) ⁶	Base Fees (p.a)	Other Fees	No. of Properties	Total Return in CY17 (%)	Benchmark (%)
Folkestone Education Trust	Listed	954.1	88.4	0.5% of Gross Assets	Debt Arrange/ Dev Mgt/ Leasing	407 ⁷	19.5	6.5 ¹
CIB Fund	Unlisted Income	127.6	-	0.25% of Gross Assets	Leasing	11	60.9	12.8 ⁴
Sydney Olympic Park Income Fund	Unlisted Income	43.9	-	1.3% of Net Assets	Acquisition/ Performance	1	25.6	10.0 ²
Altona North Income Fund	Unlisted Income	44.5	-	1.3% of Net Assets	Acquisition/ Performance	1	27.3	10.0 ²
Green Square Hotel Fund	Unlisted Income	43.5 ⁹	-	1.3% of Net Assets	Acquisition/ Performance	1	n/a ⁵	12.0 ²
Sydney Airport Hotel Fund	Unlisted Value-add	81.7	-	1.3% of Net Assets	Acquisition/ Performance	1	n/a ⁵	14.4 ²
SOP Opportunity Fund	Unlisted Opportunistic	32.4 ⁹	-	1.28% of Net Assets	Acquisition/ Performance	1	n/a ⁵	14.0 ²
Truganina Development Fund	Land Development	14.8	3.0	400,000	Underwriting/ Acquisition/ Performance	1	21.0 ⁸	18.0 ³
Wollert Development Fund	Land Development	25.4	6.1	450,000	Acquisition/ Performance	1	22.5 ⁸	17.0 ³
FLK Seniors Living Fund No. 1	Seniors Living	47.9	2.7	0.7% of Net Assets	Acquisition/ Performance	1	11.0	15.0 ³
Folkestone Maxim A-REIT Securities	A-REIT Securities	93.7	-	0.4% to 0.95% of Gross Assets	-	n/a	11.97	6.5 ¹

1. S&P/ASX300 A-REIT Accumulation Index.
 2. Annualised total return forecast over life of Fund.
 3. Equity IRR (post fees, pre tax) forecast over life of Fund.

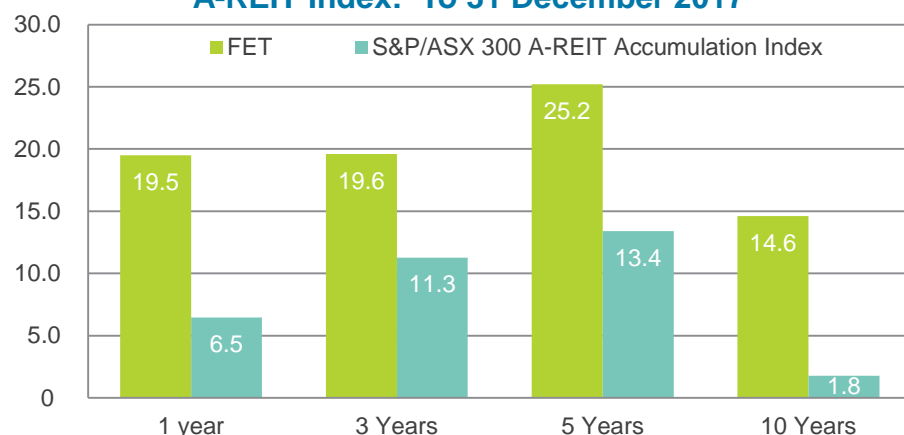
4. Mercer/IPD Australian Monthly Property Fund Index.
 5. Fund was launched during HY18.
 6. Reflects current Unit price value.

7. Includes 21 development sites that have settled.
 8. Forecast equity IRR (post-fees, pre-tax) as at 31 Dec 2017.
 9. Forecast completion valuation.

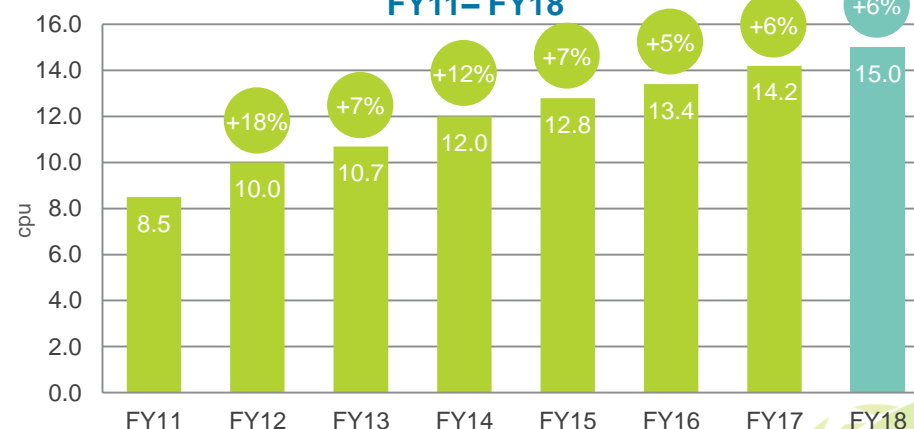
- Continued strong performance driven by execution of a clear strategy of focusing on childcare centres
- Australia's largest owner of childcare properties
- Significantly outperformed the S+P/ASX 300 A-REIT Accumulation Index over 1,3,5 and 10 years
- Strong contribution to FLK in HY18:
 - \$3.9m in fees to FLK – up 13.5%
 - \$2.3m in distributions to FLK – up 6.4%
 - \$30.2m unrealised gain on Units held at 31 December 2017¹

	30 June 2017 (\$m)	31 Dec 2017 (\$m)	% Change
Gross Assets	903.3	954.1	5.6
FLK Co-investment in FET	85.6	88.4	3.2
Fees Paid to FLK ²	3.43	3.89	13.5
Distribution Paid to FLK ²	2.18	2.32	6.4

FET Annualised Total Return Performance vs S&P/ASX 300 A-REIT Index: To 31 December 2017



Distribution Growth CPU: FY11– FY18



- Comprises \$27.4m unrealised gain recognised to 30 June 2017 and a \$2.8m unrealised gain in the six months ended 31 December 2017. Unrealised Gains are recognised as other Comprehensive Income in the Consolidated Financial Statements of the Group.
- Six months to 31 December 2017. Comparative is for the six month period ended 31 December 2016.

Folkestone SOP Opportunity Fund

- 11 Murray Rose Ave, Sydney Olympic Park
- 5,811sqm comprising five levels of office with ground floor retail and basement car parking under construction – completion in March 2018
- Fund is taking leasing, valuation, financing and market risk, but not planning or construction risk
- \$24.7m committed from HNWs and family offices in July 2017
- Target fund return - equity IRR 14.0% p.a. (post-fees, pre-tax)¹
- FLK generated an acquisition fee of \$0.72m (recognised in HY18) and will generate fund management fees and a potential performance fee over the 2 year life of the Fund²



1. Base case feasibility. FLK's performance fee hurdle is an equity IRR of 14.0% p.a. (post-fees, pre-tax).

2. Two years from Practical Completion. The Fund term may be extended or shortened subject to a Unitholder vote.

Folkestone Sydney Airport Hotel Fund

- 271 room, 4 star hotel
- Located in the Sydney International Airport precinct
- Operated by Mercure (Accor Hotels) – agreement expires in December 2018
- Fund raised \$50.0m – closed significantly oversubscribed in November 2017
- Exposure to strong Sydney hotel market
- Increase revenue/occupancy and value via:
 - refurbishment/repositioning strategy including refurbishing 40% of hotel rooms, all function and restaurant/bar areas and upgrading the façade and external areas and key plant and equipment
- Target fund return - equity IRR 14.4% p.a (post-fees, pre-tax)
- FLK generated an acquisition fee of \$1.72m and will generate fund management fees and a potential performance fee over the 5.6 year (June 2023) life of the Fund



Mercure Hotel, Sydney International Airport –
an asset of the Folkestone Sydney Airport Hotel Fund

Green Square Hotel Fund

- Fund the development on a fund through basis and own long term a 144 room hotel
- O’Riordan St, Alexandria, Sydney
 - within the \$13bn, 278 hectare Green Square Urban Regeneration Area
 - 120 metres from Green Square Station
 - 2 stops from Domestic Airport Station to the south and 1 stop to Central Station to the north
- Fund raised \$23.2m – closed significantly oversubscribed in December 2017
- 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 Hotels & Suites brand on a 10 year lease with options
- FLK generated an acquisition fee of \$0.9m and will earn profits from the development, fund management fees and a potential performance fee over the 6.5 year (June 2024) life of the Fund





DEVELOPMENTS



Folkestone

Amber Estate – a development JV between Folkestone Wollert Development Fund and ID_Land

DEVELOPMENTS – RESULTS OVERVIEW

- Total net Development Division returns of \$3.1m in HY18 up 9.5%
- Key contributions:
 - \$1.1m from FLK's share of development profit from Millers Junction Business project at Altona North, VIC
 - \$1.4m from FLK's share of development profit from Industria project at Knoxfield, VIC
 - \$0.5m from FLK's share of development profit from the Elements residential land project at Truganina, VIC
 - \$0.4m from FLK's share of development profit from the Northside residential land project at Officer, VIC
 - \$0.5m preferred equity interest - Wollert, South Dural, Hornsby, Northside, the Truganina Development Fund Loan Notes and other sundry loans
 - (\$0.8m) expensing of development costs in relation to South Dural, NSW project

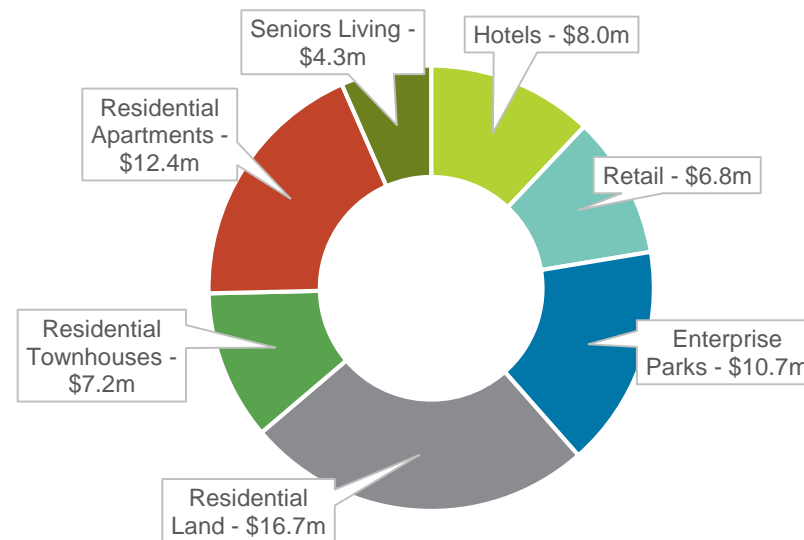
For the Half Year Ended 31 December Attributable to FLK ¹	HY17 (\$m)	HY18 (\$m)	% Change
Net Development Profit	2.14	2.52	17.7
Other Development Fees	0.0	0.1	-
Preferred Equity Income	0.70	0.55	(21.7)
Reversals of Prior Period Impairment	0.24	-	(100.0)
Impairment Provisions	-	(0.06)	-
Rental Expense on Operating Leases	(0.24)	-	100.0
Total Net Development Division Returns	2.84	3.11	9.5



DEVELOPMENTS - OVERVIEW

- Total funds employed - \$66.1m
 - active projects - \$35.4m
 - non-active (subject to planning etc.) - \$30.7m
- Disciplined acquisition strategy
- Use of capital efficient structures (i.e. deferred settlement, JV's, options)
- Quality JV partners – ID_Land, Wilmac, Lyon Group, Furnished Property
- Strong development pipeline diversified across:
 - location - Sydney and Melbourne
 - sector - residential land and apartments, retail, enterprise parks, hotels, and seniors living

**Funds Employed (Active and Non-Active Projects)
By Sector: December 2017**



FLK Development Book – Forecast Settlements

Financial Year	Sector	Status	FY 18	FY19		FY20		FY 21+
			2nd HY	1st HY	2nd HY	1st HY	2nd HY	
Active Projects								
Millers Junction Bus.	Enterprise Parks	Complete						
Millers Junction Bus 2 ¹	Enterprise Parks	Pre-Construction						
Knoxfield	Enterprise Parks	Construction						
Nunawading	Enterprise Parks	Construction						
Truganina ²	Res Land	Construction						
Potters Northside	Res Land	Construction						
Wollert ²	Res Land	Construction						
Hadfield	Res Townhouse	Construction						
Green Square ³	Hotel	Pre-Construction						
Non-Active Projects (Subject to Planning Approval STPA)								
Chatswood ⁴	Seniors Living	STPA						
Millers Junction Retail	Retail	STPA						
Truganina NAC Retail	Retail	STPA						
Hornsby ⁵	Res Apartments	STPA						

Active projects - Forecast project duration as at 31 December 2017

Non-active projects – Subject to planning approval and/or being marketed

Funds Employed
\$35.4m⁶

Further Funds Required
\$2.0m⁶

Forecast Profit
\$23.1m⁷

Forecast Development Margin
24.5%

- 2.2ha of Altona North Stage 3 to be developed as an Enterprise Park.
- Held in FLK fund when FLK invests in.
- FLK has sold into Fund and is developing on a fund through basis in JV with Furnished Property.
- Assumes sale into FLK fund in first half FY19 and development completed in first half FY21.
- It is assumed that the land is sold in 2nd 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.
- Includes preferred equity loans.
- Forecast development profits and interest on preferred equity loans yet to be received.

DEVELOPMENTS - OVERVIEW

- Strong sales at active projects:
 - Truganina, Melbourne – residential land
 - Wollert, Melbourne – residential land
 - Millers Junction Business, Melbourne – enterprise park
 - Knoxfield, Melbourne – enterprise park
 - Nunawading, Melbourne – enterprise park
- Potters Northside, Melbourne – residential land one sale to go and remaining settlements to be completed by July 2018
- Core development sectors 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 HY18	Sales in FY18 as % of Total Project	Settlements in HY18	Settlements in HY18 as % of Total Project	Total Sales to 31 Dec. 17	Sales to 31 Dec. 17 as % of Total Project	Total Settlements to 31 Dec 2017	Settlements to 31 Dec 17 as % of Total Project
Northside, Officer	146	0	0	19	13	145	99	137	94
Elements, Truganina ¹	718	43	6	105	15	700	97	437	61
Amber, Wollert ²	563	117	21	0	0	306	54	0	0
Total Residential Land	1,427	160	11	124	9	1,151	81	574	40
The Walter, Hadfield	64	26	41	0	0	26	41	0	0
Total Townhouses	64	26	41	0	0	26	41	0	0
Millers Junction Business, Altona North	70	1	1	8	11	70	100	69	99
Millers Junction Business 2, Altona North	76	7	9	0	0	7	9	0	0
Industria, Knoxfield	89	12	13	21	24	72	81	41	46
Industria, Nunawading	81	8	10	0	0	78	96	0	0
Total Enterprise Parks	316	28	9	29	9	227	72	110	35

1. 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.

2. Wollert is in 80/20 JV between Folkestone Wollert Development Fund and ID_Land of which FLK owns 25% of the units in the Fund.

The Walter, Hadfield - Melbourne

- 5th JV with ID_Land
- Develop 64 townhouses in Hadfield, 14 kilometres north of the Melbourne CBD
- 26 pre-sales in HY18
- Construction commenced in November 2017

Green Square Hotel - Sydney

- 50/50 JV with Furnished Property
- Pre-sold to the Folkestone Green Square Hotel Fund in December 2017
- Develop a 144 room hotel at Green Square, Sydney that is funded on a fund through basis by the Fund
- Construction to commence in June 2018 quarter with completion in September 2019 quarter



Schematic of The Walter, Hadfield- a development JV between Folkestone and ID_Land

Sector

Key Target Metrics



Residential Land

- Target margin >17.5%
- Key corridors in Melbourne/Sydney
- Land purchased on deferred terms, capacity of 150–1,000 lots with possible town centre/infrastructure
- Capable of being included in FLK development funds (e.g. Truganina and Wollert)



Residential Apartments/Townhouses

- Target margin >17.5%
- Strategic locations in Melbourne/Sydney with structural undersupply/quality infrastructure
- 50+ apartments/townhouses
- Capable of being included in FLK development funds (e.g. West Ryde)



Enterprise Parks

- Target margin 20%
- Strategic sites \$5m - \$10m in Melbourne/Sydney inner & middle ring
- Capable of being staged



Retail/Commercial

- Target margin >10%
- Capable of being included in FLK development funds and upon completion into FLK income fund series (e.g. Millers Junction Home)
- Value add, refurbishment or new build and fund through



Seniors Living

- Target margin >15%
- Strategic locations with strong ageing demographics
- Capable of staging and systematic sell down into the FLK Seniors Living Funds platform



Hotels

- Target margin >10%
- Strategic locations in Sydney/Melbourne



OUTLOOK



Folkestone

Schematic of The Walter, Hadfield VIC – a development JV between Folkestone and ID_Land

FLK Has Created A Pipeline Of Opportunities To Deliver In Future Years



Funds Management

- Launch new funds across income, development, and seniors living when suitable assets offering attractive risk adjusted returns become available
- Continue to actively pursue quality sites and operators to grow the ASX listed Folkestone Education Trust and the Folkestone CIB Fund
- Grow the A-REIT securities fund and mandates



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



FY18 Forecast

- Assuming no material change in market conditions Folkestone advises:
 - FY18 statutory net profit after tax is forecast to range between \$11.0m and \$12.0m for FY18¹
 - its current intention to pay a dividend of 3.0 cps fully franked in respect of FY18 - 9.1% growth on FY17 ordinary dividend of 2.75 cps

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

1. Whilst as a policy Folkestone does not provide earnings guidance due to the variable nature of its earnings, given the timing recognition of the \$5.1 million in performance fees earned in HY18, Folkestone has provided guidance for the full year FY18.

APPENDIX 1 - FINANCIALS



Folkestone

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

PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME – CONSOLIDATED GROUP



	31 Dec 2016 (\$m)	31 Dec 2017 (\$m)	Variance (%)	Key Items At 31 Dec 2017
Revenue				
Funds Management	7.45	17.82	139.3	Includes \$4.4m management fees & cost recoveries, \$1.7m leasing fees and \$0.4m development management fees (FET), \$0.6m property management fees (FET/CIB), \$2.3m in FET trust distributions and \$3.3m in acquisition fees (SOP Opportunity Fund \$0.7m, Sydney Airport Hotel Fund \$1.7m, Green Square Hotel Fund \$0.9m) and \$5.1m in performance fees (Wollongong \$2.9m, SOP Fund \$2.2m)
Development (Net)	2.84	3.11	9.5	Includes share of project profits (Millers Junction Business \$1.1m, Potters Northside \$0.4m, Knoxfield \$1.4m, Truganina \$0.5m) \$0.5m preferred equity interest, \$0.8m expensing of South Dural development costs
Other	0.07	0.07	(4.8)	Interest on cash reserves
Total Revenue	10.36	21.00	102.7	
Expenses				
Employee Expenses	(3.95)	(5.10)	(29.2)	
Administration	(1.19)	(1.21)	(1.3)	
Due Diligence	(0.11)	(0.08)	23.8	
Finance	(0.26)	(0.26)	(3.5)	
Rental	(0.14)	(0.16)	(14.6)	
Depreciation & Amortisation	(0.06)	(0.07)	(14.2)	
Total Expenses	(5.71)	(6.88)	(20.7)	
Net Profit before Tax	4.65	14.12	202.8	
Income Tax Expense	(1.48)	(4.23)	(187.9)	
Net Profit after Tax	3.17	9.89	209.7	
Other Comprehensive Income (Net of Tax)	(2.79)	1.93	169.2	Unrealised gain on FET units (\$2.8m before tax)
Total Comprehensive Income	0.38	11.82	2,865.1	
Total Comprehensive Income Attributable to FLK	0.38	11.82	2,868.5	
Total Comprehensive Income Attributable to NCI	-	-	-	
Total Comprehensive Income	0.38	11.82	2,865.1	

BALANCE SHEET – CONSOLIDATED GROUP

	30 June 2017 (\$m)	31 Dec 2017 (\$m)	Variance (%)	Key Items At 31 Dec 2017
Total Current Assets	40.93	43.44	6.1	Principally comprises cash reserves (\$24.8m), Altona North land (\$12.8m), trade and other receivables (\$4.1m)
Total Non-Current Assets	144.90	153.94	6.2	Principally comprises FET units (\$88.4m), non-current JV investments (\$17.0m), management rights/goodwill (\$12.8m), non-current trade and other receivables including project related loans (\$23.4m), units in Truganina Development Fund (\$3.0m), Wollert Development Fund (\$6.1m), and units in FSLF No.1 (\$2.7m)
Total Assets	185.83	197.38	6.2	
Total Current Liabilities	11.94	14.19	(18.8)	Altona Stage 3 debt facility (\$2.1m) and Stage 2 JV loan (\$0.1m), trade and other payables (\$2.5m), provision for income tax (\$8.3m)
Total Non-Current Liabilities	15.19	16.97	(11.8)	ANZ loan drawn to \$8.5m at 31 December 2017 and secured against FET units, deferred tax liability of \$8.4m principally relating to unrealised gain on FET units
Total Liabilities	27.13	31.16	(14.9)	
Net Assets	158.70	166.22	4.7	
- FLK Interest	158.70	166.22	4.7	
- Non-Controlling Interest	-	-	-	
Total Net Assets	158.70	166.22	4.7	



APPENDIX 2 - DEVELOPMENTS



Folkestone

Elements, Truganina, VIC – a development in JV between the Folkestone Truganina Development Fund and ID_Land

MELBOURNE RESIDENTIAL LAND DEVELOPMENTS



Project	Construction Commence Date	Forecast Completion	Total Lots	Total Sold as at 31 Dec 2017	% Sold	FLK Share (%)	FLK Funds Employed (\$m) ¹
Truganina	May 2015	Mid 2019	718	700	97	15 ³	3.0
Potters Northside	Aug 2015	Mid 2018	146	145	99	50	0.7
Wollert	Oct 2017	Late 2021	563	306	54	20 ⁴	6.1
TOTAL LOTS			1,427	1,151	81		9.8
Hadfield	Nov 2017	July 2019	64	26	41	50	7.2
TOTAL TOWNHOUSES			64				7.2

- 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 June 2017 – 2.3%² and is forecast for further strong population growth in the coming years
- Sales volumes at active projects ahead of budget

1. As at 31 December 2017.

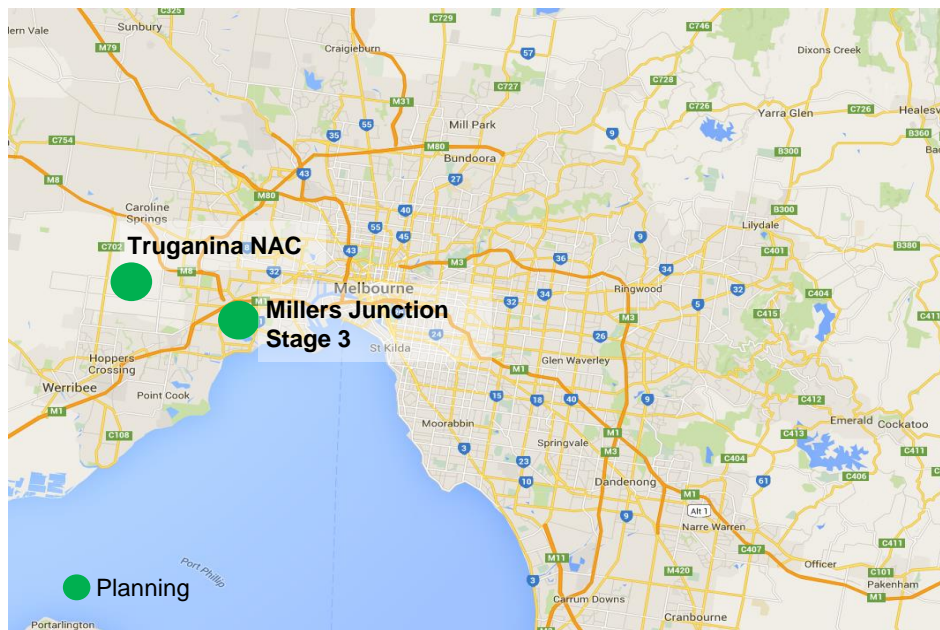
2. ABS 3101.0 - Australian Demographic Statistics - June 2017.

3. FLK holds 18.8% in the Truganina Development Fund (effective 15.0% interest in the project).

4. FLK holds 25.0% in the Wollert Development Fund (effective 20.0% interest in the project).



MELBOURNE RETAIL DEVELOPMENTS



Project	Construction Commence Date	Forecast Project Completion	Sqm	% Pre-Committed	% Sold	FLK Share (%)	FLK Funds Employed (\$m) ¹
Millers Junction Stage 3	Planning	Mid 2019	13,300	n/a	n/a	100	6.8
Truganina NAC	Planning	Mid 2020	7,460	n/a	n/a	50 ²	-
TOTAL			20,760				6.8

- 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
 - Agreement for Lease (AFL) executed with Woolworths
- Truganina – Neighbourhood Activity Centre (NAC):
 - zoned for retail development – planning permit pending
 - Agreement for Lease (AFL) executed with a major supermarket operator
- Construction commencement subject to reaching a target population in the catchment area

1. As at 31 December 2017.

2. FLK holds 18.8% in the Truganina Development Fund (effective 15.0% interest in the project). However, FLK and ID_Land propose to acquire the NAC land from the Fund and develop the NAC retail centre in a 50/50 JV.



MELBOURNE ENTERPRISE PARKS DEVELOPMENTS



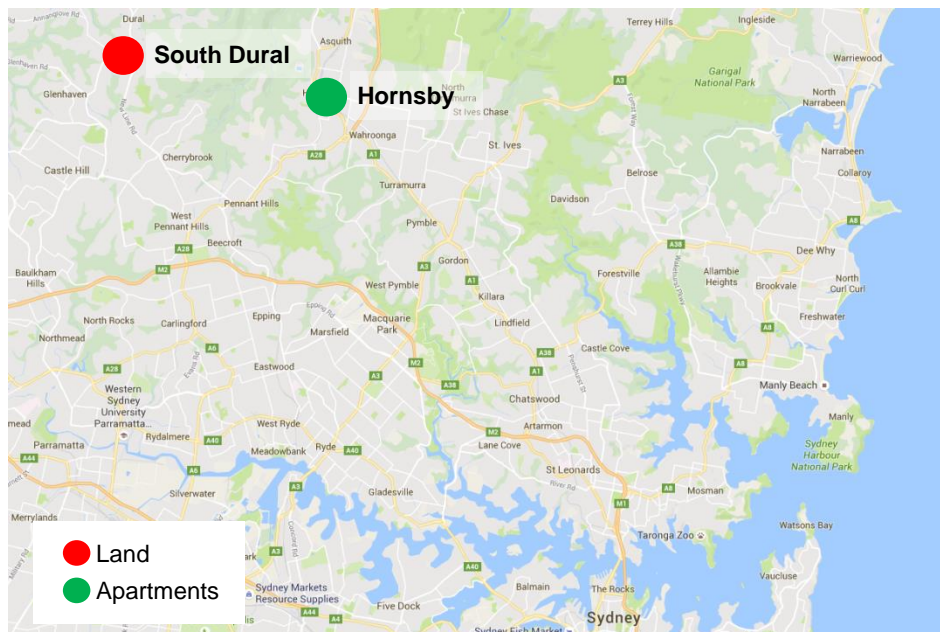
Project	Construction Commence Date	Forecast Project Completion	Total Units/ Cafe	Total Sold as at 31 Dec 2017	% Sold	FLK Share (%)	FLK Funds Employed (\$m) ¹
Millers Junction Business 1	Sept 2015	Mid 2017	70	70	100	51	0.3
Millers Junction Business 2	June 2018	Late 2020	76	7	9	50	5.9
Knoxfield	June 2016	Late 2018	89	72	81	50	1.6
Nunawading	March 2017	Late 2018	81	78	96	50	2.8
TOTAL			316	227	72		10.6

- 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 2017.



SYDNEY RESIDENTIAL DEVELOPMENTS



Project	Construction Commence Date	Forecast Project Completion	Size	% Pre-Committed	% Sold	FLK Share (%)	FLK Funds Employed (\$m) ¹
Hornsby	Pre-Planning	FY19	~ 600 Apartments	n/a	n/a	50	12.3
South Dural	Pre-Planning	June 2019	n/a	n/a	n/a	50	6.9
TOTAL			~600 Lots/ Apartments				19.2

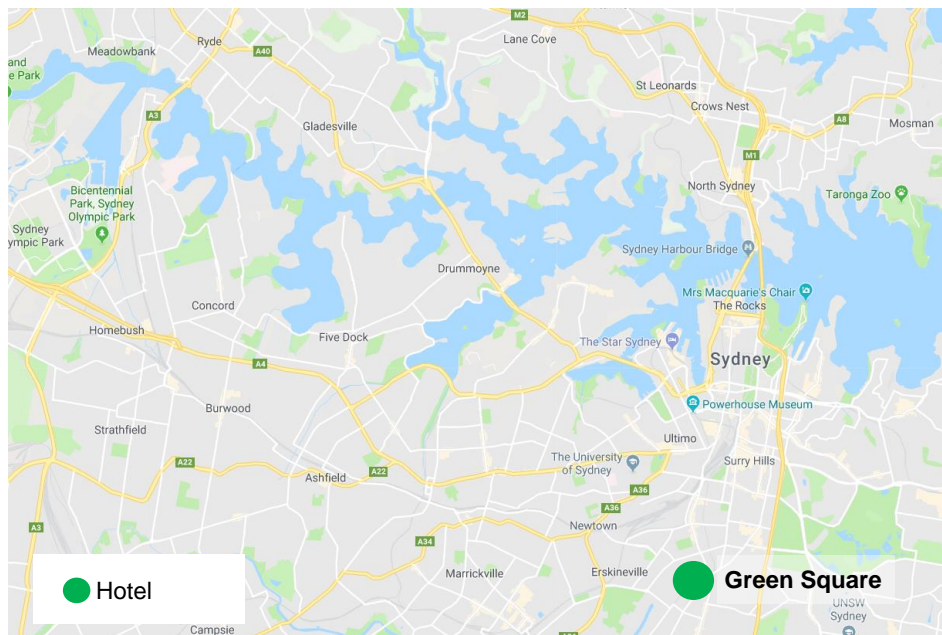
- Projects in JV with Lyon Group
- Located in Sydney's fast growing north-west sector
- South Dural:
 - FLK entered JV with Lyon Group in October 2015 to have a parcel of land rezoned from rural to residential
 - Significant re-zoning delays have been incurred and therefore FLK intends to exit JV and have its funds employed returned by June 2019

- Hornsby:
 - strategic site of circa 3,200 sqm 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, introduce 3rd party capital and sell down, or sell its interest

1. As at 31 December 2017.



SYDNEY HOTEL DEVELOPMENT



Project	Construction Commence Date	Forecast Project Completion	Rooms	% Pre-Committed Lease	FLK Share (%)	FLK Funds Employed (\$m) ¹
Green Square	May 2018	August 2019	144	100	50	5.0
TOTAL			144	100		5.0

- Project in JV with Furnished Property
- Located at Green Square – Australia’s largest urban regeneration precinct
- Folkestone Green Square Hotel Fund raised third party capital in December 2017
- FLK and Furnished Property will earn development profit on delivering the hotel for the Fund

1. As at 31 December 2017.



APPENDIX 3 - FOLKESTONE OVERVIEW



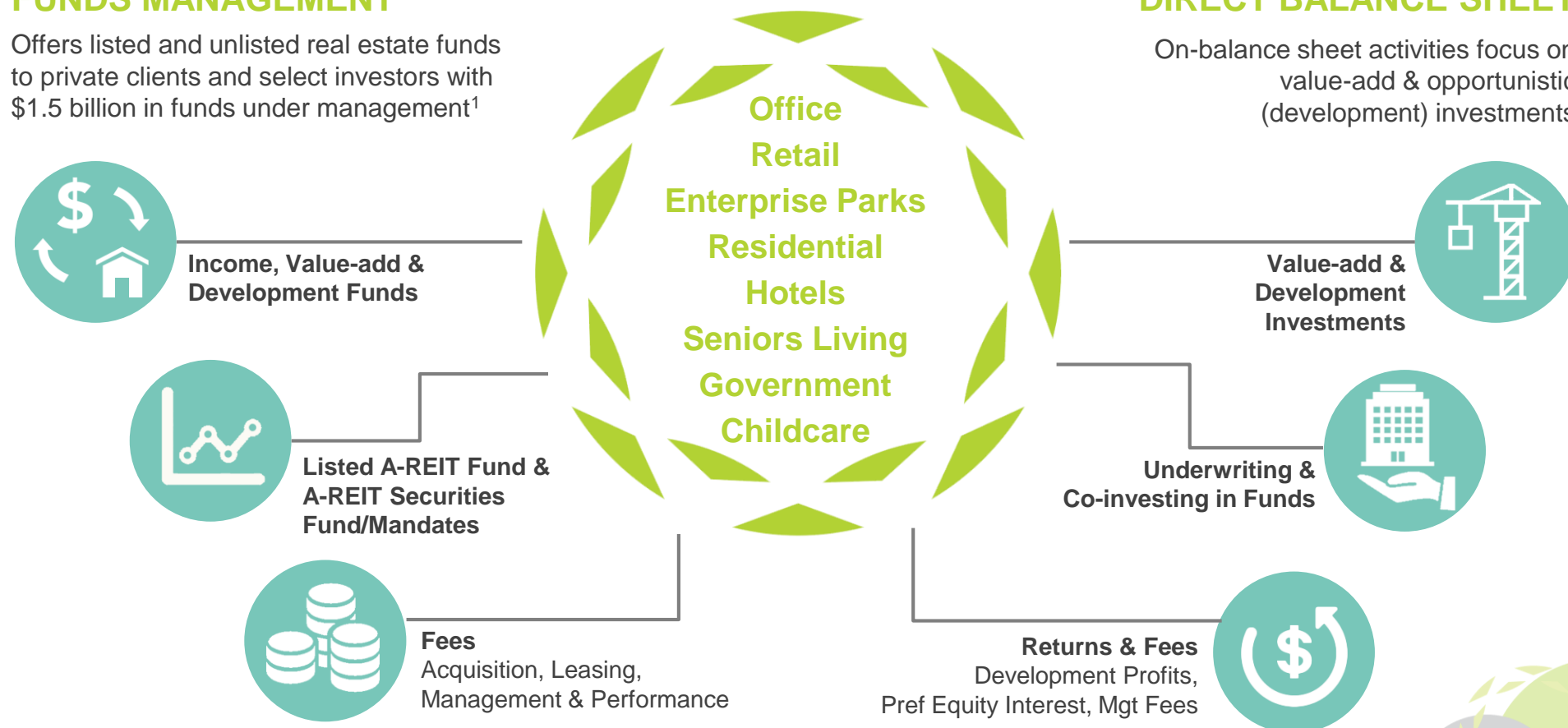
Folkestone

Schematic of Veriu Hotel & Suites – an asset of the Folkestone Green Square Hotel Fund

Folkestone is an ASX listed real estate funds manager and developer providing real estate wealth solutions for private clients and select institutions

FUNDS MANAGEMENT

Offers listed and unlisted real estate funds to private clients and select investors with \$1.5 billion in funds under management¹



¹ As at 31 December 2017.

Capital Structure

Share Price ¹ (cents)	1.14
Fully Paid Ordinary Shares (m)	147.9
Market Capitalisation ¹ (\$m)	168.6
Look Through Gearing (%)	13.3

Major Shareholders³

Phoenix Portfolios	10.11%
GJP Investments (related to Greg Paramor)	9.20%
FDC Construction & Fitout	6.34%
Kaplan Funds Management	5.57%
Top 20 Shareholders	58.5%

Share Price²: 1 July 2012 – 27 February 2018



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 2018.

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

3. Based on substantial shareholder notices lodged with the ASX

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Non-Executive Chairman
Mark Baillie
Non-Executive Deputy Chairman

Greg Paramor AO
Managing Director

Ross Strang
Non-Executive Director

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