Folkestone

SOCIAL INFRASTRUCTURE TRUST

ANNUAL REPORT 2014

CONTENTS

Folkestone Real Estate Management Limited
ABN 29 094 185 092 AFSL 238506

CHAIRMAN AND FUND MANAGER'S REPORT

The Directors of the Responsible Entity, Folkestone Real Estate Management Limited (“FREML”) provide the results of the Folkestone Social Infrastructure Trust (FST or the Trust) for the year ended 30 June 2014. FST is an ASX listed (ASX:FST) property trust investing in social infrastructure assets.

KEY ACHIEVEMENTS

FST for the financial year has delivered a statutory profit of $11.1 million up 37 percent from the previous financial year. The key factor of this increase was the positive revaluation movements on investment properties of $4.7 million achieved during the year.

Net tangible assets ("NTA") per unit has increased by 12.9 percent to $2.80 as at 30 June 2014 due to both positive property and security revaluations during the year.

The Trust delivered an increase of 22.0 percent in distributable income, resulting in an increase in distributions to 20.0 cpu.

On 16 July 2014 FST amended its debt facility with the Australia & New Zealand Banking Group with an extension to the maturity date to July 2017 and an improvement in pricing.

FST's ASX performance improved significantly with an 19.6 percent increase in unit price to 30 June 2014. The total Unitholder’s return (including distributions received) for the year to 30 June 2014 was 29.0 percent.

PORTFOLIO PERFORMANCE

The Trust has five tenants across its portfolio of early learning properties, including Goodstart Early Learning which leases 39 of the properties. The self-storage facility is tenanted by Guardian Storage and the medical centre by Primary Health (ASX:PRY).

The securities portfolio comprises of holdings in the Folkestone Education Trust (ASX: FET), Folkestone CIB Fund (FCIB), Australian Property Growth Fund (APGF) and Stockland Direct Retail Trust No.1 (SDRT1).

Portfolio Performance – Direct Property

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 percent;
- Directors revaluations on the remaining 38 early learning properties resulted in an increase of $3.3 million or 6.0 percent;
- Disposal of one early learning property for consideration of $2.2 million; and
- Property portfolio is 100 percent leased with a WALE of 6.8 years.

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.

Portfolio Performance – Property Securities

During the year, the key activities 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
- 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

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.

Vic Cottren
Chairman

Mark Stewien
Fund Manager

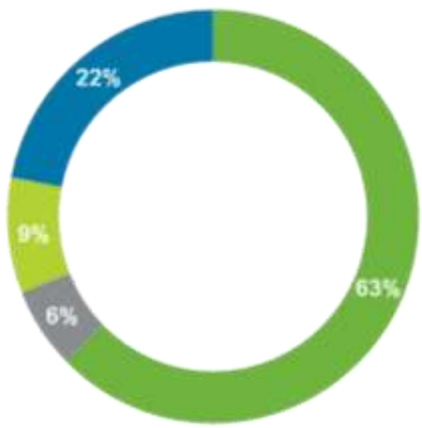
FINANCIAL SUMMARY

As at 30 June	**2014**	**2013**	**2012**	**2011**
Total Assets	$116.1m	$107.3m	$103.0m	$106.8m
Investment Property	$89.8m	$87.0m	$85.2m	$86.8m
Gross Debt	$34.3m	$34.8m	$36.6m	$40.1m
Net Assets	$79.7m	$70.6m	$64.4m	$65.0m
Gearing	29.5%	32.4%	35.6%	37.6%
Units on Issue	28.5m	28.5m	28.5m	28.5m
NTA per unit	$2.80	$2.48	$2.26	$2.28

LOCATION

State	No. of Properties	% of Income
QLD	37	67
VIC	3	22
WA	3	4
NSW	3	3
NT	2	3
SA	1	1
Total	**49**	**100**

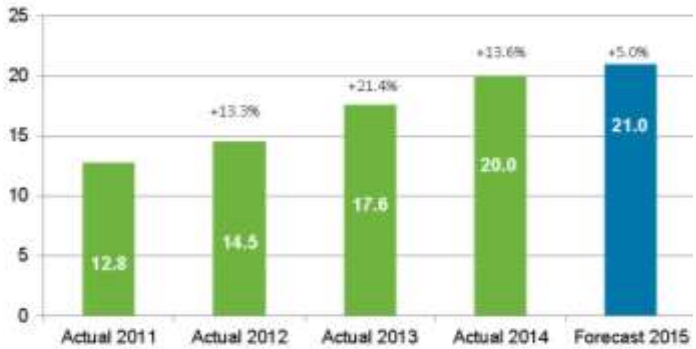
ASSET MIX



KEY HIGHLIGHTS

- STATUTORY PROFIT OF $11.1 MILLION COMPARED TO A PROFIT OF $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 CENTS PER UNIT (“CPU”), AN INCREASE OF 13.6% ON PCP
- NTA PER UNIT OF $2.80 UP BY 12.9% ON PCP
- UNIT PRICE INCREASE FROM $2.14 AT 30 JUNE 2013 TO $2.56 AT 30 JUNE 2014
- TOTAL UNITHOLDERS’ RETURN FOR THE YEAR TO 30 JUNE 2014 OF 29.0%

DISTRIBUTION HISTORY



MARKET PERFORMANCE

FST TOTAL RETURN V S&P/ASX 200 AND A-REIT INDEX – 12 MONTHS TO 30 JUNE 2014

DIRECTORS' REPORT

For the year ended 30 June 2014

The Directors of Folkestone Real Estate Management Limited ("the Responsible Entity"), the Responsible Entity of Folkestone Social Infrastructure Trust ("the Trust"), present their report together with the financial report of the Trust for the year ended 30 June 2014.

On 12 June 2014, Folkestone Limited completed a rebranding across all its platforms and funds to align all Folkestone managed funds as part of the Folkestone Group. Effective 12 June 2014, The Australian Social Infrastructure Fund changed its name to Folkestone Social Infrastructure Trust.

THE RESPONSIBLE ENTITY

The registered office and principal place of business of the Responsible Entity and the Trust is Level 12, 15 William Street, Melbourne, Victoria 3000.

Structure of Trust/Responsible Entity

Directors of the Responsible Entity

The Directors of the Responsible Entity during the financial year and to the date of this report comprise:

Name	Period of Directorship
Mr Victor (Vic) David Cottren	Appointed 2 March 2007
Mr Michael Francis Johnstone	Appointed 2 March 2007
Mr Warner Kenneth Bastian	Appointed 1 March 2009

Company Secretary Qualifications and Experience

Scott Nicholas Martin, BCom, CA. Scott joined Folkestone Limited in December 2005. Scott has over 17 years' experience in finance, specialising in the property and construction industries having previously held positions at R.Corporation and Higgins Coatings. Scott is a Chartered Accountant who began his career at Deloitte providing specialist accounting and taxation advice to a variety of clients in a broad range of sectors. Scott is a member of the Institute of Chartered Accountants and holds a Bachelor of Commerce from the University of Melbourne.

Remuneration of the Responsible Entity

During the financial year the Responsible Entity received fees totalling $1.2 million (2013: $1.2 million) from the Trust. Refer to Note 16 for further information.

PRINCIPAL ACTIVITIES

The principal activity of the Trust during the financial year was investment in income producing social infrastructure assets. As at 30 June 2014 the Trust owned 47 early learning centres, a self storage facility, a medical centre and has investments in a number of property securities.

The Trust derives its revenue from both lease income received from its investment properties and investment income (distributions/dividends) received from its property securities.

Details of the Trust's portfolio are as follows:

As at 30 June	Notes	2014 $'000	2013 $'000
Investment Properties	9	89,775	86,950
Securities	8	25,228	19,852
Cash	5	551	34
Other Assets		595	435
Total Gross Assets		**116,149**	**107,271**
Borrowings	12	34,266	34,702
Other Liabilities		2,159	1,997
Net Assets		**79,724**	**70,572**
Number of Units on Issue (000's)		28,450	28,450
Per Unit NTA ($)		2.80	2.48

Tenants

The self-storage facility is tenanted by Guardian Storage and the medical centre by Primary Health (ASX:PRY). The early learning property portfolio is leased to 5 tenants, the major tenant being the not-for-profit group Goodstart Early Learning Limited ("Goodstart") which accounts for 67% of the rental income from the Trust's properties.

Lease Structure

The majority of the Trust's leases are structured as follows:

- Triple net in structure, the tenant is responsible for rent and outgoings, structural repairs, general repairs and maintenance, rates and taxes;
- A typical lease term is 10 years from commencement plus one 10 year option, with the majority of options exercised;
- Rental growth is indexed annually to CPI; and
- The leases contain security clauses in the form of a bank guarantee to be provided by its tenants, typically 6 months' gross rent.

As at 30 June 2014 the Trust holds approximately $4.8 million in bank guarantees.

Property Portfolio

- As at 30 June 2014, the Trust owns 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%.
  - Disposal of one early learning property for consideration of $2.2 million.

Securities Portfolio

- The security portfolio comprises of holdings in the Folkestone Education Trust (ASX: FET) (formerly named Australia Education Trust (ASX: AEU)), Folkestone CIB Fund (formerly named CIB Fund), Australian Property Growth Fund and Stockland Direct Retail Trust No.1.
- During the year, the key activities 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 valuation increments on the securities portfolio of $3.7 million.

REVIEW AND RESULTS OF OPERATIONS

A summary of the key results during the year are as follows:

- Distributable income of $6.1 million, an increase of 22.0% on the previous corresponding period (“pcp”), driven by a reduction in finance costs and increase in distributions received (FET and FCIB)
- Statutory profit of $11.1 million compared to a profit of $8.1 million in the pcp, primarily due to increase in distributable income and the revaluation increment of investment properties of $4.7 million.
- Net tangible asset (NTA) per unit increased from $2.48 at 30 June 2013 to $2.80 at 30 June 2014. The increase is attributable to positive revaluations of investment properties of $0.17 per unit and positive revaluations of securities of $0.13 per unit.
- Distribution paid to investors of 20.0 cents per unit, compared to 17.6 cents per unit in the pcp.
- Unit price has increased from $2.14 at 30 June 2013 to $2.56 at 30 June 2014, an increase of 19.6%.
- Gearing (Borrowings and Cash Overdraft / Total Assets) reduced to 29.5%.
- Weighted average lease expiry at 30 June 2014 of 6.8 years.

For the Year Ended 30 June	2014 $m	2013 $m
Revenue		
Lease income	8.1	8.2
Property outgoings recoverable	1.3	1.3
Distributions & dividends	1.6	1.0
	11.0	10.5
Expenses		
Finance costs	1.9	2.3
Responsible entity's remuneration	1.2	1.2
Property outgoings	1.6	1.6
Other expenses	0.2	0.4
	4.9	5.5
Distributable income *	**6.1**	**5.0**
Change in fair value of derivative instruments	-	0.2
Net revaluation increment/(decrement) of investment properties	4.7	2.7
Non-cash distribution income (Folkestone CIB Fund / APGF)	0.1	1.1
Impairment of available-for-sale financial assets	-	(0.8)
Amortisation of lease incentive asset liability (lease income)	(0.1)	(0.1)
Net gain/(loss) on sale of investment property	0.3	-
Profit attributable to Unitholders	**11.1**	**8.1**

** Distributable income is not a statutory measure of profit.*

Key points to note are:

- Lease income is predominantly indexed annually to CPI, with average rental growth of 2.6% across the year. Lease income has reduced due to the sale of an early learning property in June 2013 which had an annual lease income of $0.3 million.
- Cash distributions from securities held received during the year amounted to $1.6 million (2013: $1.0 million). The increase was due to Folkestone CIB Fund recommencing cash distributions totalling $0.4 million during the year and an increase of $0.2 million in distributions from FET.
- Finance costs have decreased by $0.4 million due to lower interest rates during the year compared to the prior year. This was the result of both lower variable and hedged interest rates during the year, in particular the prior year was adversely impacted by a $35 million interest rate swap (rate of 5.7%) which matured in September 2012. As at 30 June 2014, the all in cost debt was 5.1% pa.
- Revaluation increments of $4.7 million were achieved during the year due to 9 external valuations and 38 Director valuations being conducted during the year. The 9 external valuations resulted in an increase of $1.4 million or 10% compared to previous valuation. The results on the 38 Director valuations resulted in an increase of or $3.3 million or 6% compared to previous valuation. The Directors valuations were undertaken due to movements in valuations across the early learning property sector, evidenced by strong sales evidence and positive increases in the external valuations in the current year and to reflect the time lag in undertaking the external valuations.

DISTRIBUTIONS

Distributions paid for the financial year to 30 June 2014 totalled 20.0 cents per unit (2013: 17.6 cents per unit) as detailed below.

Period	Paid/Payable	Cents per unit	Amount $'000
Quarter ended 30 September 2013	21 October 2013	4.75	1,351
Quarter ended 31 December 2013	20 January 2014	4.75	1,351
Quarter ended 31 March 2014	17 April 2014	5.25	1,494
Quarter ended 30 June 2014	21 July 2014	5.25	1,494
Total		**20.00**	**5,690**

STATE OF AFFAIRS

Funding

As at 30 June 2014 the Trust had total assets of $116.1 million, gross borrowings of $34.3 million and net assets of $79.7 million. The net tangible asset per unit is $2.80 (30 June 2013: $2.48). The Trust has gearing (Borrowings and Cash Overdraft / Total Assets) of 29.5%. The basis for valuation of the Trust's assets is disclosed in Note 1 to the financial statements.

The Trust has a debt facility with the Australia & New Zealand Banking Group Limited (ANZ).

The key commercial terms of the debt facility are as follows:

Facility Limit	$34.3 million (fully drawn)
Facility Term	December 2014 with an option for 1 further year exercisable at the Trust's election
Maximum Loan to Value Ratio ("LVR")	52.5% (Value based on 100% of secured property values and 50% value of Folkestone Education Trust units)
Interest Cover Ratio ("ICR")	Not to be less than 1.60 times (EBITDA) measured on a yearly basis
Amortisation	No mandatory amortisation requirement whilst the LVR remains below 50%

As at 30 June 2014, the Trust complied with all of its debt covenant ratios and obligations.

In addition the Trust has an overdraft facility with ANZ in order to more efficiently manage its working capital position.

Key commercial terms of the overdraft facility are as follows:

Facility Limit	$2 million
Drawn Amount	No amount drawn as at 30 June 2014
Maturity Date	December 2014 with an option for 1 further year, exercisable at the Trust's election
Purpose	Working capital requirements
Covenants	Same as debt facility

On 10 July 2014 the debt facility with the ANZ was amended with an extension to the maturity date to July 2017 and an improvement in pricing. As part of the amendment, the LVR covenant was reduced to 50% and the ICR covenant was increased to 2.0 times.

Hedging Arrangements

In accordance with the Trusts policy to hedge a proportion of its debt it has the following interest rate swaps in place:

Period	Hedged Amount $'000	Hedged Rate %	% Hedged
FY15			
July 2014 - June 2015	14,000	3.42	41%
FY16			
July 2015 - June 2016	9,000	3.10	26%
FY17			
July 2016 - June 2017	5,000	3.06	15%

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") was suspended on 31 July 2007.

ENVIRONMENTAL REGULATION

The Trust is not subject to any significant environmental regulations under Commonwealth, State or Territory legislation other than those relevant to the specific assets held by the Trust. The Directors believe that the Trust has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Trust.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 10 July 2014 the Trust amended its existing debt facility with the ANZ with an extension to the maturity date to July 2017 from December 2014 and an improvement in pricing.

Subsequent to year end, there are no other events that have occurred which the Directors believe significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust.

INTERESTS OF THE RESPONSIBLE ENTITY

Any interests of both the Responsible Entity and the Directors of the Trust are disclosed in Note 16.

UNITS ON ISSUE

The number of units on issue in the Trust as at the end of the financial year is 28,449,729 fully paid ordinary units (2013: 28,449,729 units). No options have been granted over any unissued units in the Trust.

LIKELY DEVELOPMENTS

The Trust continues with its strategy to provide investors with access to predictable and secure long term cash-flows with the opportunity for capital growth. This is the result of the Trust's stable financial position with no vacancies, long term leases, conservative gearing and debt financing secured to July 2017.

The Trust is well placed to grow its direct real estate portfolio in the broader social infrastructure space. Unitholders should note that any opportunity is assessed with respect to its consistency with the Trust's characteristics and overall objective.

There are a number of risk factors that could have a materially adverse impact upon the future operating and financial performance of the Trust, the ability of the Trust to effectively implement its business strategy and the value of the Trust's units. These risks are both specific to the Trust and the general business and economic climate in Australia.

The Responsible Entity has a Risk Management Program that identifies the Trust's risk and the effectiveness of mitigation strategies. This is continually reviewed by Management and reported to the Board on a regular basis.

The material business risks faced by the Trust in its future operating and financial performance and how the Trust manages these risks are as follows:

- Tenant Risk: The Trust relies on tenants to generate the majority of its revenue under the lease agreements entered into with respect of its properties. If a tenant is unable to meet its rental or contractual obligations, this may lead to a loss of rental income or losses to the value of the Trust's properties. The Trust's leases typically contain security clauses in the form of bank guarantees provided by tenants, typically 6 months rent. As at 30 June 2014, the Trust holds approximately $4.8 million in bank guarantees.
- Concentration Risk: Early learning properties comprise 80% of all of the Trust's properties and therefore any adverse events in the early learning sector may impact on the tenants' ability to meet their lease obligations and also the future growth prospects of the portfolio. As at 30 June 2014, Goodstart Early Learning Limited ("Goodstart") contribute 67% of the Trust's rental income. Non-performance of Goodstart's rental or leasing obligations would significantly impact on the Trust's financial performance. The Trust's leases with Goodstart contain financial reporting obligations that allow regular monitoring of the financial performance of Goodstart.
- Interest Rate Risk: The Trust's main interest rate risk arises from long-term borrowings which are issued at variable rates. The Responsible Entity continually analyses the Trust's interest rate exposure and has adopted a hedging position that effectively manages this risk.
- Other Trust specific-risks such as changes to licensing of early learning properties and government policies which could have a substantial impact on the Trust are continually monitored.

DIRECTORS' REPORT CONT.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The Directors of the Responsible Entity at the time of this report are:

Name and qualifications	Age	Experience and special responsibilities
Mr Victor (Vic) David Cottren Independent Director Bachelor of Commerce (Melbourne) Fellow of Australian Insurance Institute Fellow of the Australian Society of Certified Practising Accountants Fellow of the Australian Institute of Company Directors	72	Vic was appointed on 2 March 2007. Vic has over 50 years industry experience, with an extensive background in share broking, financial planning, life insurance, superannuation and investment management gained with AMP, Australian Eagle Insurance Company, Norwich Union, The Investors Life Group and National Australia Bank. He held various senior posts including Chief Executive and Director within these companies and their subsidiaries. Since 1995, Vic has worked as a consultant to financial service companies in relation to investment, superannuation and financial planning. Vic was also appointed as a Professorial Fellow at RMIT University in 1993 with responsibility for researching and establishing Australia's first undergraduate degree in financial planning.
Mr Michael Francis Johnstone Independent Director Bachelor of Town & Regional Planning Licensed Land Surveyor Advanced Management Program (Harvard)	72	Michael was appointed on 2 March 2007. Michael has almost 40 years of global business experience in Chief Executive and General Management roles and more recently in non executive Directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialized in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. Michael is currently a Non Executive Director of a number of companies in both listed and private environments, including board appointments in the not for profit sector.
Mr Warner Kenneth Bastian Independent Director Fellow of Australian Institute of Company Directors	78	Warner was appointed on 1 March 2009. Warner is a former Managing Director of the Pharmacy Guild of Australia's insurance and financial services subsidiaries with over 50 years experience in insurance and financial services. Warner is Chairman of the Audit and Compliance Committee of the Trust.

The Trust's Constitution does not require Directors to retire and seek re-election.

DIRECTORS' MEETINGS

The number of Directors meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Responsible Entity during the year were:

	Board Meetings	
	A	**B**
Mr Victor David Cottren (Non-Executive Chairman)	9	8
Mr Michael Francis Johnstone (Non-Executive Director)	9	9
Mr Warner Kenneth Bastian (Non-Executive Director)	9	7

A - Number of meetings held during the time the Director held office during the year.

B - Number of meetings attended.

AUDIT AND COMPLIANCE COMMITTEE MEETINGS

The members of the Audit and Compliance Committee during the financial year and to the date of this report were:

- Mr Warner Kenneth Bastian (Independent Chairman)
- Mr Michael Francis Johnstone (Independent Member)
- Mr Grant Bartley Hodgetts (Independent Member)

Details of meetings held during the year and member's attendance are as follows:

	Audit & Compliance Committee Meetings	
	A	**B**
Mr Michael Francis Johnstone	5	5
Mr Warner Kenneth Bastian	5	4
Mr Grant Bartley Hodgetts	5	3

A - Number of meetings held during the time the Member held office during the year.
B - Number of meetings attended.

The experience of the Audit and Compliance Committee is set out below:

Name and qualification	Experience
Mr Warner Kenneth Bastian	See Information on Directors.
Mr Michael Francis Johnstone	See Information on Directors.
Mr Grant Bartley Hodgetts	Grant has been involved in real estate and funds management since 1979. He is currently Non-Executive Chairman of Folkestone Funds Management Limited, Non Executive Director of Knight Capital Group Limited, Director of Bethley Group Pty Ltd and Principal of Hodgetts and Partners.

DIRECTORS' REPORT CONT.

REMUNERATION REPORT

Remuneration of Directors of the Responsible Entity

The Responsible Entity does not have a Remuneration Committee, as the Trust's Constitution prescribes the Trust's remuneration arrangement with the Responsible Entity. In relation to remuneration of the Directors of the Responsible Entity, this is a matter for the Board and the ultimate parent entity of the Responsibility Entity.

It is the objective that the Board comprises Directors with an appropriate mix of skills, experience and personal attributes that allow the Directors individually and the Board collectively to supervise the operations of the Trust with excellence. All fees and expenses of the Responsible Entity are approved by the Board and remuneration of the Responsible Entity is dealt with comprehensively in the Trust's Constitution.

Remuneration of the Directors is paid either directly by the Responsible Entity or by entities associated with the ultimate parent entity of the Responsible Entity. The Directors are not provided with any remuneration by the Trust itself. Directors are not entitled to any equity interests in the Trust, or any rights to or options for equity interests in the Trust, as a result of the remuneration provided by the Responsible Entity.

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives.

Loans to Directors of the Responsible Entity

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the Directors of their personally-related entities at any time during the reporting period.

DETAILS OF UNITHOLDINGS IN THE TRUST

The interests of the Directors of the Responsible Entity in units of the Trust during the year are set out below:

Name	VD Cottren	MF Johnstone	WK Bastian
Opening balance of units held	162,500	-	-
Acquisitions of units	-	-	-
Disposals of units	-	-	-
Closing balance of units held	162,500	-	-

Refer to Note 16 of the financial statements for further details.

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

Indemnification

Under the Trust's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by the Responsible Entity in properly performing or exercising any of its powers, duties or rights in relation the Trust.

The Trust has not indemnified any Auditor of the Trust.

Insurance Premiums

The Responsible Entity has paid or agreed to pay in respect of the Trust, insurance premiums for insurance of its officers for liability and legal expenses for the year ending 30 June 2014.

Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included, as such disclosure is prohibited under the terms of the contracts.

PROCEEDINGS ON BEHALF OF RESPONSIBLE ENTITY

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Responsible Entity, or intervene in any proceedings to which the Responsible Entity is a party, for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Responsible Entity with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

Details of non-audit services provided to the Trust by the independent Auditor during the year ended 30 June 2014 are contained in Note 19 to the financial statements.

AUDIT PARTNER ROTATION

Listed entities are required to rotate their audit partner every 5 years. The financial year ended 30 June 2014 is the fifth year in which the existing partner has been the lead auditor for the Trust. The *Corporations Act 2001* allows for an extension of the appointment of the lead audit partner for up to 2 years In certain circumstances.

The Trust's auditor, PricewaterhouseCoopers, have provided confirmation that the extension of the term of audit partner would not give rise to a conflict of interest situation as defined in section 324 CD of the Act and appropriate safeguards are in place to ensure that appropriate objectivity and independence of the lead auditor is able to be maintained. Given that the requirements of the Act have been met, the existing audit partner has been reappointed for a further period of up to 2 years.

ROUNDING

The Trust is an entity of a kind referred to in Class order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the Directors Report. Amounts in the Directors Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity:

Victor David Cottren
Chairman
Folkestone Real Estate Management Limited
Melbourne, 6 August 2014

CORPORATE GOVERNANCE STATEMENT

Folkestone Social Infrastructure Trust ("the Trust") is a managed investment scheme that is registered under the *Corporations Act 2001*. Folkestone Real Estate Management Limited ("the Responsible Entity") was appointed the Responsible Entity of the Trust on 12 October 2000. The Responsible Entity became a wholly-owned subsidiary of Folkestone Limited on 8 January 2013.

This statement outlines the main corporate governance practices of the Responsible Entity, which were in place throughout the year and at the date of this report.

The ASX Principles have been drafted primarily for listed companies, and not all of the recommendations are readily applicable for a registered managed investment scheme and its Responsible Entity. However, the Responsible Entity seeks to comply with the majority of the ASX Principles. Where it does not, it is largely in respect of obligations to disclose material or matters where the nature of regulation of listed Trusts or of the Trust's business is such that the Board of the Responsible Entity considers that there has been no detriment to the unitholders of the Trust from non-compliance. Areas of non-compliance and the reasons for non-compliance are noted in this statement.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which the Trust has sought to comply with the recommendations for each.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Principle requires the Trust to establish and disclose the respective roles and responsibilities of both the Board and Management.

1.1 Establish functions reserved to Board and those delegated to senior executives

The business of the Trust is managed under the direction of the Board of Directors of the Responsible Entity ("the Board") with management of day to day operations delegated to Mr Nick Anagnostou, Chief Executive Officer – Social Infrastructure and Mr Mark Stewien, Fund Manager.

The conduct of the Board is governed by the Constitutions of the Trust and Responsible Entity and the *Corporations Act 2001*. The Board meets on a regular basis and is required to discuss pertinent business developments and issues and review the operations and performance of the Trust.

The role of the board of the Responsible Entity is to ensure that the Trust is managed in a manner that protects and enhances the interests of its unitholders and takes into account the interests of officers of the Responsible Entity, customers, suppliers, lenders and the wider community.

The board has overall responsibility for corporate governance, including setting the strategic direction for the Trust, establishing goals for management and monitoring the achievement of these goals.

The board's responsibilities and duties include:

- ensuring FREML implements and monitors the strategic and operational plans for Trusts and schemes;
- approving the annual financial budgets, including capital expenditure budgets for Trusts and schemes;
- monitoring financial performance of each Trust and scheme against appropriate performance indicators;
- identifying conflict of interest situations and determining whether the conflict situation is to be avoided or whether it can be appropriately controlled, and determining and implementing the procedures necessary to control the conflicts of interest;
- setting an appropriate risk management strategy so that compliance with the requirements of FREML's AFSL can be adequately measured and monitored by the Audit and Compliance Committee;
- approving the issue of disclosure documents in respect of each Trust or scheme;
- approving major acquisitions, disposals, developments/refurbishments including the Trusts arrangements (including where required by the applicable Limits of Authority Policy);

- monitoring corporate governance practices in FREML;
- ensuring that assets of a Trust or scheme are valued at regular intervals appropriately to the nature of the individual assets;
- appointing legal, accounting or other advisers as required;
- appointing Committees of the Board as may be appropriate to assist in the discharge of its responsibilities, determining their responsibilities and approving a charter for each Committee; and
- monitoring the adequacy of the Company's resources (including financial, technical and human resources) to provide the financial services required by the AFSL.

The separation of responsibilities between the board and management is clearly understood and respected.

1.2 Disclose process for evaluating performance of senior executives

All senior executives of the Responsible Entity are employed by Folkestone Limited. Prior to the commencement of the financial year, a budget/strategy session is held involving the Folkestone Limited Executive Team and a business plan is agreed for the forthcoming year. Performance is regularly reviewed at monthly meetings of the Folkestone Executive Committee. An annual performance appraisal of all Folkestone staff is conducted at the end of the financial year.

Adopting this process, the performance of senior executives was evaluated during the financial year.

1.3 Availability of information

A copy of the Constitution of the Responsible Entity and Trust is available on the Trust's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Principle requires the Trust to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

It is the objective that the Board comprises directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to supervise the operations of the Trust with excellence.

2.1 Majority of Board should be independent directors

The current Board comprises three directors, all of whom are independent.

2.2 Chair should be an independent director

Mr Cottren has been Chairman of the Board since 4 August 2008 and is regarded as independent.

2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual

The roles of Chairman and Chief Executive Officer – Social Infrastructure are not held by the same individual.

2.4 Establish a Nomination Committee

Due to the small size of the Board it is not intended that a Nomination Committee be established. Responsibility for selecting, appointing, evaluating and removing Directors is a matter for the full Board and Folkestone Limited.

2.5 Disclose process for performance evaluation of Board, its committees and individual Directors

The Trust does not have formal evaluation measures and processes in place for the Board, its committees and individual directors as the nature and size of the business to date has justified an informal process.

2.6.1 Information on directors

Details of each Directors relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors' Report. The numbers of meetings held and attended during the year are also set out in the Directors' Report.

In determining the independence of directors, the Board has adopted the criteria as set out in the Corporate Governance Principles and Recommendations.

2.6.2 Independent professional advice

Under the terms of the Trust's Constitution, the directors and non-executive committee members of the Responsible Entity have the right to seek independent professional advice at the Trust's expense.

2.6.3 Desired mix of skills and diversity in board membership

With the input of Folkestone Limited, the Board seeks to evolve its membership by appointing non-executive directors with diverse and complementary skills, experience and perspectives.

2.6.4 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors

The Board does not have in place a formal policy for the nomination and appointment of directors as responsibility for selecting and appointing directors is maintained by Folkestone Limited.

Nevertheless, the Board regularly reviews the composition of the Board in view of the business and strategic needs of the business and provides feedback in relation thereto to Folkestone Limited. If it is deemed necessary to recruit additional directors, the Board will assist Folkestone Limited in determining the skills and experience required by the additional directors. A search process is undertaken following which the Chairman and directors will interview the selected candidate(s). If a suitable candidate is found an appointment will be made.

Neither the Responsible Entity's Constitution nor the ASX Listing Rules require newly appointed directors to seek election or incumbent directors to seek re-election.

2.6.5 Availability of information

A copy of the Responsible Entity's Board Governance and Charter Manual is available on the Trust's website. The Board Charter provides a summary of the procedure for the selection and appointment of new directors.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

The Principle requires that the Board should actively promote ethical and responsible decision-making.

CORPORATE GOVERNANCE STATEMENT CONT.

3.1 Establish a Code of Conduct

Directors and employees of the Responsible Entity are subject to a Code of Conduct which has been implemented by Folkestone Limited. The Board is committed to ensuring that all directors and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.

3.2 Establish a Diversity Policy

The Responsibility Entity and broader Folkestone Group does not have a Diversity Policy. This is due to the small and specialised nature of the Responsible Entity's workforce, and therefore it is not considered appropriate or useful to set gender specific, or other diversity specific, performance targets that relate specifically to the Responsible Entity and the Trust operations.

3.3 Availability of information

A copy of the Folkestone Group Code of Conduct is available on the Trust's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Principle requires that the Trust have a structure in place to independently verify and safeguard the integrity of its financial reporting.

4.1 Establish an Audit Committee

The Board has established an Audit and Compliance Committee whose responsibilities include monitoring the Responsibility Entity and the Trust's compliance with the *Corporations Act 2001*, the Trust's Constitution and Compliance Plan. This is notwithstanding that a separate compliance committee is not required under s.601JA of the *Corporations Act 2001.*

The current members of the Committee are Mr Warner Bastian (Chairman), Mr Michael Johnstone and Mr Grant Hodgetts, all of whom are considered independent. Mr Grant Hodgetts was appointed to the Audit and Compliance Committee with effect from 1 July 2013. Mr Hodgetts is not a member of the Board but possesses a level of technical expertise appropriate for audit committee membership.

4.2 Structure of Audit Committee

The Board notes that as the Trust was not included in the S&P ASX 300 Index at the beginning of the financial year it is not required under the ASX Listing Rules to have an audit committee which complies with the recommendations in relation to composition, operation and responsibility.

During the year the Committee had, at all times, 3 members who were independent. However, not all members were non-executive directors.

4.3 Formal Charter

The Audit and Compliance Committee has a formal charter which sets out its responsibilities.

4.4.1 Information on Audit Committee members

The names and qualifications of the Audit and Compliance Committee members and details of meetings held and attended during the year are set out in the Directors' Report.

4.4.2 Selection and appointment of external auditor and for rotation of external audit engagement partners

The Board is responsible for appointing the external auditor.

The Audit and Compliance Committee is directly responsible for making recommendations to the Board on the appointment, termination and oversight of the external auditor. In selecting an auditor, the Committee implements a selection process and makes a recommendation to the Board based on their assessment of the potential external auditor. The assessment takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost.

The Audit and Compliance Committee is required to annually review the external Auditors performance and independence.

In line with current professional standards, the external auditor is required to rotate the Trust's audit and review partners at least once every 5 years.

The financial year ended 30 June 2014 is the fifth year in which the existing partner has been the lead auditor for the Trust. The *Corporations Act 2001* allows for an extension of the appointment of the lead audit partner for up to 2 years in certain circumstances.

The Trust's auditor, PricewaterhouseCoopers, have provided confirmation that the extension of the term of audit partner would not give rise to a conflict of interest situation as defined in section 324 CD of the Act and appropriate safeguards are in place to ensure that appropriate objectivity and independence of the lead auditor is able to be maintained. Given that the requirements of the Act have been met, the existing audit partner has been reappointed for a further period of up to 2 years.

4.4.3 Availability of information

A copy of the Audit and Compliance Committee Charter is available on the Trust's website. The Charter provides a summary of the procedure for the selection and appointment of the external auditor and for the rotation of the external audit engagement partners.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Principle requires the Trust to promote timely and balanced disclosure of all material aspects concerning the Trust.

5.1 Continuous Disclosure Policy

The Folkestone Group has a Communications Policy which applies to all entities within the Group including all Trusts managed by the Responsible Entity. The Communications Policy has been adopted by the Board and includes a policy in relation to Continuous Disclosure. This policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of the Trust's securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

The Principle requires the Trust to respect the rights of unitholders and facilitate the exercise of those rights.

6.1 Communications Policy

A Communications Policy has been adopted by the Board, reflecting its policy that unitholders be informed of all significant developments affecting the Trust's affairs.

Information is communicated by:

- dispatching annual reports to unitholders who request to receive it;
- dispatching Distribution Statements to all Unitholders which include details of distributions paid and the components of the distribution; and
- maintaining a dedicated investor relations section on the Trust's website to which it posts copies of all ASX announcements, Annual Reports, Half Yearly Reports, details of corporate governance practices, presentations to Unitholders and other information of interest to investors.

As a managed investment scheme, the Trust is not required to hold an annual general meeting. From time to time, however, the Trust has held unitholders' meetings at which the auditor (at the request of the Responsible Entity) has been in attendance. In the interests of containing costs, a unitholders' meeting was not held during the financial year. In deciding not to hold a unitholders' meeting at which the auditor was present and available to answer questions, the Trust has not met the aims of section 250RA of the *Corporations Act 2001* (which requires an auditor of a listed entity to attend the annual general meeting and answer questions on the audit).

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Principle requires the Trust to establish a sound system of risk oversight and management and internal control.

7.1 Establish policies for the oversight and management of material business risks

The Responsible Entity has a Risk Management Program which complies with the requirements of the Australian Standard on Risk Management (AS/NZ ISO 31000) and has a Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806).

7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board

Day to day responsibility for risk management has been delegated to Management, with a review occurring at both Responsible Entity Board level and Folkestone Limited Board level on an annual basis. The Trust does not have an internal audit function due to the small size of the Responsible Entity's workforce. In accordance with the Risk Management Program, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. The Directors' Report and Financial Statements includes a summary of the material business risks faced by the Trust.

As a registered managed investment scheme, the Responsible Entity has a compliance plan that has been lodged with the Australian Securities and Investments Commission (ASIC) and a copy of the compliance plan can be obtained from ASIC.

The compliance plan is reviewed comprehensively every year to ensure that the way in which the Responsible Entity operates protects the rights and interests of unitholders and that business risks are identified and properly managed.
In particular, the compliance plan establishes a range of processes including:

- identifying and reporting breaches of, or non-compliance with, the Corporations Act, the compliance plan, the constitution of the Trust and the Responsible Entity's Australian Financial Services Licence;
- complying with the ASX Listing Rules;
- protecting Trust property;
- ensuring proper acquisition and disposal practices are followed in regard to Trust property;
- ensuring the timely collection of Trust income;
- completing regular valuations of Trust property;
- the maintenance of financial and other records to facilitate preparation of audited/reviewed financial reports;
- ensuring proper and timely distributions to unitholders;
- complying with the Trust's investment objectives;
- managing investment risk;
- managing potential conflicts of interest with the various related parties of the Trust;
- holding and maintaining adequate insurance cover;
- ensuring that borrowing occurs only within permitted limits and ensuring that borrowing terms are complied with; and
- handling complaints relating to the Trust.

PwC, the external auditor of the compliance plan, has completed its annual audit for the year ended 30 June 2014 and will be issuing an unqualified audit opinion.

Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Trust's management of its material business risks.

7.3 Assurance from Fund Manager and Chief Financial Officer - Funds

The Fund Manager and Chief Financial Officer - Funds have certified to the Board that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: REMUNERATION FAIRLY AND RESPONSIBLY

The Principle requires that the Trust ensure that the level and composition for remuneration is sufficient and reasonable and that its relationship to performance is clear.

CORPORATE GOVERNANCE STATEMENT CONT.

8.1 Establish a Remuneration Committee

Remuneration of the Responsible Entity is dealt with comprehensively in the Trust's Constitution. Accordingly, it is considered unnecessary to maintain a Remuneration Committee.

8.2 Structure of Remuneration Committee

N/A

8.3 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives

Remuneration of directors and senior executives is a matter for the Board of Folkestone Limited. Directors and senior executives are paid either directly by the Responsible Entity or by entities associated with the Responsible Entity or Folkestone Limited. Directors and employees are not directly provided with any remuneration by the Trust itself.

A distinction is made between the structure of non-executive directors' remuneration and that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash and superannuation contributions. Senior management of Folkestone Limited are remunerated on the basis of packages which comprise a base salary plus short term and long term performance bonuses. Overall packages are set at levels that are intended to retain and attract executives who are capable of managing the Folkestone Group's operations. Neither directors nor senior executives are entitled to equity interests in the Trust or any rights to or options for equity interests in the Trust as a result of remuneration provided by the Responsible Entity.

The Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation to the Trust or in performing its obligations under the Constitution, debt arrangement fees and property acquisition due diligence fees.

8.4.1 Information on Remuneration Committee members

N/A

8.4.2 Schemes for retirement benefits

Neither Folkestone nor the Responsible Entity pays retirement benefits, other than superannuation, for its non-executive directors.

8.4.3 Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes

Directors and employees are not remunerated by the Trust and do not receive equity in the Trust as a form of remuneration. Accordingly, it is considered unnecessary to have a policy which prohibits transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes.

8.4.4 Availability of information

A copy of the Constitution is available on the Trust's website.

pwc

Auditor's Independence Declaration

As lead auditor for the audit of the Folkestone Social Infrastructure Trust for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of the Folkestone Social Infrastructure Trust during the period.

Charles Christie
PricewaterhouseCoopers

6 August 2014

STATEMENT OF COMPREHENSIVE INCOME

FOLKESTONE SOCIAL INFRASTRUCTURE TRUST

For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Revenue			
Lease income		7,942	8,059
Property outgoing recoveries		1,334	1,341
Distributions and dividends	2(a)	1,675	2,073
Net investment property revaluation increment	9(b)	4,742	2,675
Net profit on sale of investment properties		301	-
Changes in fair value of derivative financial instruments		60	257
Interest income	2(b)	2	2
Other income		20	-
Total revenue		**16,076**	**14,407**
Expenses			
Finance costs	2(c)	1,853	2,277
Property outgoings		1,605	1,611
Responsible entity's remuneration		1,231	1,181
Other expenses		243	387
Net loss on sale of investment properties		-	14
Impairment of available-for-sale financial assets	8(b)	-	821
Total expenses		**4,932**	**6,291**
Profit attributable to unitholders		**11,144**	**8,116**
Other comprehensive income			
Gain on revaluation of available-for-sale financial assets		3,698	3,065
Other comprehensive income		**3,698**	**3,065**
Total comprehensive income attributable to unitholders		**14,842**	**11,181**
Earnings per unit		**Cents**	**Cents**
Basic earnings per unit	4	39.17	28.53
Diluted earnings per unit	4	39.17	28.53

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

FOLKESTONE SOCIAL INFRASTRUCTURE TRUST

As at 30 June 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	5	551	34
Trade and other receivables	6	563	398
Other current assets	7	167	1,954
Total current assets		**1,281**	**2,386**
Non-current assets			
Available-for-sale financial assets	8	25,228	19,852
Investment properties - Straight line rental account	9	94	229
Investment properties	9	89,546	84,804
Total non-current assets		**114,868**	**104,885**
Total assets		**116,149**	**107,271**
Current liabilities			
Trade and other payables	10	509	428
Distribution payable	11	1,520	1,379
Derivative financial instruments	13(a)	112	153
Total current liabilities		**2,141**	**1,960**
Non-current liabilities			
Derivative financial instruments	13(b)	18	37
Borrowings	12	34,266	34,702
Total non-current liabilities		**34,284**	**34,739**
Total liabilities		**36,425**	**36,699**
Net assets		**79,724**	**70,572**
Equity			
Contributed equity	14	58,273	58,273
Distribution reserve		8,162	2,708
Available-for-sale financial assets reserve		13,289	9,591
Total equity		**79,724**	**70,572**

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOLKESTONE SOCIAL INFRASTRUCTURE TRUST

For the year ended 30 June 2014

	Contributed equity $'000	Distribution Reserve $'000	Available-for-sale financial assets reserve $'000	Total $'000
Balance at 1 July 2012	58,273	(401)	6,526	64,398
Profit attributable to Unitholders	-	8,116	-	8,116
Distribution paid or provided for	-	(5,007)	-	(5,007)
Gain on revaluation of available-for-sale financial assets	-	-	3,065	3,065
Balance at 30 June 2013	**58,273**	**2,708**	**9,591**	**70,572**
Balance at 1 July 2013	58,273	2,708	9,591	70,572
Profit attributable to Unitholders	-	11,144	-	11,144
Distribution paid or provided for	-	(5,690)	-	(5,690)
Gain on revaluation of available-for-sale financial assets	-	-	3,698	3,698
Balance as at 30 June 2014	**58,273**	**8,162**	**13,289**	**79,724**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

FOLKESTONE SOCIAL INFRASTRUCTURE TRUST

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of GST)		9,934	10,177
Cash payments in the course of operations (inclusive of GST)		(3,929)	(4,221)
Distributions and dividends received		1,719	953
Interest received		2	2
Finance costs paid		(1,778)	(2,128)
Net cash provided from operating activities	**5(b)**	**5,948**	**4,783**
Cash flows from investing activities			
Proceeds from sale of investment properties		2,218	936
Return of capital from available-for-sale financial assets		386	866
Payments for purchase of available- for-sale financial assets		(1,982)	-
Net cash provided from investing activities		**622**	**1,802**
Cash flows from financing activities			
Repayment of borrowings		(2,503)	(1,808)
Proceeds from borrowings		2,000	-
Distributions paid		(5,550)	(4,760)
Net cash (outflow) from financing activities		**(6,053)**	**(6,568)**
Net increase in cash held		**517**	**17**
Cash at the beginning of the financial year		**34**	**17**
Cash at the end of the financial year	**5(a)**	**551**	**34**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the entity, Folkestone Social Infrastructure Trust ("Trust"). The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the Directors on 6 August 2014. The Directors have the power to amend and reissue the financial statements.

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the *Corporations Act 2001* and the requirements of the Trust Constitution.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property and investment property.

Compliance with International Financial Reporting Standards

The financial statements of the Trust also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New and Amended Standards Adopted by the Trust

The Trust has applied the following standards for the first time for their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidated and Joint Arrangements Standards*.

  AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation – Special Purpose Entities.

  The Trust does not expect any of the other new standards mentioned above to have any impact on the financial statements.

- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*, and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.*

The adoption of AASB 13 and AASB 2012-2 has resulted in no changes in accounting policies or adjustments to the amounts recognised in the financial statements in the current or any prior period and are not likely to affect future periods.

Early Adoption of Standards

The Trust has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(t).

b) Revenue and Expenditure Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the entity's activities as described below. The entity bases its estimates on historical results, taking of transaction and the specifics of each arrangement.

Expenses including rates, taxes and other outgoings are brought to account on an accruals basis and any related payables are carried at cost.

All income and expenditure are stated net of the amount of goods and services tax ("GST").

Revenue is recognised for the major business activities as follows:

Lease Income

Rental income due but not received at balance date is reflected in the Balance Sheet as a receivable.

Rental income from operating leases is recognised as income on a straight-line basis over the lease term, where a lease has fixed annual increases. This results in more income being recognised early in the lease term compared to the lease conditions. The difference between the lease income recognised and actual lease payments received is included in non-current receivables.

For leases where the revenue is determined with reference to market reviews, inflationary measures or other variables, revenue is not straight-lined and is recognised in accordance with the lease terms applicable for the period.

Distribution and Dividend Income

Distribution and dividend income is recognised when the right to receive the income has been established.

Interest Income

Interest income is recognised in the income statement on a time proportion basis using the effective interest rate method when earned and if not received at balance date, is reflected in the Balance Sheet as a receivable.

Responsible Entity's Remuneration

Under the Trust's Constitution, the Responsible Entity is entitled to a management fee amounting to 1.0% p.a. of the value of assets of the Trust.

c) Investment Properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Property interests held under operating lease are deemed investment property.

Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the financial statements.

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed/redeveloped internally include the costs of materials and direct labour. Directly attributable overheads and other incidental costs including interest costs incurred during construction are also capitalised to the asset.

Valuations

After initial recognition, investment properties are measured at fair value and revalued with sufficient regularity to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date. The Trust's Constitution requires the Responsible Entity to have the Trust's property investments independently valued at regular intervals. An independent valuation of a property is carried out at least once every three years. These valuations are considered by the Directors of the Responsible Entity when determining fair value. When assessing fair value, the Directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- a willing, but not anxious, buyer and seller on an arm's length basis;
- a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and
- it only takes into account instructions given by the Responsible Entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Responsible Entity.

All investment properties are considered one class of asset. Under AASB 140: *Investment Property*, adjustments to fair value are to be recognised directly in the statement of comprehensive income.

d) Income Tax

Under current income tax legislation, the Trust is not liable for Australian income tax, provided Unitholders are presently entitled to all of the Trust's taxable income at 30 June each year and any capital gain derived from the sale of assets is fully distributed to Unitholders. Tax allowances for building, plant and equipment depreciation are distributed to Unitholders in the form of tax deferred components of distributions.

e) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

f) Provisions

Provisions for legal claims and make good obligations are recognised when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS CONT.

g) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

h) Financial Assets and Liabilities

Classification

The Trust classifies its financial assets in the following categories: financial assets at fair value through comprehensive income, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

The Trust's investments are classified both as financial assets at fair value through comprehensive income and available-for-sale financial assets. They comprise:

- Financial instruments designated at fair value through either comprehensive income upon initial recognition.

These include financial assets and financial liabilities that are not held for trading purposes and commercial paper.

- Available-for-sale financial assets.

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium or long term.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Trust commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value plus transaction costs for all financial assets not carried at fair value through comprehensive income. Financial assets carried at fair value through comprehensive income are initially recognised at fair value and transaction costs are expensed in comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership.

Measurement

Financial Assets and Liabilities Held at Fair Value through Comprehensive Income

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Trust is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Trust recognises the difference in comprehensive income to reflect a change in factors, including time that market participants would consider in setting a price.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. When securities increase at fair value, the increments are recognised directly in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of comprehensive income as gains and losses. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue when the Trust's right to receive payments is established.

Loans & Receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through comprehensive income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

i) Trade and Other Receivables

Trade receivables are recognised at fair value, less provision for impairment. Trade receivables are due as specified within the individual's property's lease or in accordance with distribution payment dates.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in comprehensive income.

j) Trade and Other Payables

These amounts represent liabilities for goods or services provided to the Trust prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.The distribution amount payable to Unitholders as at the end of each reporting period is recognised separately in the balance sheet when Unitholders are presently entitled to the distributable income under the Trust Constitution.

k) Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

l) Borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing debt is stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in comprehensive income as finance costs.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Trust's derivatives do not qualify for hedge accounting and therefore changes in the fair value of any derivative instrument are recognised immediately in the Statement of Comprehensive Income.

n) Distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting date.

o) Impairment of Assets

At each reporting date, the Trust reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets' fair value less costs to sell and value in use, is compared to the assets' carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

p) Contributed Equity

Ordinary units are classified as equity.

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables to the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

r) Earnings per Unit (EPU)

Basic Earnings per Unit

Basic earnings per unit is calculated by dividing:

• the profit attributable to the Unitholders, excluding any costs of servicing equity other than ordinary shares; and

• by the weighted average number of ordinary units outstanding during the financial year.

Diluted Earnings per Unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per share to take into account:

• the interest and other financing costs associated with dilutive potential ordinary units; and

• the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units

s) Rounding of Amounts

The Trust is of a kind referred to in ASIC Class order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

t) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based upon current trends and economic data, obtained both externally and within the Trust.

Key Estimates - Valuation of Investment Properties

Independent valuations for 9 properties and 38 Director valuations of the 49 properties owned by the Trust were conducted this financial year. The valuations were prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards. Refer to Note 9 for further information.

Key Judgements - Impairment of Available-for-sale Financial Assets

The Trust follows the guidance in AASB 139 *Financial Instruments: Recognition and Measurement* on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Directors of the Responsible Entity evaluate, among other things, the duration and extent to which the fair value of the investment is less than cost and the financial health of and near term business outlook for the investee. Refer to Note 8 for further information.

Key Judgements - Valuation of Unlisted Securities

The fair value of unlisted securities not traded in an active market is determined by the Board by reference to the underlying net assets of the respective entities, along with any other relevant available information. Refer to Note 8 for further information.

u) Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of business activities, through the realisation of assets and settlement of liabilities in the normal course of business.

v) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Directors assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. When adopted, the standard will affect the Trust's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. As the Trust does not hold any available-for-sale investments, management does not expect this to have any impact on the Trust's financial statements. The Trust has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the Trust would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on the foreseeable future transactions.

2. INCOME STATEMENT ITEMS

	2014 $'000	2013 $'000
Revenue includes:		
(a) Distributions and dividends from		
Other schemes managed by the Responsible Entity or its affiliates	1,495	1,230
External parties	180	843
	1,675	2,073
(b) Interest from		
External parties	2	2
	2	2
Expenses include:		
(c) Finance costs payable to		
External parties	1,853	2,277

3. DISTRIBUTIONS

Distributions were payable during the financial year as follows:

Period	Paid/Payable	Cents per unit	2014 Amount $'000	Cents per unit	2013 Amount $'000
Quarter ending 30 September	21 October 2013	4.75	1,351	4.25	1,209
Quarter ending 31 December	20 January 2014	4.75	1,351	4.25	1,209
Quarter ending 31 March	17 April 2014	5.25	1,494	4.25	1,209
Quarter ending 30 June	21 July 2014	5.25	1,494	4.85	1,380
Total		**20.00**	**5,690**	**17.60**	**5,007**

4. EARNINGS PER UNIT ("EPU")

	2014 Cents	2013 Cents
Basic EPU	39.17	28.53
Diluted EPU	39.17	28.53

The following information reflects the income and security numbers used in the calculations of basic and diluted EPU:

	Number of Units '000	Number of Units '000
Weighted average number of ordinary units used in calculating basic earnings per unit	28,450	28,450
Adjusted weighted average number of ordinary units used in calculating diluted earnings per unit	28,450	28,450
	$'000	$'000
Earnings used in calculating basic earnings per unit	11,144	8,116
Earnings used in calculating diluted earnings per unit	11,144	8,116

There have been no conversions to, calls of, or subscriptions for ordinary units or issues of potential ordinary units since the reporting date and before the completion of this report.

5. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
(a) Components of cash and cash equivalents		
Cash	551	34
Total cash and cash equivalents	551	34
(b) Reconciliation of net profit to net cash flows provided by operating activities.		
Net profit	11,144	8,116
Net (gain)/loss on disposal of investment properties	(301)	14
Non cash distributions (FCIB and APGF)	(82)	(1,103)
Net revaluation (increment)/decrement of investment properties	(4,742)	(2,675)
Impairment of available-for-sale financial assets	-	821
Change in fair value of derivative financial instruments	(60)	(257)
(Increase)/decrease in receivables	(91)	(96)
(Decrease)/Increase in payables	80	(37)
Net cash flows provided by operating activities	**5,948**	**4,783**
(c) Financing facilities		
Committed financing facilities available to the Trust:		
Loan facility	34,300	34,300
Amounts utilised	34,300	34,300
Available financing facilities	-	-
Overdraft facility	2,000	2,000
Amounts utilised	-	503
Available financing facilities	2,000	1,497
Cash	551	34
Financing resources available at the end of the year	**2,551**	**1,531**
Maturity profile of financing facilities:		
Due within one year	-	-
Due between one year and five years	36,300	36,300
Due after five years	-	-

Refer to Note 12 for details on the conditions of the financing facilities.

During the year ending 30 June 2014, the Trust received non-cash distributions of $0.1 million (2013: $1.1 million).

NOTES TO THE FINANCIAL STATEMENTS CONT.

6. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Other schemes managed by the Responsible Entity and its affiliates	332	224
Other entities	231	174
	563	**398**

Trade receivables are recognised at fair value less any provision for impairment. Trade receivables are due as specified within the individual property's lease or in accordance with distribution payment dates.

The $332,443 receivable from other schemes managed by the Responsible Entity and its affiliates relates to a quarterly distribution payable from the Folkestone Education Trust and monthly distributions from Folkestone CIB Fund. Refer Note 16 for further details.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. Provision of impairment of trade receivables is used when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted off the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of any impairment loss is recognised in the Statement of Comprehensive Income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

Trade receivables that are past due but not impaired

As at 30 June 2014, there were no trade receivables which were past due but not impaired.

Allowance for impairment loss

No receivables are considered to be impaired. The majority of these amounts are expected to be received in the near future.

Related party receivables

For terms and conditions of related party receivables, refer to Note 16.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Trust's policy to transfer (on-sell) receivables to special purpose entities.

7. OTHER CURRENT ASSETS

	2014 $'000	2013 $'000
Investment properties - straight line rental account	135	117
Prepayments	32	37
Investment properties to be sold within 12 months	-	1,800
	167	**1,954**

8. AVAILABLE-FOR- SALE FINANCIAL ASSETS

	2014 $'000	2013 $'000
Available-for-Sale Financial Assets		
(a) Represented by:		
Units in listed property trusts - at market valuation	14,863	10,630
Units in listed property trusts - at Directors' valuation	-	490
Units in unlisted property trusts - at Directors' valuation	10,365	8,732
Total available-for-sale financial assets	**25,228**	**19,852**
Less: available-for-sale financial assets to be sold within 12 months	-	-
Carrying amount at the end of the year	**25,228**	**19,852**
(b) Movements in available-for-sale financial assets:		
Opening balance	19,852	15,894
Non-cash distribution (FCIB & APGF)	82	1,103
Return of capital & security buy-back (APGF)	(386)	(866)
Purchase of available-for-sale financial assets (FET)	1,982	-
Impairment of available-for-sale financial assets	-	(821)
Movement in available-for-sale financial assets to be sold within 12 months	-	1,477
Movement in available-for-sale financial assets reserve	3,698	3,065
Carrying amount at the end of the year	**25,228**	**19,852**

Listed securities are valued at the closing bid price on the last business day of the financial year.

In assessing the fair value of investments held in unlisted property trusts initially, the unit price is determined by the entity's net assets, as disclosed in Note 1.

As at 30 June 2014, when assessing the fair value of the Australian Property Growth Fund investment, it was evident that the last reported net asset position was not an appropriate valuation for this security. As a result, alternate valuation methodologies have been utilised to calculate an appropriate fair value.

On 20 January 2014, the Australian Property Growth Fund was delisted from the NSX Exchange.

Reconciliation of Available-for-Sale Financial Assets

Listed Securities

Name of Security 2014	Exchange	No of Shares/Units No'000	Market Valuation $'000	Directors' Valuation $'000	Total $'000
Folkestone Education Trust	ASX	9,035	14,863	-	14,863
Total Listed Securities			**14,863**	**-**	**14,863**

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT.)

Reconciliation of Available-for-Sale Financial Assets cont.

Unlisted Securities

Name of Security 2014	No of Shares/Units No'000	Market Valuation $'000	Directors' Valuation $'000	Total $'000
Folkestone CIB Fund	4,138	-	7,945	7,945
Australian Property Growth Fund	**	-	200	200
Stockland Direct Retail Trust No.1	3,000	-	2,220	2,220
Total Unlisted Securities		**-**	**10,365**	**10,365**
Total Available-for-Sale Financial Assets		**14,863**	**10,365**	**25,228**

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

Listed Securities

Name of Security 2013	Exchange	No of Shares/Units No'000	Market Valuation $'000	Directors' Valuation $'000	Total $'000
Folkestone Education Trust	ASX	7,731	10,630	-	10,630
Australian Property Growth Fund	NSX	**	-	490	490
Total Listed Securities			**10,630**	**490**	**11,120**

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

Unlisted Securities

Name of Security 2013	No of Shares/Units No'000	Market Valuation $'000	Directors' Valuation $'000	Total $'000
Folkestone CIB Fund	4,092	-	7,202	7,202
Stockland Direct Retail Trust No.1	3,000	-	1,530	1,530
Total Unlisted Securities		**-**	**8,732**	**8,732**
Total Available-for-Sale Financial Assets		**10,630**	**9,222**	**19,852**

9. INVESTMENT PROPERTIES

	2014 $'000	2013 $'000
(a) Investment properties - at valuation		
Total property investments	89,775	86,950
Less: straight line rental account - current	(135)	(117)
Less: straight line rental account - non current	(94)	(229)
Total investment properties	**89,546**	**86,604**
Less: investment properties to be sold within 12 months	-	(1,800)
Carrying amount at the end of the year	**89,546**	**84,804**
(b) Movement in investment properties:		
Balance at the beginning of the year - at valuation	84,804	84,779
Disposal of properties	-	(850)
Net revaluation increment	4,742	2,675
Less: investment properties to be sold within 12 months	-	(1,800)
Carrying amount at the end of the year	**89,546**	**84,804**

Investment properties are carried at fair value. The determination of fair value is based on independent valuations.

An independent valuation of a property is carried out at least once every three years. Independent valuations are prepared using both the capitalisation of net income method and the discounting of future net cash flows to their present value. Capital expenditure since valuation includes purchases of sundry properties (and associated expenses such as stamp duty, legal fees etc) and capital expenditure in respect of completed projects which has taken place since or was not included in the latest valuation of the properties.

Independent valuations for 9 of the 49 properties owned by the Trust were conducted during the year. The independent valuations were prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards. The net result of the valuations was an increase of $1.4 million or 10% for the properties valued.

In addition, the Directors have increased the fair value of 38 properties by $3.3 million or 6%, to reflect the movements in valuations across the early learning property sector, evidenced by strong sales evidence and positive valuation movements and to reflect the time lag in undertaking the external valuations.

10. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Trade creditors	127	133
GST payable	204	177
Accruals	178	118
	509	**428**

Fair Value and Credit Risk

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Financial Guarantees

There are no financial guarantees in place.

Interest Rate and Liquidity Risk:

Detail regarding interest rate and liquidity risk exposure is disclosed in Note 15.

11. DISTRIBUTION PAYABLE

	2014 $'000	2013 $'000
Distribution payable	1,520	1,379
	1,520	**1,379**

12. BORROWINGS

	2014 $'000	2013 $'000
Secured liabilities		
Bank Loans at face value - secured	34,300	34,300
Less: unamortised up front transaction costs	(34)	(101)
	34,266	**34,199**
Bank Overdraft	-	503
	34,266	**34,702**

The Trust has a debt facility with the Australia & New Zealand Banking Group Limited (ANZ). The key commercial terms of the facility are as follows:

Facility Limit	$34.3 million (fully drawn)
Facility Term	December 2014 with an option for 1 further year exercisable at the Trust's election
Maximum Loan to Value Ratio ("LVR")	52.5% (Value based on 100% of secured property values and 50% value of Folkestone Education Trust units)
Interest Cover Ratio ("ICR")	Not to be less than 1.60 times (EBITDA) measured on a yearly basis
Amortisation	No mandatory amortisation requirement whilst the LVR remains below 50%

As at 30 June 2014, the Trust complied with all of its debt covenant ratios and obligations.

In addition the Trust has an overdraft facility with ANZ in order to more efficiently manage its working capital position.

Key commercial terms of the overdraft facility are as follows:

Facility Limit	$2 million
Drawn Amount	No drawn amount as at 30 June 2014
Maturity Date	December 2014 with an option for 1 further year, exercisable at the Trust's election
Purpose	Working capital requirements
Covenants	Same as debt facility

On 10 July 2014 the debt facility with the ANZ was amended with an extension to the maturity date to July 2017 and an improvement in pricing. As part of the amendment, the LVR covenant was reduced to 50% and the ICR covenant was increased to 2.0 times.

12. BORROWINGS (CONT.)

Hedging Arrangements

In accordance with the Trusts policy to hedge a proportion of its debt it has the following interest rate swaps in place:

Period	Hedged Amount $'000	Hedged Rate %	% Hedged
FY15			
July 2014 - June 2015	14,000	3.42	41%
FY16			
July 2015 - June 2016	9,000	3.10	26%
FY17			
July 2016 - June 2017	5,000	3.06	15%

Interest Rate and Liquidity Risk

Refer to Note 15 for information on interest rate and liquidity risk.

Fair Values

The carrying amounts of the Trust's interest-bearing liabilities approximate their fair value.

Unused Financing Facilities

Refer to Note 5(c) for details of unused financing facilities.

Assets Pledged as Security

	2014 $'000	2013 $'000
Collateral that has been pledged for secured liabilities is as follows:		
i) Financial assets pledged		
Cash and cash equivalents	551	34
Trade and other receivables / prepayments	595	435
Available-for-sale financial assets	25,228	19,852
ii) Other assets pledged		
Investment properties	89,775	86,950
Total assets pledged	**116,149**	**107,271**

Under the current ANZ facility, the principal terms and conditions with respect to the assets pledged are:

- not to materially change the nature of the Trust, without ANZ consent;
- not to make return of capital to any unitholder without consent of ANZ;
- if the LVR is above 50%, the Trust must immediately, on receipt of Trusts, repay debt by sale proceeds in relation to settlement of any Contract of Sale for any Security Property or any Security.
- not dispose of any asset, without ANZ consent, except in the ordinary course of business (a disposal of securities is not in the ordinary course of business, from the Lender's perspective).
- ANZ is to be notified within 30 days of any leases being terminated or not renewed; and
- the Trust is not to enter into any further financial debt.

Covenants

The main covenants of the Trust's debt facility, in place as at 30 June 2014, are that the Trust maintains a Loan to Value Ratio (LVR) not greater than 52.5% and a minimum interest cover ratio of 1.6 times. The Trust is in compliance with the relevant covenants.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 $'000	2013 $'000
(a) Current		
Derivative financial instruments - interest rate swaps	112	153
	112	**153**
(b) Non Current		
Derivative financial instruments - interest rate swaps	18	37
	18	**37**

The Trust uses derivative financial instruments (comprising of interest rate swaps) to swap its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value.

Refer to Note 12 for further information on these contracts.

14.CONTRIBUTED EQUITY

	Units on Issue No '000	Units on Issue $'000
Balance at 1 July 2012	28,450	58,273
Units issued during the period	-	-
Balance at 30 June 2013	**28,450**	**58,273**
Balance at 1 July 2013	28,450	58,273
Units issued during the period	-	-
Balance at 30 June 2014	**28,450**	**58,273**

During the year ending 30 June 2014, there were no units issued (2013: there were no units issued).

All units on issue rank equally for the purpose of distributions and on termination of the Trust. All units entitle the holders to one vote, either in person or by proxy, at a meeting of the Trust.

Capital Management

The Responsible Entity's strategy when assessing capital management is to ensure the Trust continues as a going concern as well as to maintain optimal returns to Unitholders and benefits for other stakeholders. The Responsible Entity also aims to maintain a capital structure that ensures the lowest cost of capital available to the Trust.

15. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Trust's financial instruments consist of deposits with banks, accounts receivable and payable, loans from banks, loans to related entities and derivatives.

The Responsible Entity manages the Trust's exposure to key financial risks in accordance with its Risk Management Plan. The objective of the plan is to support the delivery of the Trust's financial targets, whilst protecting future financial security.

The Board has a Risk Management Program which complies with the requirements of the Australian Standard on Risk Management (AS/NZ ISO 31000) and a Compliance Program which meets the Australian Standard for Compliance Programs (AS/NZ 3806). The Programs reflect the Board's commitment to identifying, monitoring and mitigating risks as well as capturing opportunities. Day to day responsibility for risk management has been delegated to executive management, with review at Board level.

(b) Risk Exposures and Responses

Market Risk

The Trust is exposed to interest rate, price and liquidity risks. Details are provided in the following paragraphs. There are no known exposures to other risks that are material to the financial statements.

Interest Rate Risk

The exposure of interest rate risk for the Trust is primarily due to debt obligations.

The Trust has the following classes of financial assets and financial liabilities that are exposed to interest rate risk:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	551	34
	551	**34**
Financial liabilities		
Bank Overdraft	-	503
Borrowings (Gross)	34,300	34,300
	34,300	**34,803**
Net exposure	**(33,749)**	**(34,769)**

The weighted average interest rates relating to the above financial assets and financial liabilities were as follows:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	0.75%	2.25%
Financial liabilities		
Interest-bearing liabilities	5.10%	5.32%

Financial assets are not hedged and are exposed to variable interest rate risk. The Responsible Entity believes that this exposure is relatively low and does not pose a material risk to the Trust.

It is the current policy of the Responsible Entity to use a mixture of variable interest rate and interest rate swaps to manage the Trust's exposure to interest rates on interest bearing liabilities. As at 30 June 2014, interest on borrowings of $34.3 million was at a weighted average interest rate of 5.1% p.a. (excluding transaction costs). Refer to Note 12 for further information on this debt.

The Responsible Entity constantly analyses the Trust's interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures on interest-bearing liabilities in existence at the reporting date.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit and equity would have been affected as follows:

	Net Profit Increase / (Decrease)		Equity Increase / (Decrease)	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Judgements of reasonably possible movements:				
Increase in variable interest rates of 1.00%	80	65	80	65
Decrease in variable interest rates of 0.50%	(40)	(32)	(40)	(32)

The movements in net profit are due to the net impact of higher/lower interest costs from variable rate debt and cash balances and the movements in the fair value of derivative instruments. Due to the hedging arrangements in place at 30 June 2014, increases in interest rates increase profit due to increases in the fair value of derivative financial instruments exceeding the higher interest cost on the unhedged portion. Such movements are reflected in the Statement of Comprehensive Income and Equity.

Foreign Currency Risk

The Trust has no exposure to foreign currency movements as it does not transact or hold assets in foreign currency.

15. FINANCIAL RISK MANAGEMENT (CONT.)

Price Risk

The Trust is exposed to movements in the market values of property securities held, both listed and unlisted. These movements may be significant from one year to the next. A variety of factors may cause movements, such as activity in general financial markets and the state of the property market and the economy generally. The Trust has no form of hedging in place to mitigate such movements.

The following sensitivity analysis is based on the price risk exposures on securities held at the reporting date.

At 30 June 2014, if prices had moved, as illustrated in the table on the next page, with all other variables held constant, profit and other comprehensive income would have been affected as follows:

		Net Profit Increase / (Decrease)		Equity Increase / (Decrease)	
		2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Judgements of reasonably possible movements:					
Increase in property security prices	15.00%	3,784	2,978	3,784	2,978
Decrease in property security prices	15.00%	(3,784)	(2,978)	(3,784)	(2,978)

Changes in fair value are recognised directly in equity, when there is an expected long term increment in the value of the security. Where there is an expected long term decrement in the value of the security, changes in fair value are recognised directly in the Statement of Comprehensive Income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses. For the purposes of this analysis it has been assumed that all movements are adjusted through the Statement of Comprehensive Income.

Liquidity Risk

Liquidity risk is managed by adhering to restrictions under the Trust's investment strategy from entering into contractual arrangements that produce an exposure not covered by sufficient liquid assets or a total investment exposure in excess of total Unitholders' Trusts. Further, the Responsible Entity ensures that sufficient cash and cash equivalents are maintained to meet the needs of the Trust through cash flow monitoring and forecasting.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2014. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Market value is not materially different from the break value. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing as at 30 June 2014.

The remaining contractual maturities of the Trust's financial liabilities are:

	2014 $'000	**2013 $'000**
6 months or sooner	2,085	1,884
6 to 12 months	56	76
1 to 5 years	34,318	34,840
Later than 5 years	-	-
	36,459	**36,800**

The following table reflects a maturity analysis of financial assets and financial liabilities based on management's expectations. Apparent shortfalls in cash are due to the maturity of debt facilities at various points in time. Prior to the maturity of these facilities, the Trust will either negotiate to extend the term of these facilities or arrange new facilities on terms appropriate at that time.

	6 months or sooner $'000	6 to 12 months $'000	1 to 5 years $'000	Later than 5 years $'000	Total $'000
2014					
Financial assets					
Cash and cash equivalents	551	-	-	-	551
Receivables and prepayments	595	-	-	-	595
Available-for-sale financial assets	-	-	25,228	-	25,228
	1,146	**-**	**25,228**	**-**	**26,374**
Financial liabilities					
Payables	2,029	-	-	-	2,029
Derivative financial instruments	56	56	18	-	130
Interest-bearing liabilities	-	-	34,300	-	34,300
	2,085	**56**	**34,318**	**-**	**36,459**
Net exposure	**(939)**	**(56)**	**(9,090)**	**-**	**(10,085)**
2013					
Financial assets					
Cash and cash equivalents	34	-	-	-	34
Receivables	435	-	-	-	435
Available-for-sale financial assets	-	-	19,852	-	19,852
	469	**-**	**19,852**	**-**	**20,321**
Financial liabilities					
Payables	1,807	-	-	-	1,807
Derivative financial instruments	77	76	37	-	190
Interest-bearing liabilities	-	-	34,803	-	34,803
	1,884	**76**	**34,840**	**-**	**36,800**
Net exposure	**(1,415)**	**(76)**	**(14,988)**	**-**	**(16,479)**

Credit Risk

Credit risk arises from the financial assets of the Trust, which comprise cash and cash equivalents, trade and other receivables, loans receivable and available for sale financial assets. The Trust's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable Note.

Receivables are received within the terms of the individual property lease. The Trust does not hold any credit derivatives to offset its credit exposure.

15. FINANCIAL RISK MANAGEMENT (CONT.)

Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the Trust's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Assets				
Available-for-sale financial assets	14,863	10,365	-	25,228
Total assets	**14,863**	**10,365**	**-**	**25,228**
Liabilities				
Derivatives used for hedging purposes	-	130	-	130
Total liabilities	**-**	**130**	**-**	**130**
2013				
Assets				
Available-for-sale financial assets	10,630	9,222	-	19,852
Total assets	**10,630**	**9,222**	**-**	**19,852**
Liabilities				
Derivatives used for hedging purposes	-	190	-	190
Total liabilities	**-**	**190**	**-**	**190**

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Trust is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using initially the latest Net Tangible Asset value of the investment. If this is not an appropriate assessment of fair value, other valuation techniques are utilised. The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows. The Trust uses the latest information available to the market. These instruments are included in level 2.

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. When securities are increased in fair value, the increments are recognised directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains and losses.

The carrying amounts of bank deposits, receivables, other debtors, accounts payable, bank loans, lease liabilities and distributions payable approximate net fair value.

16. RELATED PARTY DISCLOSURES

Responsible Entity

The Responsible Entity of the Trust is Folkestone Real Estate Management Limited.

In accordance with the Trust's Constitution and other agreements the Responsible Entity is entitled to claim asset management fees, reimbursement for all expenses reasonably and properly incurred in relation with the Trust or in performing its obligations under the Constitution.

The following table provides the total amount of transactions that have been entered into with the Responsible Entity for the relevant financial year:

Amounts paid or payable during the year	2014 $'000	2013 $'000
Responsible Entity asset management fees	1,105	1,043
Responsible Entity cost recoveries	126	138
	1,231	1,181
Amounts included in accruals or payables at balance date	**116**	**119**

The names of each person holding the position of Director of the Responsible Entity during the financial year were Messrs Victor David Cottren (Chairman), Michael Francis Johnstone and Warner Kenneth Bastian. No Director of the Responsible Entity received or became entitled to receive any benefit because of a contract made by the Trust with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

The relevant interests of each Director of the Responsible Entity (including Director related entities) acquired on the market in the unit capital of the Trust are set out under the section Key Management Personnel of the Responsible Entity.

Custodian

The Custodian of the Trust's assets is The Trust Company (Australia) Limited (formerly named Trust Company of Australia Ltd). The Custodian is entitled to fees for its services.

Amounts paid or payable during the year	2014 $'000	2013 $'000
Custodian fees	54	52
Amounts included in accruals or payables at balance date	**15**	**15**

Transactions with other Related Parties

The ultimate parent entity of the Responsible Entity is Folkestone Limited. During the year, the Trust reimbursed Folkestone Limited for the following expenses.

Amounts paid or payable during the year	2014 $'000	2013 $'000
Cost recoveries	17	-
Amounts included in accruals or payables at balance date	**12**	**-**

NOTES TO THE FINANCIAL STATEMENTS CONT.

16. RELATED PARTY DISCLOSURES (CONT.)

Investments

The Trust held investments in the following schemes managed by the Responsible Entity or its affiliates:

Listed Investment

	2014	2013
Folkestone Education Trust (formerly named Australian Education Trust)		
Number of units held	9,035,268	7,730,980
Interest % held	4.4%	4.4%
Number of units acquired during the year	1,304,288	-
Value of units acquired during the year	$1,982,518	-
Distributions received / receivable by the Trust	$1,045,103	$827,215
Distributions receivable as at 30 June	$271,058	$224,198
Net fair value of investment	$14,863,016	$10,630,098

Unlisted Investment

	2014	2013
Folkestone CIB Fund (formerly named CIB Fund)		
Number of units held	4,137,833	4,092,362
Interest % held	15.0%	15.0%
Number of units acquired during the year	45,471	218,933
Value of units acquired during the year	$81,847	$402,837
Distributions received / receivable by the Trust	$450,160	$402,837
Distributions receivable as at 30 June	$61,385	-
Net fair value of investment	$7,944,639	$7,202,557

The Folkestone Education Trust is a specialist early learning property owner and the Folkestone CIB Fund owns a portfolio of Victorian police stations and law court complexes. Both funds have strong financial metrics with 100% occupancy and conservative gearing levels with secured loan term borrowings.

Terms and conditions of transactions with related parties

All transactions between related parties were made on normal commercial terms and conditions.

Key Management Personnel of the Responsible Entity

Names

The following is a summary of the Key Management Personnel (KMP) of the Responsible Entity. The Directors of the Responsible Entity are considered to be KMP.

Chairman - Non-executive	Vic Cottren	Appointed 2 March 2007
Non-Executive Directors	Michael Johnstone	Appointed 2 March 2007
	Warner Bastian	Appointed 1 March 2009
Other KMP	Mark Stewien	Fund Manager (Appointed 18 November 2011)
	Travis Butcher	Chief Financial Officer - Funds (Appointed 1 October 2008)
	Nicholas Anagnostou	Chief Executive Officer (Appointed 11 July 2011)

Remuneration

No KMP were remunerated directly by the Trust. The KMP of the Responsible Entity receive remuneration in their capacity as Directors and senior management of the Responsible Entity and these amounts are paid from an entity related to the Responsible Entity.

Units Held in the Trust by Directors of the RE

The numbers of units in the Trust held during the financial year by each Director and other KMP of the Responsible Entity, including their personally related parties, are set out below. There were no units granted during the reporting period as compensation.

	Balance at the start of the year units	Acquisitions during the year units	Disposals during the year units	Balance at the end of the year units
2014				
Directors				
Vic Cottren				
- Lesley Ruth French	17,500	-	-	17,500
- Kimslead Holdings Pty Ltd	145,000	-	-	145,000
Total	162,500	-	-	162,500
2013				
Directors				
Vic Cottren				
- Lesley Ruth French	17,500	-	-	17,500
- Kimslead Holdings Pty Ltd	145,000	-	-	145,000
Total	162,500	-	-	162,500

17. SEGMENT REPORTING

The Trust operates wholly within Australia and operates predominantly in the one business segment of property investment, including direct property ownership and units in other property schemes.

18. LEASE REVENUE COMMITMENTS

Investment properties are leased to tenants under long-term operating leases with rentals generally payable monthly. Future minimum lease payments receivable on leases of investment properties are as follows:

	2014 $'000	2013 $'000
Not later than 1 year	8,358	8,133
Between 1 years and 5 years	32,972	32,562
Greater than 5 years	21,723	29,443
	63,053	**70,138**

NOTES TO THE FINANCIAL STATEMENTS CONT.

19. AUDITORS REMUNERATION

	2014 $	2013 $
Remuneration of the auditor for:		
Audit and other assurance service		
Audit or review of financial report – PricewaterhouseCoopers, Australian firm	34,000	45,000
Audit of compliance plan – PricewaterhouseCoopers, Australian firm	3,000	4,125
Taxation services		
Taxation – PricewaterhouseCoopers, Australian firm	7,500	7,500
Total auditors remuneration	**44,500**	**56,625**

20. NET TANGIBLE ASSETS

	2014	2013
Net tangible assets ($'000)	79,724	70,572
Units used (No'000)	28,450	28,450
Net tangible assets at carrying value per unit ($)	2.80	2.48

21. CONTINGENT LIABILITIES

No contingent liabilities to the Trust exist of which the Responsible Entity is aware.

22. SUBSEQUENT EVENTS

On 10 July 2014 the Trust amended its existing debt facility with the ANZ with an extension to the maturity date to July 2017 from December 2014.

The financial report was authorised on 6 August 2014 by the Board of Directors of the Responsible Entity.

There have been no other significant events since 30 June 2014 that have or may significantly affect the results and operations of the Trust.

23. TRUST DETAILS

The registered office and principal place of business of the Trust is Level 12, 15 William Street, Melbourne, Victoria 3000 and the principal activity being an investor in direct property and property securities. The domicile of the Trust is Australia.

DIRECTORS' DECLARATION

In the opinion of the Directors of Folkestone Real Estate Management Limited, the Responsible Entity of Folkestone Social Infrastructure Trust ("the Trust"):

1. the financial statements and notes, set out on pages 22 to 50 are in accordance with the *Corporations Act 2001*, including:
   - complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   - giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
2. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable, and
3. the Trust has operated during the year ended 30 June 2014 in accordance with the provisions of the Trust Constitution (as amended).

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Fund Manager and Chief Financial Officer - Funds required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors of Folkestone Real Estate Management Limited.

Victor David Cottren
Chairman
Folkestone Real Estate Management Limited
Melbourne, 6 August 2014

pwc

Independent auditor's report to the unitholders of Folkestone Social Infrastructure Trust

Report on the financial report

We have audited the accompanying financial report of Folkestone Social Infrastructure Trust (the Trust), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Folkestone Real Estate Management Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Folkestone Social Infrastructure Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the Trust's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
6 August 2014

ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 31ST JULY 2014

There were 28,449,729 fully paid ordinary units on issue, held by 1,338 Unitholders.

The voting rights attaching to the ordinary units, set out in section 253C of the *Corporations Act 2001*, are:

(a) on a show of hands every person present who is a Unitholder has one vote; and

(b) on a poll each Unitholder present in person or by proxy or attorney has one vote for each dollar of value of the total interests they have in the Trust.

DISTRIBUTION OF UNITHOLDERS

Number of Units Held	Number of Unitholders
1-1,000	44
1,001-5,000	363
5,001-10,000	304
10,001-100,000	595
100,001 and over	32
Totals	**1,338**
Holdings less than a marketable parcel	10

SUBSTANTIAL UNITHOLDERS

Name of Substantial Unitholder	Number
Phoenix Portfolios Pty Ltd	1,875,637

TWENTY LARGEST UNITHOLDERS

Holder Name	Number of Units	Fully Paid Percentage
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,162,548	7.601
ONE MANAGED INVESTMENT FUNDS LIMITED	1,000,000	3.515
BOND STREET CUSTODIANS LIMITED	467,089	1.642
REDBROOK NOMINEES PTY LTD	382,304	1.344
STANBOX PTY LIMITED	370,000	1.301
FIRST TRANSNATIONAL INVESTMENT CORPORATION PTY LTD	361,981	1.272
ACRES HOLDINGS PTY LTD	327,480	1.151
STORMCLASSIC PTY LTD	267,418	0.940
HORRIE PTY LTD	265,000	0.931
MR LOUIS PIERRE LEDGER	239,636	0.842
LONSDALE BUILDERS & CONSTRUCTION CO P/L	225,000	0.791
REMON INVESTMENTS PTY LTD	200,000	0.703
TRIPRA HOLDNGS PTY LTD	183,000	0.643
F S HESPE & PARTNERS PTY LIMITED	180,000	0.633
PELAN NOMINEES PTY LTD	179,000	0.629
TUDOR VALE HOLDINGS PTY LTD	177,587	0.624
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	166,479	0.585
MR CLAUDIO ZITO & MRS JOAQUINITA ZITO	165,681	0.582
MS ALISON MAISIE LAW	155,300	0.546
KIMSLEAD HOLDINGS PTY LTD	145,000	0.510
	7,620,503	**26.785**

ON MARKET BUY BACK

There is no current on-market buy back.

RESPONSIBLE ENTITY AND PRINCIPAL PLACE OF BUSINESS OF THE TRUST

Folkestone Real Estate
Management Limited
Level 12
15 William Street
Melbourne VIC 3000

DIRECTORS OF THE RESPONSIBLE ENTITY

Victor David Cottren (Chairman)
Michael Francis Johnstone
Warner Kenneth Bastian

SOLICITORS

Tress Cox
Level 4
40 Creek Street
Brisbane QLD 4000

UNIT REGISTRY

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
T: 1300 737 760

AUDITORS/TAXATION ADVISORS

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3000

BANK

Australia & New Zealand Banking
Group Limited
Level 29
100 Queen Street
Melbourne VIC 3000

CUSTODIAN

The Trust Company (Australia) Limited
Level 15, 20 Bond Street
Sydney NSW 2000

SECRETARY

Scott Martin
Level 12, 15 William Street
Melbourne Vic 3000

INVESTOR RELATIONS

Lula Liossi
Level 12, 15 William Street
Melbourne Vic 3000
T: +61 3 8601 2668

Folkestone
SOCIAL INFRASTRUCTURE TRUST