Folkestone
SOCIAL INFRASTRUCTURE TRUST

ASX ANNOUNCEMENT
6 AUGUST 2014

FOLKESTONE SOCIAL INFRASTRUCTURE TRUST RESULTS FOR THE YEAR ENDED 30 JUNE 2014

Folkestone Real Estate Management Limited as Responsible Entity of the Folkestone Social Infrastructure Trust ("FST" or the "Trust") provides the results of the Trust for the year ended 30 June 2014.

KEY HIGHLIGHTS SUMMARY

- Statutory profit of $11.1 million, up 37.0% from $8.1 million in the previous corresponding period ("pcp")
- Distributable income of $6.1 million, an increase of 22.0% on pcp
- FY14 distribution of 20.0 cpu, an increase of 13.6% on pcp
- Amended debt facility with lower cost of debt and extended maturity to July 2017
- Gearing at 29.5% as at 30 June 2014
- Independent valuations of 9 properties achieving an average 10.5% increase in value
- NTA per unit of $2.80, an increase of 12.9% on pcp
- 100% occupancy across the portfolio
- Total Unitholders' return for the year to 30 June 2014 of 29.0%

FINANCIAL SUMMARY

The table below provides a summary of the Trust's 30 June 2014 results in comparison to the previous corresponding year:

FY Ending June	2014	2013	Var. %
Total operating revenue ($m)	11.0	10.5	4.8
Total operating expenses ($m)	4.9	5.5	-10.9
Distributable income ($m)	6.1	5.0	22.0
Distribution (cpu)	20.0	17.6	13.6
As at June	2014	2013	Var. %
Total Assets ($m)	116.1	107.3	8.2
Investment Property ($m)	89.8	87.0	3.2
Borrowings (Gross) ($m)	34.3	34.8	-1.4
Net Assets ($m)	79.7	70.6	12.9
Gearing[2] (%)	29.5	32.4	-2.9
NTA per unit ($)	2.80	2.48	12.9

PROPERTY PERFORMANCE

Key portfolio performance criteria as at 30 June 2014:

As at June	2014
Value of Investment Property ($m)	89.8
Current Annual Rent ($m)	8.1
Average Lease Income Increase (y-o-y) (%)	2.6
Property Yield – Early Learning Properties (%)	9.1
Property Yield – Medical/Storage Properties (%)	8.9
Total Property Yield (%)	9.0
Vacancy Rate	0.0
Weighted Average Lease Expiry (yrs) [1]	6.8

PORTFOLIO SUMMARY

FST's portfolio as at 30 June 2014 is summarised as follows:

FY Ending June	No of Properties	Carrying Value ($m)	Current Annual Rent ($m)
Early Learning Properties	47	72.1	6.5
Medical/Storage Properties	2	17.7	1.6
Total Properties	**49**	**89.8**	**8.1**

Property Securities	No of Units (m)	Carrying Value ($m)
Folkestone Education Trust	9.0	14.8
Folkestone CIB Fund	4.1	8.0
Stockland Direct Retail Trust No 1	3.0	2.2
Australian Property Growth Fund	-[3]	0.2
Total Securities		**25.2**

[1] *By income.*

[2] *Gearing is calculated by borrowings / total assets.*

[3] *This comprises of 2,309,245 Stapled Securities and 3,886,792 Preference Shares.*

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PROPERTY PORTFOLIO

As at 30 June 2014, the Trust owned 47 early learning properties, a self-storage facility and a medical centre. During the year, the key activities were as follows:

- external revaluations on 9 early learning properties resulted in an increase of $1.4 million or 10.5%;
- Directors revaluations on the remaining 38 early learning properties resulted in an increase of $3.3 million or 6.0%; and
- disposal of one early learning property for consideration of $2.2 million

The external valuations were all conducted in Queensland, which is now showing signs of improvement, following an extended period of stagnation. There is good demand for good quality, well placed early learning centres with supporting demographics. The increases in valuations were due to a combination of rental increases and yield compression.

The property portfolio is 100% leased with a WALE of 6.8 years.

SECURITIES PORTFOLIO

As at 30 June 2014, the Trust owned $25.2 million of property securities, which comprises 22% of the Trust's total assets. Key activities during the year were as follows:

- acquisition of additional Folkestone Education Trust units as part of the capital raising for a total consideration of $2.0 million ($1.52 per unit);
- positive revaluation increments on the securities portfolio of $3.7 million;
- re-commencement of distributions on the Folkestone CIB units with a cash distribution of $0.4 million received during the year; and
- Stockland Direct Retail Trust No.1 is continuing following a vote not being passed to wind-up the vehicle at a unitholder meeting held in June 2014

DEBT FUNDING

On 16 July 2014, the Trust amended its debt facility with the Australia and New Zealand Banking Group Limited (ANZ) with an extension to the maturity date and an improvement in pricing.

Debt Finance Summary	
Facility Limit ($m)	34.3
Drawn Facility ($m)	34.3
Facility Maturity	July 2017
LVR Covenant	50%
ICR Covenant	Not less than 2.0 x

The key features of the amended facility include:

- Extension of the facility's maturity through to July 2017
- Improved margin

The improved margin reflects the Trust's strong financial metrics with conservative gearing, 100% occupancy and consistent performance from its direct property portfolio.

Hedging

The Trust's policy is to hedge its interest rate exposure on a rolling staggered basis with a focus on certainty of interest costs in the short term. The Trust has 41% of its debt hedged for FY15 at an average rate of 3.42% pa.

Cost of Debt

As at 30 June 2014, the all in cost of debt is 5.3% pa, which is based on prevailing interest rates, existing swap arrangements, bank margins and amortisation of establishment fees. Under the amended facility effective from 16 July 2014, the bank margin has reduced resulting in an all in cost of debt of 4.7% pa.

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OUTLOOK AND DISTRIBUTION FORECAST

The distribution forecast for the year ending 30 June 2015 is estimated to be **21.0 cpu,** a 5.0 percent increase on the FY14 distribution. The forecast is based on continued tenant and security performance. The Trust will continue to pay quarterly distributions, one month in arrears.

The Trust will continue its strategy of providing investors with stable and predictable cash-flows. This is the result of the Trust's stable financial position with no property vacancies, conservative gearing and debt finance secured up to July 2017.

The Trust continues to explore investment opportunities to grow its direct real estate portfolio in the broader social infrastructure space to enhance the portfolio and as a catalyst for future growth. Areas the Trust is looking at include healthcare, aged care and investment in community assets with government or semi-government tenants. Opportunities are assessed with the objective of meeting the Trust's characteristics and strategy.

For further information contact:

MARK STEWIEN
Fund Manager
Folkestone Social Infrastructure Trust

LULA LIOSSI
Investor Relations Manager - Funds
t: +61 3 8601 2668

TRAVIS BUTCHER
Chief Financial Officer - Funds
Folkestone Social Infrastructure Trust

FURTHER INFORMATION

Folkestone Social Infrastructure Trust
The Folkestone Social Infrastructure Trust (FST) is a listed real estate investment trust (A-REIT) that invests in Australian social infrastructure property and securities. FST's website, http://sitrust.folkestone.com.au/ provides information on FST, its Manager, announcements, current activities and historical information.

About Folkestone
Folkestone (ASX:FLK) is an ASX listed real estate funds manager and developer providing real estate wealth solutions. Folkestone's funds management platform, with more than $765 million under management, offers listed and unlisted real estate funds to private clients and select institutional investors, while it's on balance sheet activities focus on value-add and opportunistic (development) real estate investments. www.folkestone.com.au