Folkestone
EDUCATION TRUST

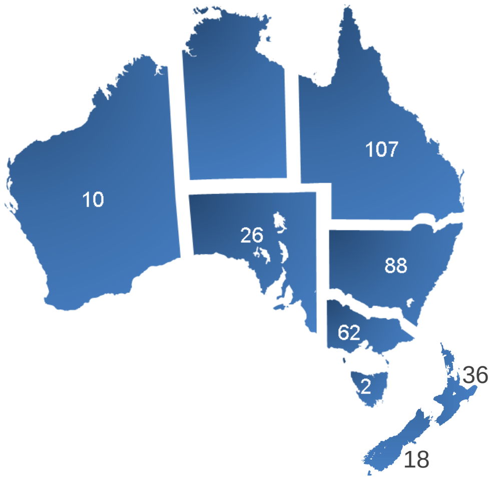
ANNUAL REPORT 2014

CONTENTS

FINANCIAL SUMMARY

	2014	2013	2012	2011
Total Assets	$464.6m	$368.5m	$357.5m	$353.9m
Investment Property	$461.2m	$366.8m	$347.4m	$344.1m
Gross Debt	$147.3m	$125.8m	$134.0m	$140.0m
Net Assets	$306.7m	$233.5m	$212.5m	$206.9m
Gearing	31.7%	34.1%	37.5%	39.6%
Units on Issue	205.1m	175.5m	175.5m	175.5m
NTA per unit	$1.50	$1.33	$1.21	$1.18

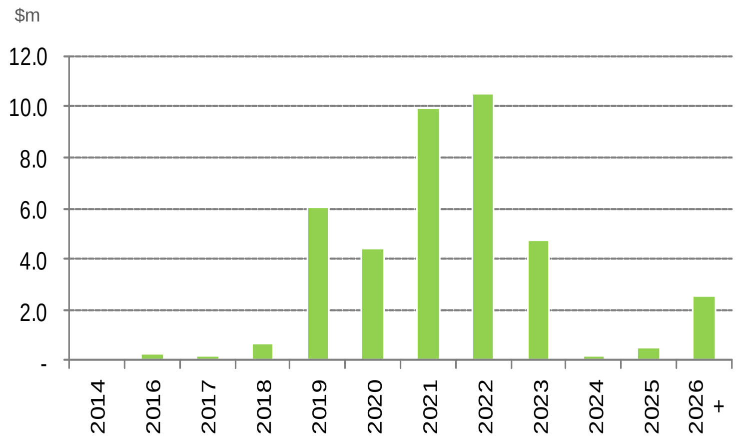
LOCATION



State	No. of Properties	% of Income
QLD	107	31
NSW	88	27
VIC	62	20
SA	26	6
WA	10	3
ACT	3	1
TAS	2	1
NZ North Island	36	8
NZ South Island	18	3
Total*	**352**	**100**

*5 development sites are not shown in this analysis

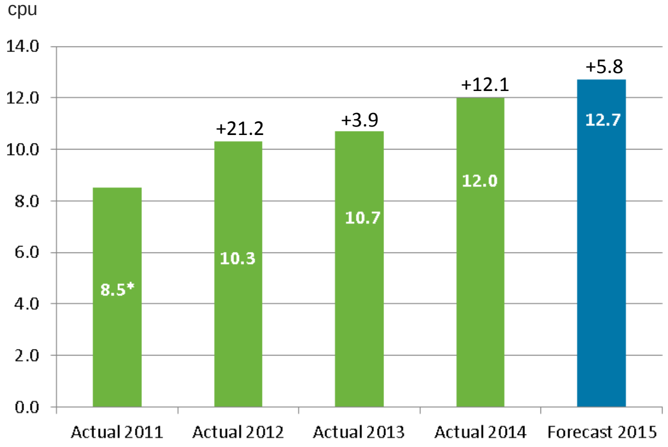
LEASE EXPIRY PROFILE



KEY HIGHLIGHTS

- STATUTORY PROFIT OF $53.8 MILLION, UP 35.5% FROM $39.7 MILLION IN THE PREVIOUS CORRESPONDING YEAR ("PCP")
- DISTRIBUTABLE INCOME OF $24.4 MILLION, AN INCREASE OF 28.4% ON PCP
- FY14 DISTRIBUTION OF 12.0 CENTS PER UNIT ("CPU"), AN INCREASE OF 12.1% ON PCP
- AMENDED DEBT FACILITY WITH IMPROVED TERMS AND EXTENDED MATURITY TO JUNE 2017
- NTA PER UNIT OF $1.50, AN INCREASE OF 12.8% ON PCP
- TOTAL UNITHOLDERS' RETURN FOR THE YEAR TO 30 JUNE 2014 OF 27.0%

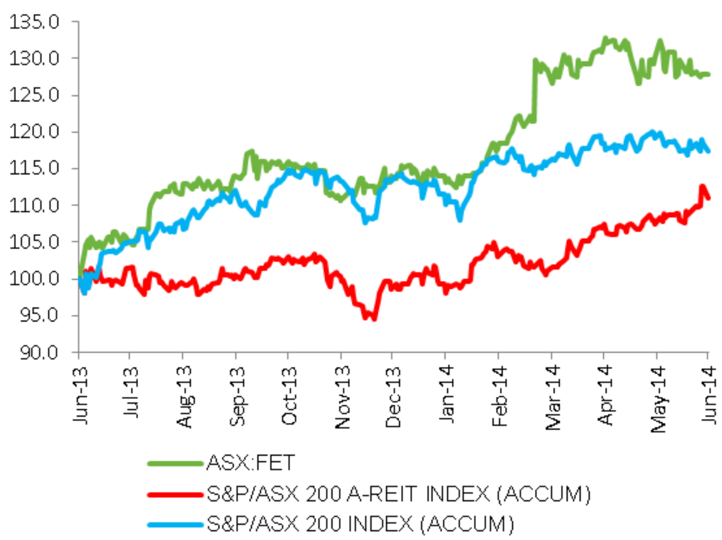
DISTRIBUTION HISTORY



*Annualised

MARKET PERFORMANCE

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



CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

The Directors of the Responsible Entity, Folkestone Investment Management Limited ("FIML") provide the results of the Folkestone Education Trust (FET or the Trust) for the year ended 30 June 2014. FET is an ASX listed property trust investing in early learning property assets.

KEY ACHIEVEMENTS

FET has had a successful financial year delivering a statutory profit of $53.8 million, up 35.5 percent from the previous financial year.

The key driver of this increase was the positive revaluation movements of $29.2 million on the investment property portfolio during the year, which also resulted in a 12.8 percent increase in NTA per unit to $1.50 as at 30 June 2014.

The Trust delivered an increase of 28.4 percent increase in distributable income, resulting in an increase in distributions from 10.7 cpu to 12.0 cpu.

FET's ASX performance improved with an annual 18.3 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 27.0 percent.

During the year, the Trust successfully amended its debt facility extending the maturity to June 2017, increasing the facility limit by $50 million to allow for funding of new acquisitions and developments and achieving an improvement in pricing.

We are focussed on delivering sustainable growth into the future for FET and in FY14 commenced the new growth phase with the acquisition of 5 early learning properties, 5 development sites and the Folkestone Childcare Fund, which owns 22 early learning centre properties.

Portfolio Performance

The key portfolio highlights over the year included:

- 100 properties independently re-valued, achieving a 10.6 percent overall increase in value;
- WALE of 8.0 years;
- occupancy of 100 percent; and
- like for like rental growth of 2.6 percent over FY13.

PROPERTY SUMMARY

During the year, FET had 100 properties independently revalued as part of the FET's three year rolling valuation cycle.

Valuations of 79 Australian properties increased by $7.7 million or 8.6 percent, largely driven by improvements in capitalisation rates and rental increases on these properties since previous valuations. The largest valuation increases were achieved in Victoria ($3.0 million or 13.2 percent) and New South Wales ($2.5 million or 9.4 percent).

Valuations of 21 New Zealand properties increased by $3.8 million or 20.9 percent, which reflected both positive valuation increases and positive exchange rate movements between the current and previous valuation dates.

In addition to the external valuations, 232 Directors' valuations have been adopted with respect to 199 Australian properties and 33 New Zealand properties where valuations were not performed during the year to reflect the increase in passing rent and strong yield increases across the market. This has resulted in increases of $19.9 million.

The Director's valuations were adopted utilising the metrics drawn from current valuation reports to ensure consistency with the independent assessments.

In relation to the 10 properties acquired during the year, property acquisition costs (predominantly stamp duty) in excess of the fair value of the properties of $2.1 million were expensed.

ACQUISITIONS

FET's growth strategy is based on locating prime sites with the quality operators and on FET's terms. The focus on acquisitions is to provide accretive earnings and capital growth by focussing on sites within 15km of CBD's, rapidly expanding growth areas and opportunistic purchases.

Consistent with this strategy, the following transactions were entered into in FY14:

- acquisition in December 2013 of five early learning centres in premium Sydney metropolitan locations;
- acquisition of 100% of the units in the Folkestone Childcare Fund, an unlisted property fund comprising 22 early learning properties;
- acquisition in June 2014 of five development sites in Sydney and Melbourne metropolitan locations to be developed as early learning properties and operated under long-term leases; and
- a further four properties under contract as at 30 June 2014, comprising a new early learning centre in Gungahlin (ACT) and three development sites for new early learning centres to be constructed on a fund-through basis with lease agreements in place. The settlement of these properties acquisitions is dependent on subdivision and/or development approval.

These acquisitions were funded from a combination of the $45 million capital raising conducted in December 2013 and additional debt funding. Further acquisitions will be funded through a mixture of asset disposals, increased debt and potentially a Distribution Reinvestment Plan. FET has committed to a further $25 million of acquisitions/developments and these are expected to be completed before March 2016.

Importantly, the developments all provide a commercial level of return during the development phase, ensuring that FET receives a return on funds outlayed together with a financial commitment from tenants through the process.

PROPERTY DISPOSALS

FET's capital management plan includes the selective sale of a number of investment properties. Sale proceeds will be redeployed to new asset purchases, ensuring the Trust maintains a strict adherence to its target gearing policy of between 30% and 40%.

As at 30 June 2014, the Trust had sold six properties with contracts in place, which are expected to complete in the first quarter of FY15. Two properties sold at auction and four further properties, including three in New Zealand were sold through private means. The total value of the sales, subject to final exchange rate adjustment for the New Zealand transactions, is approximately AUD$8.0 million. The weighted average yield of the property sales was 6.85%.

It is expected that the Trust will dispose of a small number of properties during FY15. This is driven by a redeployment of capital as well as sound portfolio management. The sale proceeds will be redeployed to partly fund acquisitions and although there is no need to sell the assets, the disposal and acquisition program will provide a stronger long term outlook for FET.

OUTLOOK & DISTRIBUTION FORECAST

FET will continue its strategy of a sustainable growth model by selecting developments based on quality locations and operators, backed by the Trust's standard leases. Targeted acquisitions are matched to development agreements that include a fund-through formula delivering immediate income to the Trust during the development period.

The distribution forecast for FY15 is estimated to be 12.7 cpu. This is a 5.8% increase on the FY14 distribution level of 12.0 cpu. The forecast is based on continued tenant performance. FET will continue to pay quarterly distributions, one month in arrears.

FET will continue its strategy of a sustainable growth model by selecting developments based on quality locations and operators, backed by the Trust's standard leases. Targeted acquisitions are matched to development agreements that include a fund-through formula delivering immediate income to the Trust during the development period.

New developments increase FET's exposure to high demand areas for early learning services and quality real estate in prime locations, further diversifying FET's portfolio. Acquisitions are selected to be accretive to FET's earnings and distributions and only after a thorough due diligence process has been undertaken to determine consistency with the Trust's characteristics and investment objectives. It is anticipated that new centres will add to FET's weighted average lease expiry profile as well as provide the benefits of introducing new centres to the portfolio.

Vic Cottren
Chairman

Nick Anagnostou
Chief Executive Officer

DIRECTORS' REPORT

For the year ended 30 June 2014

The Directors of Folkestone Investment Management Limited ("the Responsible Entity"), the Responsible Entity of the Folkestone Education Trust and its controlled entities ("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, Australian Education Trust changed its name to Folkestone Education 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:

- Mr Victor (Vic) David Cottren - Appointed 22 December 2004
- Mr Michael Francis Johnstone - Appointed 22 December 2004
- Mr Nicholas (Nick) James Anagnostou - Appointed 4 August 2008
- Mr Grant Bartley Hodgetts - Appointed 24 October 2012

Company Secretary Qualifications and Experience

Scott Nicholas Martin, BCom, CA - appointed 28 September 2012. Scott joined Folkestone Limited in December 2005. Scott has over 16 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 $2.970 million (2013: $2.785 million).

PRINCIPAL ACTIVITIES

The Trust is a specialist social infrastructure property owner which at 30 June 2014 owns a total of 357 early learning properties (5 development sites) in locations around Australia and New Zealand.

During the year the Trust acquired 5 early learning properties, 5 development sites and the Folkestone Childcare Fund, which owns 22 early learning centre properties. The Trust has an additional 4 properties under contract with settlement subject to land sub-divisions. The Trust disposed of one property in New Zealand, during the year. As at 30 June 2014, 6 properties have been held for sale with either contracts in place or contracts completed subsequent to 30 June 2014.

Tenants

The Trust has 27 tenants, 26 in Australia and 1 in New Zealand. Major tenants are the not-for-profit group Goodstart Early Learning Limited ("Goodstart") which leases 59% of the Trust's properties and Kidicorp Limited which leases the New Zealand properties that comprises 11% of the Trust's portfolio.

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, taxes (except Queensland land tax). In addition, the tenant is required to redecorate/refurbish the property once every 5 years as directed by the Trust;
- A typical lease term is 15 years from commencement plus two 5 year options;
- Most leases include a 5 year notice period regarding option take-up by the tenants;
- Rental growth is indexed annually to CPI with a market review at year 11 of the lease; and
- The leases contain security clauses in the form of a bank guarantee to be provided by its tenants, typically 6 months’ rent.

As at 30 June 2014 the Trust holds approximately $23.4 million in bank guarantees.

REVIEW AND RESULTS OF OPERATIONS

A summary of the key results this financial year include:

- Distributable Income of $24.4 million, an increase of 28.4% on the previous corresponding period (“pcp”).
- Gearing reduced (Borrowings and Cash Overdraft / Total Assets) to 31.7%.
- Statutory profit of $53.8 million compared to a profit of $39.7 million pcp.
- 10.6% overall increase achieved on 100 properties externally revalued during the financial year, with strong growth in valuations in all locations apart from Queensland which remained relatively flat.
- Unit price has increased from $1.39 at 30 June 2013 to $1.645 at 30 June 2014, an increase of 18.3%.
- Net tangible asset (NTA) per unit increased from $1.33 at 30 June 2013 to $1.50 at 30 June 2014 due to the positive movements in property values.
- Weighted Average Lease Expiry at 30 June 2014 of 8.0 years.
- No property vacancy.

DIRECTORS' REPORT CONT.

Full year ended 30 June ($m's)	2014	2013
Revenue		
Lease income	38.3	35.0
Property outgoings recoverable	6.3	5.8
Other income	0.1	0.2
	44.7	**41.0**
Expenses		
Finance costs	8.1	10.6
Property expenses	8.7	8.3
Responsible entity's remuneration	2.5	2.1
Other expenses	1.0	1.0
	20.3	**22.0**
Distributable Income *	**24.4**	**19.0**
Amortisation of lease incentive asset/ straight line rental adjustments (Lease income)	0.1	(0.1)
Net revaluation increment of investment properties	29.2	19.6
Change in fair value of derivative financial instruments	(0.2)	1.2
Gain on sale of investment properties	0.3	-
Net profit/(loss) attributable to Unitholders	**53.8**	**39.7**

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

Key points to note are:

- Folkestone Childcare Fund was acquired on 16 December 2013, comprising 22 early learning properties and contributed $1.6 million during the year to lease income.
- Acquisition of 5 early learning properties which contributed $0.8 million of lease income during the year.
- Lease income is generally indexed annually to CPI, with average rental growth during the year of 2.6%.
- Property outgoings recoverable increased by $0.5 million primarily due the inclusion of the acquired Folkestone Childcare Fund expenses, with a similar increase in property expenses of $0.4 million.
- Finance costs have decreased by $2.5 million primarily due to lower interest costs during the year as a result of the debt refinancing on superior terms and a hedging restructure which occurred in February 2013.
- Revaluation increments of $29.2 million were achieved during the year which were comprised of a $7.7 million increment (8.6% increase) due to 79 external revaluations in Australia and a $3.8 million increment (20.9% increase) due to 21 external revaluations in New Zealand. In addition, Directors valuations were adopted for a further 232 properties resulting in an additional $19.9 million increment (7.1% increase). The Directors' valuations were undertaken due to movements in valuations across the early learning property sector, evidenced by strong sales evidence and positive valuation movements and to reflect the time tag in undertaking the external valuations. Property acquisition costs of $2.1 million (predominantly stamp duty) on the 10 properties acquired during the year were offset against the revaluation increments.

DISTRIBUTIONS

The distribution for the year ended 30 June 2014 was 12.0 cents per unit (2013: 10.7 cents per unit).

Distributions declared by the Trust since the end of 30 June 2013 were:

Period	Paid/ Payable	Cents per Unit	Amount $'000
Quarter ended 30 September 2013	21 October 2013	3.00	5,264
Quarter ended 31 December 2013	20 January 2014	3.00	6,152
Quarter ended 31 March 2014	17 April 2014	3.00	6,152
Quarter ended 30 June 2014	21 July 2014	3.00	6,152
Total		**12.00**	**23,720**

STATE OF AFFAIRS

Capital Management and Financial Position

As at 30 June 2014 the total assets of the Trust were $464.6 million, gross borrowings were $147.3 million and net assets were $306.7 million. The net tangible asset per unit is $1.50 (30 June 2013: $1.33). The Trust has gearing (Borrowings and Cash Overdraft / Total Assets) of 31.7%. The basis for valuation of the Trust's assets is disclosed in Note 1 to the financial statements.

The Trust has 205,069,661 units on issue as at 30 June 2014. During the year, the Trust conducted an equity raising with 29,604,264 units issued at an issue price of $1.52 per unit.

During the year, the Trust amended its syndicated debt facility with National Australia Bank (NAB) and Australia & New Zealand Bank (ANZ) with an extension of the debt's maturity to June 2017 and a $50 million increase to the facility limit. On acquisition of the Folkestone Childcare Fund (FCF) in December 2013, the Trust retained the debt facility with the ANZ. This facility was repaid as part of the amended syndicated debt facility.

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

Facility Limit	$173 million as at 30 June 2014
Drawn Amount	$147 million as at 30 June 2014
Facility Maturity	June 2017
Maximum Loan to Value	50% of all Secured Property
Interest Cover Ratio	Not to be less than 2.0 x measured on a six monthly basis
Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio

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

The Trust also has an overdraft facility with ANZ in order to more efficiently manage its working capital position.

Key commercial terms of the facility are as follows:

Facility Limit	$10 million
Drawn Amount	$0.3 million as at 30 June 2014
Maturity	June 2017
Purpose	Working capital requirements
Covenants	Same as debt facility

Hedging Arrangements

As at the 30 June 2014, the Trust has $82.6 million hedged via interest rate swaps at a fixed rate of 4.25% pa (excluding margin and amortisation of costs) for FY15. Subsequent to year end, additional hedging positions have been put in place. The Trust has hedged $108 million or 73% (based on drawn debt of $147 million) of its FY15 interest rate exposure at a rate of 3.98% pa. The Trust has (staggered positions) hedging in place through to June 2019 with an average of 58% hedged across this period.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") was suspended on 17 December 2004. The DRP may be reactivated when the retention of the cash distribution is in the best interest of Unitholders.

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. However, 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

Subsequent to the year end, the Trust settled one contracted development site acquisition and settled three property disposals which were contracted for sale as at 30 June 2014. The remaining three properties that were contracted for sale as at 30 June 2014 had not settled, as at the date of this report. 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.

INTEREST OF THE RESPONSIBLE ENTITY

Interests of both the Responsible Entity and its Directors in the Trust are disclosed in Notes 16 and 18 to the financial statements.

UNITS ON ISSUE

The number of interests in the Trust as the end of the financial year consists of 205,069,661 fully paid ordinary units (2013: 175,465,397).

The Trust conducted an equity raising with 29,604,264 units issued at an issue price of $1.52 per unit.

No options have been granted over any unissued units in the Trust.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Trust will continue with its strategy to provide predictable and secure long-term cash-flows with the opportunity for capital growth. The Trust's stable financial position with minimal vacancy, long term leases and secured debt financing to June 2017, positions the Trust to maintain sustainable income for investors. The Responsible Entity is focused on pro-actively managing its portfolio to ensure it is strategically positioned for sustainable growth. This will include continuing to strengthen the Trust's reputation as the "go to" landlord in the early learning sector.

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 Trusts units. These risks are both specific to the Trust and also relate to the general business and economic climate in Australian and New Zealand.

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 $23.4 million in bank guarantees.
- Concentration Risk: All of the Trust's properties are early learning 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") contributes 59% 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.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

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

Name and qualification	Age	Experience and special responsibilities
Mr Victor (Vic) David Cottren Independent Director and Chairman 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 22 December 2004. 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 22 December 2004. 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 Nicholas (Nick) James Anagnostou Executive Director Bachelor of Business in Property Associate of the Australian Property Institute Affiliate FINSIA Certified Fund Manager Qualified Valuer Licensed Estate Agent (Vic)	45	Nick joined Folkestone in September 2012 following Folkestone's acquisition of Austock's property business (Nick joined Austock in 2006). Nick is CEO of Folkestone's Social Infrastructure Funds business across three funds and approximately $655m. Nick has more than 20 years of experience in the Australian commercial property and Funds Management industries. Nick holds a Bachelor of Business in Property and is an Associate of the Australian Property Institute and Affiliate of FINSIA. He is a Certified Funds Manager, qualified property valuer and a Licensed Estate Agent and was previously a Director of an international real estate agency where he focussed on Premium and A-grade office markets.
Mr Grant Bartley Hodgetts Independent Director Bachelor of Arts (Legal Studies and Economics) Associate Diploma in Valuations Advanced Certificate in Business Studies (Real Estate) Associate of the Australian Property Institute Licenced Estate Agent (Vic) Member of the Australian Institute of Company Directors	57	Grant was appointed on 24 October 2012. 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. Between early 2006 and 2010 he held various positions within the Investment and Funds Management Division of Mirvac Limited including that of CEO – Australia for Mirvac Investment Management. Prior to joining Mirvac, he was Head of Property in the Specialised Capital Group of Westpac Institutional Bank; a Division Director of Property Investment Banking at Macquarie Bank; a Director of Richard Ellis (Vic) Pty Ltd; and an executive of the AMP Society's Property Division. Holding a Bachelor of Arts (Legal Studies and Economics) from La Trobe University, an Associate Diploma in Valuations from RMIT and an Advanced Certificate in Business Studies (Real Estate), also from RMIT, he is an Associate of the Australian Property Institute, a licensed real estate agent in Victoria and a member of the Australian Institute of Company Directors. He was a founding Director of the Property Industry Foundation in Victoria.

DIRECTORS' REPORT CONT.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY (CONT.)

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	10	9
Mr Michael Francis Johnstone	10	10
Mr Nicholas James Anagnostou	10	9
Mr Grant Bartley Hodgetts	10	10

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

A - Number of meetings held during the year the member was eligible to attend
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 FAICD	Mr Bastian 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.
Mr Michael Francis Johnstone	See Information on Directors.
Mr Grant Bartley Hodgetts	See Information on Directors.

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 THE 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	MF Johnstone	VD Cottren	NJ Anagnostou	GB Hodgetts
Opening balance of units held	65,000	570,000	28,000	-
Acquisitions of units	6,092	56,000	2,625	-
Disposals of units	-	-	-	-
Closing balance of units held	**71,092**	**626,000**	**30,625**	**-**

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

Indemnification

Under the Trust 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 it 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 insurance premiums in respect of its officers for liability and legal expenses insurance contracts for the year ended 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.

DIRECTORS' REPORT CONT.

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 23 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* (the "Act") 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 324CD of the Act and appropriate safeguard 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.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

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

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

The Folkestone Education Trust ("the Trust") is a managed investment scheme that is registered under the *Corporations Act 2001*. Folkestone Investment Management Limited ("the Responsible Entity") was appointed the Responsible Entity of the Trust on 17 December 2004.

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 Funds.

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 FIML implements and monitors the strategic and operational plans for funds and schemes;
- approving the annual financial budgets, including capital expenditure budgets for funds and schemes;
- monitoring financial performance of each fund 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 FIML's AFSL can be adequately measured and monitored by the Audit and Compliance Committee;
- approving the issue of disclosure documents in respect of each fund or scheme;
- approving major acquisitions, disposals, developments/refurbishments including the funds arrangements (including where required by the applicable Limits of Authority Policy);
- monitoring corporate governance practices in FIML;
- ensuring that assets of a fund 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 four directors, of whom three – Mr Victor Cottren, Mr Michael Johnstone and Mr Grant Hodgetts - are independent. The other member of the Board is Mr Nick Anagnostou who holds an executive role and is not considered 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 Funds 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.

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, specialist and stable 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 established an Audit and Compliance Committee in February 2005 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 Bastian 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 5th year in which the existing partner has been the lead auditor for the Trust. The *Corporations Act 2001* (the "Act") 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 safeguard 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 me, 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.

CORPORATE GOVERNANCE STATEMENT CONT.

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 and absence of any material benefit to unitholders, 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 Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer – Social Infrastructure Funds 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.

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.

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of the Folkestone Education 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 Education Trust and the entities it controlled during the period.

Charles Christie
PricewaterhouseCoopers

6 August 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOLKESTONE EDUCATION TRUST AND ITS CONTROLLED ENTITIES

For the year ended 30 June 2014

Consolidated Group	Notes	2014 $'000	2013 $'000
Revenue			
Lease income		38,405	34,924
Property outgoings recoveries		6,346	5,827
Interest income		48	204
Net property revaluation increment	7	29,190	19,587
Gain on sale of investment properties	2 (a)	262	-
Change in fair value of derivative financial instruments		-	1,223
Realised foreign exchange gains		39	73
Other income		12	-
Total revenue		**74,302**	**61,838**
Expenses			
Finance costs	2 (b)	8,114	10,570
Property outgoings		7,354	7,040
Responsible Entity's remuneration		2,496	2,115
Rent on leasehold properties		1,374	1,334
Other expenses		970	1,002
Loss on sale of investment properties	2 (a)	-	45
Change in fair value of derivative financial instruments		207	-
Total expenses		**20,515**	**22,106**
Net profit attributable to Unitholders		**53,787**	**39,732**
Other comprehensive income		-	-
Total comprehensive income attributable to unitholders		**53,787**	**39,732**
Earnings per unit		Cents	Cents
Basic earnings per unit	4	27.91	22.64
Diluted earnings per unit	4	27.91	22.64

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the notes of the financial statements

CONSOLIDATED BALANCE SHEET

FOLKESTONE EDUCATION TRUST AND ITS CONTROLLED ENTITIES

As at 30 June 2014

Consolidated Group	Notes	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	14 (a)	1,832	187
Trade and other receivables	5	161	152
Other current assets	6	1,373	1,338
Investment properties expected to be sold within 12 months		7,857	882
Total current assets		**11,223**	**2,559**
Non-current assets			
Investment properties	7	449,937	362,653
Investment properties straight line rental asset		3,392	3,280
Total non-current assets		**453,329**	**365,933**
Total assets		**464,552**	**368,492**
LIABILITIES			
Current liabilities			
Trade and other payables	8	2,227	2,286
Distribution payable	9	6,249	5,107
Derivative financial instruments	12 (a)	1,319	1,422
Other current liabilities	10	535	73
Total current liabilities		**10,330**	**8,888**
Non-current liabilities			
Borrowings	11	145,709	124,602
Derivative financial instruments	12 (b)	1,807	1,492
Total non-current liabilities		**147,516**	**126,094**
Total liabilities		**157,846**	**134,982**
Net assets		**306,706**	**233,510**
EQUITY			
Contributed Equity	13	238,142	195,013
Undistributed profit		68,564	38,497
Total equity		**306,706**	**233,510**

The above Consolidated Balance Sheet should be read in conjunction with the notes of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOLKESTONE EDUCATION TRUST AND ITS CONTROLLED ENTITIES

For the year ended 30 June 2014

Consolidated Group	Note	Contributed Equity $'000	Undistributed Profit $'000	Total $'000
Balance at 1 July 2012		195,013	17,540	212,553
Profit attributable to unitholders		-	39,732	39,732
Other comprehensive income		-	-	-
Distribution paid or provided for	3	-	(18,775)	(18,775)
Balance at 30 June 2013		**195,013**	**38,497**	**233,510**
Balance at 1 July 2013		195,013	38,497	233,510
Units issued	13	44,998	-	44,998
Unit issue transaction costs	13	(1,869)	-	(1,869)
Profit attributable to unitholders		-	53,787	53,787
Other comprehensive income		-	-	-
Distribution paid or provided for	3	-	(23,720)	(23,720)
Balance at 30 June 2014		**238,142**	**68,564**	**306,706**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOLKESTONE EDUCATION TRUST AND ITS CONTROLLED ENTITIES

For the year ended 30 June 2014

Consolidated Group	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Lease income received (inclusive of GST)		49,632	44,445
Cash payments in the course of operations (inclusive of GST)		(15,546)	(15,387)
Interest received		48	204
Finance costs paid		(8,520)	(11,676)
Net cash inflow from operating activities	14 (b)	**25,614**	**17,586**
Cash flows from investing activities			
Proceeds from sale of investment properties		682	250
Payments for acquisition of investment properties		(41,209)	-
Payments for acquisition of subsidiary trust, net of cash acquired	17 (b)	(16,279)	-
Net cash (outflow)/inflow from investing activities		**(56,806)**	**250**
Cash flows from financing activities			
Proceeds from borrowings		52,000	2,830
Repayment of borrowings		(39,697)	(11,000)
Proceeds from issue of units	13	44,998	-
Payment of issue of unit costs	13	(1,869)	-
Distributions paid		(22,595)	(18,329)
Net cash inflow/(outflow) from financing activities		**32,837**	**(26,499)**
Net increase/(decrease) in cash held		**1,645**	**(8,663)**
Cash at the beginning of the financial year		**187**	**8,850**
Cash at the end of the financial year	**14 (a)**	**1,832**	**187**

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated 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 Consolidated Group consisting of Folkestone Education Trust and its subsidiaries ("the Trust"). The financial statements are presented in the 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 and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001* and the requirements of the Trust Constitution dated 8 July 2002 (as amended).

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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 has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

  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 group'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(x).

b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Folkestone Education Trust as at 30 June 2014 and the results of all subsidiaries for the year then ended. The Folkestone Education Trust and its subsidiaries together are referred to in this financial report as the Trust.

Subsidiaries are all entities (including special purpose entities) over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

NOTES TO THE FINANCIAL STATEMENTS CONT.

b) Principles of Consolidation (cont.)

Details of the subsidiaries are contained in Note 16 to the financial statements. The subsidiaries have a June financial year-end.

c) Investments in Controlled Entities

The Trust's direct investment in its subsidiaries are carried at cost. Balances and transactions between the Trust and the subsidiaries have been eliminated in preparing the consolidated financial statements.

d) Comparative Information

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

e) 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 group's activities as described below. The group 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 Consolidated 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.

Lease Incentives

Lease incentives provided by the Trust to lessees are excluded from the measurement of fair value of investment property and are recognised as an asset. The amounts are recognised over the lease periods as a reduction in rental income.

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 Consolidated Balance Sheet as a receivable.

Responsible Entity's Remuneration

Under the Trust Constitution, the Responsible Entity is entitled to a management fee amounting to 0.5% pa of the Total Tangible Assets of the Trust.

f) 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 and which are not occupied by the consolidated group. Property interests held under operating leases 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 intervals of not more than 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.

g) 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. The Trust is taxed on a flow through basis.

AET New Zealand Education Trust is subject to New Zealand tax on its earnings. Distributions paid by the entity are subject to New Zealand dividend withholding tax.

h) 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.

i) 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.

j) 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.

k) Financial Assets

Classification

The Trust classifies its financial assets in the following categories: financial assets at fair value through profit or loss, 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

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group 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 the profit or loss. Financial assets carried at fair value through the profit or loss, are initially recognised at fair value and transaction costs are expensed in profit or loss. 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

Financial assets and liabilities held at fair value through profit and loss

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.

NOTES TO THE FINANCIAL STATEMENTS CONT.

Measurement (cont.)

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, they 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 profit or loss to reflect a change in factors, including time that market participants would consider in setting a price.

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 profit or loss 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 profit or loss.

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.

l) Trade Receivables

Trade receivables are recognised at fair value, less provision for impairment. Trade receivables are due as specified within the individual property's lease.

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 the Consolidated Statement of 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 the Consolidated Statement of Comprehensive Income.

m) 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.

n) Financial Liabilities

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

o) 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 Consolidated 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 Consolidated 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 profit and loss as finance costs.

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

p) 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 Consolidated Statement of Comprehensive Income.

q) Distributions

A 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.

r) 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 Consolidated 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.

s) 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.

t) 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 Consolidated 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.

u) Earnings Per Unit (EPU)

Basic Earnings Per Unit

Basic earnings per unit are calculated by dividing:

- the profit attributable to the Unitholders, excluding any costs of servicing equity other than ordinary units.
- by the weighted average number of ordinary units outstanding during the financial year.

Diluted Earnings Per Unit

Diluted earnings per unit adjust the figures used in the determination of basic earnings per unit 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.

v) Foreign Currency Translation

Functional and Presentation Currency

Items included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for funds and is regulated. The Australian dollar is also the Trust's presentation currency.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income on a net basis.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

w) Rounding of Amounts

The Trust is 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 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.

x) 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

The valuation methodologies used were capitalisation, discounted cashflows and direct comparison approaches, and were consistent with the requirements of relevant Accounting Standards.

y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS CONT.

z) Parent Entity Financial Information

The financial information for the parent entity, Folkestone Education Trust, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in Subsidiaries, Associates and Joint Venture Entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Folkestone Education Trust. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Financial Guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

aa) 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.

The going concern basis is appropriate for the Trust based upon the debt facilities having a maturity date of June 2017, with the Trust in full compliance with its undertaking under these facilities.

bb) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- Fair values of the assets transferred
- Liabilities incurred
- Equity interests issued by the group

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the

- Consideration transferred,
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

cc) New Accounting Standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the trust. 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

Consolidated Group	2014 $'000	2013 $'000
(a) Gain/(loss) on sale of investment properties		
Proceeds from sale of properties	682	242
Less: Carrying value of properties sold plus costs of disposal	(420)	(287)
Net gain/(loss) on sale of investment properties	**262**	**(45)**
(b) Finance costs		
External	8,114	10,570

3. DISTRIBUTIONS

Distributions were payable during the financial year as follows:

Period	Paid/Payable	2014 Cents per unit	2014 Amount $'000	2013 Cents per unit	2013 Amount $'000
Quarter ended 30 September	21 October 2013	3.00	5,264	2.50	4,387
Quarter ended 31 December	20 January 2014	3.00	6,152	2.50	4,387
Quarter ended 31 March	17 April 2014	3.00	6,152	2.80	4,913
Quarter ended 30 June	21 July 2014	3.00	6,152	2.90	5,088
Total		**12.00**	**23,720**	**10.70**	**18,775**

NOTES TO THE FINANCIAL STATEMENTS CONT.

4. EARNINGS PER UNIT ("EPU")

Consolidated Group	2014 Cents	2013 Cents
Basic EPU	27.91	22.64
Diluted EPU	27.91	22.64

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

Consolidated Group	Number of Units '000	Number of Units '000
Weighted average number of ordinary units used in calculating basic EPU	192,699	175,466
Adjusted weighted average number of ordinary units used in calculating diluted EPU	**192,699**	**175,466**
	$'000	**$'000**
Earnings used in calculating basic EPU	53,787	39,732
Earnings used in calculating diluted EPU	53,787	39,732

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. TRADE AND OTHER RECEIVABLES

Consolidated Group	2014 $'000	2013 $'000
Lease debtors	438	364
Provision for impairment	(277)	(212)
	161	**152**

Trade receivables are recognised at fair value less any provision for impairment. Trade receivables are due in accordance with the individual property's lease terms.

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. 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, 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 of 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 Consolidated Statement of Comprehensive Income. When a trade receivable for which a provision 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 Consolidated Statement of Comprehensive Income.

Trade Receivables that are Past Due but not Impaired

As at 30 June 2014, trade receivables of $160,795 (2013: $152,147) were due but not impaired. The ageing of these receivables is as follows:

	$'000 0-30 days	$'000 31-60 days	$'000 61-90 days	$'000 90+ days
2014				
Consolidated Group	37	11	14	99
2013				
Consolidated Group	55	28	25	44

Impairment of Receivables

During the year, the Trust increased the provision for impairment by $65,000 to $277,000. This amount was recognised in the Consolidated Statement of Comprehensive Income. No receivables were written off during the year.

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.

Foreign Exchange and Interest Rate Risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 20.

6. OTHER CURRENT ASSETS

Consolidated Group	2014 $'000	2013 $'000
Prepayments	319	696
GST receivable	365	-
Lease incentive asset	689	642
	1,373	**1,338**

NOTES TO THE FINANCIAL STATEMENTS CONT.

7. INVESTMENT PROPERTIES

Consolidated Group	2014 $'000	2013 $'000
Freehold properties - at valuation	434,796	346,819
Leasehold properties - at valuation	25,720	19,996
Capitalised transaction costs in relation to properties contracted and not settled	670	-
Total investment properties	461,186	366,815
Less: Investment properties expected to be sold within 12 months	(7,857)	(882)
Less: Straight Line Rental Asset	(3,392)	(3,280)
Carrying amount at the end of the year	**449,937**	**362,653**
Movement in investment properties:		
Balance at the beginning of the year	362,653	343,448
Acquisition of properties	65,468	-
Disposal of properties	(399)	(270)
Investment properties expected to be sold in 12 months	(6,975)	(112)
Net revaluation increment/(decrement)	29,190	19,587
Carrying amount at the end of the year	**449,937**	**362,653**

I. Investment properties are carried at fair value. The determination of fair value is based on independent valuations where appropriate. This includes the original acquisition costs together with capital expenditure since acquisition and either the latest independent update. Total acquisition costs include incidental costs of acquisition such as stamp duty and legal fees. Refer to Note 1(f) for further details on valuations.

II. A full 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.

III. Independent valuations as at 30 June 2014 were conducted by numerous valuers. The valuation methodologies used were capitalisation and direct comparison approaches and were consistent with the requirements of relevant Accounting Standards and property valuation guidelines.

During the year, 100 external property valuations were conducted, 79 in Australia and 21 in New Zealand.

Valuations on the 79 Australian properties increased by $9.1 million or 10.3% on the previous external valuations and $7.7 million or 8.6% on the carrying value as at 30 June 2013, which included Director valuations. The 65 Australian freehold operating properties increased by $9.9 million or 12.7% (increase of $7.9 million or 9.8% on the carrying value as at 30 June 2013) and the 14 leasehold operating properties decreased by $0.8 million or 8.1% (decrease of $0.2 million or 2.1% on the carrying value as at 30 June 2013).

In addition to the external valuations, 199 Directors valuations have been adopted resulting in an increment of $15.8 million. The Directors' valuations were undertaken due to movements in valuations across the early learning property sector, evidenced by strong sales evidence and positive valuation movements and to reflect the time tag in undertaking the external valuations.

Valuations of the 21 New Zealand properties increased by $3.8 million or 20.9% on the carrying value as at 30 June 2013, which included Directors valuations. This reflects both the increase in valuations of $1.9 million and an increase of $1.9 million due to a lower exchange rate than as at 30 June 2013. In New Zealand dollars the valuations of the New Zealand properties increased by NZD$3.3 million or 15.9% on the previous external valuations and NZD$2.3 million or 10.6% on the carrying value as at 30 June 2013, which included Director valuations.

In addition to the New Zealand external valuations, 33 Directors valuations have been adopted resulting in an increment of $4.1 million, where there was evidence of an increase in value due to rental increases, yield compression and exchange rate movements since the last external valuation. This reflects both the increase in valuations of $1.3 million and an increase of $2.8 million due to lower exchange rate than at 30 June 2013. In New Zealand Dollars, the valuations of the New Zealand properties increased by NZD$1.4 million or 4.5% on the carrying value as at 30 June 2013, which included Director valuations.

In relation to the 10 properties acquired during the year, property acquisition costs (predominantly stamp duty) in excess of the fair value of the properties of $2.1 million were expensed.

8. TRADE AND OTHER PAYABLES

Consolidated Group	2014 $'000	2013 $'000
Trade creditors	800	710
Accrued interest	160	168
GST payable	-	783
Accruals	1,267	625
	2,227	**2,286**

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, Foreign Exchange and Liquidity Risk

Detail regarding interest rate, foreign exchange and liquidity risk exposure is disclosed in Note 19.

9. DISTRIBUTION PAYABLE

Consolidated Group	2014 $'000	2013 $'000
Distribution payable	6,249	5,107
	6,249	**5,107**

10. OTHER CURRENT LIABILITIES

Consolidated Group	2014 $'000	2013 $'000
Rental income received in advance	535	73
	535	**73**

NOTES TO THE FINANCIAL STATEMENTS CONT.

11. BORROWINGS

Consolidated Group	2014 $'000	2013 $'000
Bank loans - secured	147,000	123,000
Less: up front transaction costs	(2,200)	(1,382)
Plus: amortised up front transaction costs	604	154
	145,404	**121,772**
Bank Overdraft	305	2,830
	145,709	**124,602**

During the year, the Trust amended its syndicated debt facility with National Australia Bank (NAB) and Australia & New Zealand Bank (ANZ) with an extension of the debt's maturity to June 2017. On acquisition of the Folkestone Childcare Fund (FCF) in December 2013, the Trust retained the debt facility with the ANZ. This facility was repaid as part of the amended syndicated debt facility.

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

Facility Limit	$173 million as at 30 June 2014
Drawn Amount	$147 million as at 30 June 2014
Facility Maturity	June 2017
Maximum Loan to Value	50% of all Secured Property
Interest Cover Ratio	Not to be less than 2.0 x measured on a six monthly basis
Alternate Use Ratio	Debt is not to exceed 100% of Alternate Use Values for portfolio

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

The Trust also amended the overdraft facility with ANZ with an extension to June 2017 in order to more efficiently manage its working capital position.

Key commercial terms of the facility are as follows:

Facility Limit	$10 million
Drawn Amount	$0.3 million as at 30 June 2014
Maturity	June 2017
Purpose	Working capital requirements
Covenants	Same as debt facility

Hedging Arrangements

As at the 30 June 2014, the Trust has $82.6 million hedged via interest rate swaps at a fixed rate of 4.25% pa (excluding margin and amortisation of costs) for FY15. Subsequent to year end, additional hedging positions have been put in place. The Trust has hedged $108 million or 73% (based on drawn debt of $147 million) of its FY15 interest rate exposure at a rate of 3.98% pa. The Trust has (staggered positions) hedging in place through to June 2019 with an average of 58% hedged across this period.

Interest Rate, Foreign Exchange and Liquidity Risk

Refer to Note 20 for information on interest rate, foreign exchange and liquidity risk.

Fair Values

The carrying amounts of the Trust's Borrowings approximate their fair value.

Unused Financing Facilities

Refer to Note 14(c) for details of unused financing facilities.

Assets Pledged as Security

A Security Trustee has been appointed to administer the security arrangements of the Trust and to facilitate any future debt issuing on behalf of the Trust. Both Financers share security in the form of real property mortgages. In addition, the NAB, in its capacity as Security Trustee, has a registered security interest over the assets of the Trust as further security.

Consolidated Group	2014 $'000	2013 $'000
Assets pledged as security:		
Collateral that has been pledged for secured liabilities is as follows:		
i) Financial assets pledged		
Cash and cash equivalents	1,832	187
Trade and other receivables	161	152
ii) Other assets pledged		
Other current assets	1,373	1,338
Investment properties	461,186	366,815
Total assets pledged	**464,552**	**368,492**

The principal terms and conditions with respect to the assets pledged are:

- to conduct the business of the Trust (including collecting debts owed) in a proper, orderly and efficient manner;
- not, without lenders' consent, to cease conducting the business of the Trust;
- not, without lenders' consent (such consent not to be unreasonably withheld) raise any Financial Accommodation from any other party other than Permitted Financial Accommodation or give any Encumbrance over Trust Assets as security for Financial Accommodation other than Permitted Financial Accommodation;
- to maintain or, ensure that the tenant maintains (in relation to Trust Assets for which a tenant under a Lease is obliged to effect insurance) all risk insurance over the physical assets of the Trust;
- not, without lenders' consent (such consent not to be unreasonably withheld), make any material amendments to any Lease;
- except for those assets which the tenant under a Lease is obliged to maintain, to maintain the Trust Assets in a state of good repair, fair wear and tear excepted;
- not, without the prior written consent of lender, to sell, mortgage, transfer or deal with in any way the units in the sub-Trust held by the Trust;
- not to do anything which effects or facilitates the resettlement of the Trust Assets;
- without lenders' consent, not to create an Encumbrance or allow one to exist on the whole or any part of its present or future property other than any Permitted Encumbrance; and
- subject to the terms of any Security, without lenders' consent, not to dispose of (or agree to dispose of) all or a substantial part of the Trust Assets (either in a single transaction or in a series of transactions whether related or not and whether voluntarily or involuntarily).

Covenants

The main requirements of the facility are that the Trust maintains maximum debt to property value ratio of 50% for all secured properties and interest cover (net earnings before interest to interest) of 2.0x for the six month period to 30 June 2014.

The Trust was in compliance with all covenants as at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS CONT.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated Group	2014 $'000	2013 $'000
(a) Current		
Derivative financial instruments - interest rate swaps contracts	1,319	1,422
	1,319	**1,422**
(b) Non-Current		
Derivative financial instruments - interest rate swaps contracts	1,807	1,492
	1,807	**1,492**

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

Refer to Note 11 for further information on these contracts.

13. CONTRIBUTED EQUITY

Consolidated Group	Units on Issue No '000	Units on Issue $'000
Balance at 1 July 2012	175,466	195,013
Units Issued	-	-
Balance at 30 June 2013	**175,466**	**195,013**
Balance at 1 July 2013	175,466	195,013
Units Issued	29,604	44,998
Transaction costs	-	(1,869)
Balance at 30 June 2014	**205,070**	**238,142**

During the year ended 30 June 2014, the Trust conducted an equity raising with 29,604,264 units issued at an issue price of $1.52 (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 Risk Management

The Responsible Entity's objective when managing capital objective 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.

The proportion of capital is largely determined by the loan-to-value ratio as specified under the Trust's debt facility (refer Note 11). The maximum debt to property value ratio is 50% for all secured properties. The Trust was in compliance with the loan-to-value ratio as at 30 June 2014.

The Responsible Entity has a policy of paying out as distributions only net income earned by the Trust for the period.

14. CASH AND CASH EQUIVALENTS

Consolidated Group	2014 $'000	2013 $'000
(a) Components of cash and cash equivalents		
Cash	1,832	187
Total cash and cash equivalents	**1,832**	**187**
(b) Reconciliation of net profit to net cash flows provided by operating activities		
Net profit	53,787	39,732
(Gain)/Loss on sale of investment properties	(262)	45
Realised foreign exchange (gains) / losses	(39)	(73)
Change in fair value of derivative financial instruments	207	(1,223)
Net property revaluation (increment) / decrement	(29,190)	(19,587)
Straight line rental adjustments	(112)	(53)
(Increase)/decrease in debtors	(74)	(88)
(Increase)/decrease in other current assets	1,231	(169)
Increase/(decrease) in other current liabilities	492	(108)
Increase/(decrease) in trade and other payables	(426)	(890)
Net cash flows provided by operating activities	**25,614**	**17,586**
(c) Financing facilities		
Committed financing facilities available to the Trust:		
Bank loans - secured	173,000	124,000
Amounts utilised	(147,000)	(123,000)
Available financing facilities	26,000	1,000
Overdraft facility	10,000	10,000
Amounts utilised	(305)	(2,830)
Available financing facilities	35,695	8,170
Cash	1,832	187
Financing resources available at the end of the year	**37,527**	**8,357**
Maturity profile of financing facilities		
Due within one year	-	-
Due between one year and five years	183,000	134,000
Due after five years	-	-
	183,000	134,000

Refer to Note 11 for details on the conditions of the financing facilities.

15. SEGMENT INFORMATION

The Trust operates as one business segment being the investment in early learning properties and in one geographic segment being Asia Pacific. The Trust's segments are based on reports used by both management and directors in making key decisions. Within the Asia Pacific geographic region, The Trust owns property in both Australia and New Zealand. Total revenue comprises revenue from Australia of $60.7 million (2013: $50.9 million) and revenue from New Zealand of $13.6 million (2013: $11.0 million). Investment properties held by the Trust comprise Australian properties of $407.7 million (2013: $320.7 million) and New Zealand properties of $53.5 million (2013: $46.1 million).

16. RELATED PARTY DISCLOSURES

The Trust

The consolidated financial statements include the financial statements of Folkestone Education Trust and its wholly owned subsidiaries AET New Zealand Education Trust ("AETNZ") and Folkestone Childcare Fund ("FCF"). AETNZ was established in Queensland, Australia with the issue of 2 units at $1.00 each to the Trust on 10 October 2005. The Trust owns 100% of the 20,100,000 units (2013: 20,100,000) on issue in AETNZ at a carrying value of $20,100,000 (2013: $20,100,000). On 16 December 2013, the Trust acquired 100% of the 13,600,010 units on issue in FCF at a carrying value of $16,864,000.

Transactions between the parent entity and its subsidiaries during the financial year are set out below:

Consolidated Group	2014 $'000	2013 $'000
Interest from subsidiary trusts	1,345	1,435
Expense reimbursement from subsidiary trusts	34	34
Distributions paid from subsidiary trusts	2,532	-
Loan to subsidiary trusts	24,893	18,800

The amount due from AET New Zealand Education Trust and Folkestone Childcare Fund are long term loans with no fixed date for repayment. Interest is payable on the AETNZ loan balance and is based on the average interest rate on loans held by the Parent Entity.

Responsible Entity

The Responsible Entity of the Trust is Folkestone Investment Management Limited.

In accordance with the Trust 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, debt arrangement fees, leasing fees and property acquisition due diligence fees.

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

Consolidated Group	2014 $'000	2013 $'000
Amounts paid or payable during the year		
Responsible Entity asset management fees	2,092	1,810
Responsible Entity cost recoveries	330	305
Responsible Entity leasing fees	264	-
Responsible Entity acquisition/due diligence fees	34	-
Responsible Entity debt arrangement fee	250	670
	2,970	2,785
Amounts included in accruals or payables at balance date	**601**	**561**

Custodian

The Custodian of the Trust assets is The Trust (Australia) Company Limited. The Custodian is entitled to fees for its services.

Consolidated Group	2014 $'000	2013 $'000
Amounts paid or payable during the year		
Custodian fees	115	90
Amounts included in accruals or payables at balance date	**35**	**24**

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.

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

Terms and Conditions of Transactions with Related Parties

All transactions between related parties were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of the loan between the parent entity and its subsidiaries.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

Units Held in the Trust by Related Entity

The Responsible Entity of Folkestone Social Infrastructure Trust ("FST") is a related party to Folkestone Investment Management Limited.

Name	FST
Opening balance of units held	7,730,980
Acquisitions of units	1,304,288
Disposals of units	-
Closing balance of units held	9,035,268

An amount of $271,058 was payable at balance date to FST in relation to the 30 June 2014 quarterly distribution.

NOTES TO THE FINANCIAL STATEMENTS CONT.

Units Held in the Trust by Other Related Entities

The ultimate parent entity of the Responsible Entity is Folkestone Limited ("FLK"). The following entities form part of the Folkestone Group: Folkestone Real Estate Management Limited ("FREML") , the Responsible Entity of Folkestone Social Infrastructure Trust, Folkestone Investment Management Limited ("FIML") and Folkestone Funds Management Limited ("FFM").

Name	FLK	FREML	FIML	FFM
Opening balance of units held	-	-	-	-
Acquisitions of units	1,803,409	260,000	590,000	65,000
Disposals of units	-	-	-	-
Closing balance of units held	1,803,409	260,000	590,000	65,000

An amount of $81,552 was receivable at balance date by these entities from FET in relation to the 30 June 2014 quarterly distribution.

Payment to Related Entity

For the year ended 30 June 2014, the Trust has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history does not suggest otherwise. This assessment will be undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. When assessed as required the Trust raises such a provision.

17. BUSINESS COMBINATIONS

(a) Summary of acquisition

On 16 December 2013, the Trust acquired 100% of the issued units in Folkestone Childcare Fund (FCF) for $1.24 per unit, reflecting total equity consideration (including costs) of $16.9 million. FCF is an unlisted property fund comprising 22 early learning centre properties in Australia, primarily in Queensland. The acquisition enhances the Trust's existing portfolio by increasing the value of the property portfolio and the earnings growth profile.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration (refer to (b) below):	
Cash Paid	16,864

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	585
Other current assets	186
Investment properties	25,988
Trade and other payables	(702)
Distribution payable	(17)
Derivative financial instruments	(4)
Borrowings	(9,172)
	16,864

Revenue and profit contribution

The acquired business contributed revenues of $2.3 million and net profit of $1.7 million to the Trust for the period 16 December 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, consolidated revenue and consolidated profit for the year ended 30 June 2014 would have been $75.7 million and $54.0 million respectively.

(b) Purchase consideration – cash outflow

	$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	16,864
Less: Balances acquired	
Cash	585
Outflow of cash – investing activities	16,279

Acquisition-related costs

Acquisition-related costs of $33,563 are included in other expenses in profit and loss and in operating cash flows in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONT.

18. KEY MANAGEMENT PERSONNEL

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 22 December 2004
Executive Director	Nick Anagnostou	Appointed 4 August 2008
Non-executive Director	Michael Johnstone	Appointed 22 December 2004
Non-executive Director	Grant Hodgetts	Appointed 24 October 2012
Other KMP	Travis Butcher	Chief Financial Officer – Funds Appointed 1 October 2008
Other KMP	Scott Martin	Company Secretary Appointed 28 September 2012

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.

The names of each person holding the position of Director of the Responsible Entity during the financial year were Messrs Michael Francis Johnstone, Mr Victor David Cottren, Mr Grant Bartley Hodgetts and Mr Nicholas James Anagnostou. 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.

Units held in the Trust by Directors

The relevant interests of each Director of the Responsible Entity (including Director related entities) acquired in the unit capital of the Trust are set out below.

Name	MF Johnstone	VD Cottren	NJ Anagnostou	GB Hodgetts
Opening balance of units held	65,000	570,000	28,000	-
Acquisition of units	6,092	56,000	2,625	-
Disposal of units	-	-	-	-
Closing balance of units held	71,092	626,000	30,625	-

19. CAPITAL AND LEASE COMMITMENTS

Capital Expenditure Commitments – Centre Acquisitions and Development

Estimated capital expenditure commitments contracted at balance date but not provided for:

Consolidated Group	2014 $'000	2013 $'000
not later than 1 year	10,368	-

Lease Revenue Commitments

Details of non-cancellable operating leases contracted but not capitalised in the financial statements are shown below:

The property leases are non cancellable with a fifteen year term and rent is reviewed annually in accordance with CPI movements. Further, two five year options exist to renew the leases for further terms.

Consolidated Group	2014 $'000	2013 $'000
Receivable:		
not later than 1 year	43,822	35,390
later than 1 year but no later than 5 years	188,591	149,830
later than 5 years	102,573	150,653
	334,986	**335,873**

Leasehold Property Commitments

Details of non-cancellable property leases contracted for not capitalised in the financial statements are shown below:

The property leases are non-cancellable leases with a twenty year term, with rent payable quarterly or monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by the minimum of CPI to a maximum of 5% pa. A right or option exists to renew the leases for a further term. The lease allows for subletting of all lease areas.

Consolidated Group	2014 $'000	2013 $'000
Payable:		
not later than 1 year	1,121	1,088
later than 1 year but no later than 5 years	5,051	4,926
later than 5 years	10,678	12,578
	16,850	**18,592**

20. FINANCIAL RISK MANAGEMENT

The Trust's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest risk), credit risk and liquidity risk. The Trust's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust. The Trust uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange, and aging analysis for credit risk. The Trust's financial instruments consist of deposits with banks, accounts receivable and payable, derivatives, loans from banks and other financial intermediaries and a loan to a subsidiary.

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.

Risk Exposures and Responses

I. Market Risk

The Trust is exposed to interest rate, foreign currency, liquidity and credit 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 Trust's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest rate risk if the borrowings are carried at fair value. During 2014 and 2013, the Trust's borrowings at variable rate were denominated in Australian Dollars.

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

Consolidated Group	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	1,832	187
	1,832	**187**
Financial liabilities		
Borrowings (Gross)	147,305	125,830
	147,305	125,830
Net exposure	**(145,473)**	**(125,643)**

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

Consolidated Group	2014 %	2013 %
Financial assets		
Cash and cash equivalents	0.75%	2.50%
Financial liabilities		
Borrowings	5.07%	5.88%

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

Refer to Note 11 and Note 12 for details on the fair value of derivatives as at the reporting date.

The Responsible Entity analyses the Trust's interest rate exposure on a dynamic basis. 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. Based on the analysis, the Responsible Entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps arrangements. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Trust agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

As at 30 June 2014, borrowings of $64.4 million are unhedged and the weighted average variable interest rate is 5.07% pa.

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

Consolidated Group	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%	1,930	3,002	1,930	3,002
Decrease in variable interest rates of 0.50%	(886)	(1,501)	(886)	(1,501)

The movements in profit are due to the net impact of higher/lower interest costs from variable rate debt and cash balances and the increase/decrease in the fair value of derivative instruments. Due to the hedging arrangements, with the majority of the Trust's debt hedged, increases in interest rates increase profit due to increases in the fair value of derivative financial instruments. Such movements are reflected in the statement of comprehensive income and equity.

- Foreign currency risk

The Trust has exposure to foreign currency movements through its investment in New Zealand properties.

It is a policy of the Responsible Entity not to expose the Trust to any material risks relating to movements in foreign currencies.

With respect to property investments in New Zealand, there is currently no relevant hedging in place. Of the total value of property investments held by the Trust, 11.6% is represented by properties held in New Zealand. The intention is to hold New Zealand properties on an on-going basis.

The Trust also has transactional New Zealand Dollar ("NZD") exposures. Such exposures arise from rental income and purchases of services in NZD. Further, the Trust holds some cash, receivables and payables which are denominated in NZD. In the opinion of the Directors of the Responsible Entity the level of the Trust's transactions in NZD is relatively low and does not constitute a material risk to the Trust.

NOTES TO THE FINANCIAL STATEMENTS CONT.

20. FINANCIAL RISK MANAGEMENT (CONT.)

The Trust's exposure to foreign currency risk and the relevant classes of financial assets and financial liabilities is set out below:

Consolidated Group	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	860	57
	860	57
Financial liabilities		
Payables	72	63
	72	63
Net exposure	788	(6)

Consolidated Group	Net Profit Increase/(decrease) 2014 $'000	2013 $'000	Equity Increase/(decrease) 2014 $'000	2013 $'000
Judgements of reasonably possible movements:				
AUD/NZD + 15.00%	(8,141)	(6,908)	(8,141)	(6,908)
AUD/NZD - 15.00%	8,141	6,908	8,141	6,908

The movements in profit are due to variations in the AUD/NZD exchange rate impacting valuations of assets and liabilities denominated in NZD. Such movements are reflected in the statement of comprehensive income and equity.

The exposure of the parent entity to NZD movements is via its investment in AET New Zealand Education Trust, being the entity which holds the New Zealand-based investments.

- Price risk

The Trust does not invest in any listed securities and hence is not exposed to any price risk.

II. 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' funds. 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:

Consolidated Group	2014 $'000	2013 $'000
6 months or less	9,672	8,177
6 to 12 months	659	711
1 to 5 years	149,111	127,322
Later than 5 years	-	-
	159,442	136,210

Maturity analysis of financial assets and liability based on management expectations

The table below is 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.

Consolidated Group	6 months or less $'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	1,832	-	-	-	1,832
Receivables / Prepayments	845	-	-	-	845
	2,677	**-**	**-**	**-**	**2,677**
Financial liabilities					
Payables	9,011	-	-	-	9,011
Interest-bearing liabilities	-	-	147,305	-	147,305
Derivative financial instruments	661	658	1,807	-	3,126
	9,672	**658**	**149,112**	**-**	**159,442**
Net exposure	**(6,995)**	**(658)**	**(149,112)**	**-**	**(156,765)**
2013					
Financial assets					
Cash and cash equivalents	187	-	-	-	187
Receivables / Prepayments	848	-	-	-	848
	1,035	**-**	**-**	**-**	**1,035**
Financial liabilities					
Payables	7,466	-	-	-	7,466
Borrowings	-	-	125,830	-	125,830
Derivative financial instruments	711	711	1,492	-	2,914
	8,177	**711**	**127,322**	**-**	**136,210**
Net exposure	**(7,142)**	**(711)**	**(127,322)**	**-**	**(135,175)**

20. FINANCIAL RISK MANAGEMENT (CONT.)

III. Credit Risk

Credit risk arises from the financial assets of the Trust, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. 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, except for the amount due to the Parent Entity from AET New Zealand Education Trust and Folkestone Childcare Fund which has no fixed date of repayment (refer to Note 16).

The Trust does not hold any credit derivatives to offset its credit exposure.

The Trust trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Trust's policy to secure its trade and other receivables.

The Trust's credit exposure is concentrated with one debtor, Goodstart Early Learning Limited, who contributed [64%] of rental income. The total credit risk for financial instruments contained in the Balance Sheet is limited to the carrying amount disclosed in the Consolidated Balance Sheet, net of any provisions for doubtful debts.

In addition, receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is not significant.

IV. 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* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b) 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

c) input for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

Consolidated Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Derivatives used for hedging	-	-	-	-
Total Assets	**-**	**-**	**-**	**-**
Liabilities				
Derivatives used for hedging	-	3,126	-	3,126
Total Liabilities	**-**	**3,126**	**-**	**3,126**
2013				
Derivatives used for hedging	-	-	-	-
Total Assets	**-**	**-**	**-**	**-**
Liabilities				
Derivatives used for hedging	-	2,914	-	2,914
Total Liabilities	**-**	**2,914**	**-**	**2,914**

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps and cap/collar arrangements are calculated as the present value of the estimated future cash flows. These instruments are included in level 2 and comprise debt investments and derivative financial instruments.

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

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes of similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

Net Fair Values

- Recognised financial instruments:
- The Trust’s financial assets and liabilities included in current and non-current assets and liabilities on the Balance Sheet are carried at amounts that approximate net fair value.
- Unrecognised financial instruments:
- The Trust has no off-balance sheet financial instruments.

21. NET TANGIBLE ASSETS

Consolidated Group	2014	2013
Net tangible assets ($'000)	306,706	233,510
Units used (No'000)	205,070	175,466
Net tangible assets at carrying value per unit ($)	1.496	1.331

22. CONTINGENT LIABILITIES

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

23. AUDITORS REMUNERATION

Consolidated Group	2014 $	2013 $
Audit and other assurance service		
Audit or review of financial report – PricewaterhouseCoopers, Australia firm	69,000	68,500
Audit of compliance plan – PricewaterhouseCoopers, Australia firm	5,500	4,125
Taxation services		
Taxation – PricewaterhouseCoopers, Australia firm	13,500	13,500
Total auditors remuneration	**88,000**	**86,125**

NOTES TO THE FINANCIAL STATEMENTS CONT.

24. PARENT ENTITY FINANCIAL INFORMATION

Summary Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

Consolidated Group	2014 $'000	2013 $'000
Balance Sheet		
Current assets	7,653	5,015
Total assets	438,389	360,653
Current liabilities	7,920	7,019
Total liabilities	148,522	134,177
Shareholders' equity		
Contributed equity	230,658	187,520
Undistributed profits	59,208	38,955
	289,866	226,475
Profit/(loss) for the year	43,981	31,359
Total comprehensive income	43,981	31,359

Guarantees Entered into by the Parent Entity

As at 30 June 2014, the parent entity has not provided guarantees in relation to its subsidiaries, AET New Zealand Education Trust or Folkestone Childcare Fund.

Contingent Liabilities

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

Contractual Commitments for the Acquisition of Property, Plant or Equipment

The parent entity did not have any contractual commitments for the acquisition of the property, plant or equipment as at 30 June 2014 or 30 June 2013.

25. SUBSEQUENT EVENTS

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

Subsequent to the year end, the Trust settled one contracted development site acquisition and settled three property disposals which were contracted for sale as at 30 June 2014. The remaining three properties that were contracted for sale as at 30 June 2014 had not settled, as at the date of this report.

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

26. 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 a specialist early learning centre property owner. The domicile of the Trust is Australia.

DIRECTORS' DECLARATION

In the opinion of the Directors of Folkestone Investment Management Limited, the Responsible Entity of Folkestone Education Trust and its controlled entities ("the Trust"):

1. the financial statements and notes, set out on pages 21 to 52 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 dated 8 July 2002 (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 Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

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

pwc

Independent auditor's report to the unitholders of Folkestone Education Trust

Report on the financial report

We have audited the accompanying financial report of Folkestone Education 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 for Folkestone Education Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Folkestone Investment 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 consolidated 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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity'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 and notes also comply 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 205,069,661 fully paid ordinary units on issue, held by 3,478 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	318
1,001-5,000	960
5,001-10,000	738
10,001-100,000	1,297
100,001 and over	165
Total	**3,478**
Holdings less than a marketable parcel	138

SUBSTANTIAL UNITHOLDERS

Name of Substantial Unitholder	Number
Allan Gray Australia Pty Ltd	27,173,030
Caledonia (Private) Investments Pty Limited	18,850,644
Folkestone Limited and it's Associates	11,753,677
Mr Louis Pierre Ledger	10,892,026

TWENTY LARGEST UNITHOLDERS

Holder Name	Number of Units	Fully Paid Percentage
J P MORGAN NOMINEES AUSTRALIA LIMITED	31,206,018	15.217
NATIONAL NOMINEES LIMITED	12,916,054	6.298
CITICORP NOMINEES PTY LIMITED	11,562,158	5.638
TRUST COMPANY LIMITED	9,035,268	4.406
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,874,946	3.840
MR LOUIS PIERRE LEDGER	7,000,000	3.413
NATIONAL NOMINEES LIMITED	5,771,709	2.815
UBS NOMINEES PTY LTD	5,340,231	2.604
SANDHURST TRUSTEES LTD	4,865,421	2.373
CHEMICAL TRUSTEE LIMITED	4,550,000	2.219
MR LOUIS PIERRE LEDGER	1,925,000	0.939
FOLKESTONE LIMITED	1,803,409	0.879
WARBONT NOMINEES PTY LTD	1,735,105	0.846
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,667,160	0.813
ACRES HOLDINGS PTY LTD	1,649,310	0.804
MR LOUIS PIERRE LEDGER	1,527,826	0.745
EST MR ROBERT ADAMSON	1,417,887	0.691
REDBROOK NOMINEES PTY LTD	1,400,000	0.683
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,315,742	0.642
REDBROOK NOMINEES PTY LTD	1,266,333	0.618
	115,829,577	**56.483**

ON MARKET BUY BACK

There is no current on-market buy back.

RESPONSIBLE ENTITY AND PRINCIPAL PLACE OF BUSINESS OF THE TRUST

Folkestone Investment Management Limited
Level 12
15 William Street
Melbourne VIC 3000

DIRECTORS OF THE RESPONSIBLE ENTITY

Victor David Cottren (Chairman)
Michael Francis Johnstone
Nicholas James Anagnostou
Grant Bartley Hodgetts

SOLICITORS

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

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

National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

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

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Folkestone
EDUCATION TRUST