FOLKESTONE EDUCATION TRUST (ASX:FET)

HALF YEAR RESULTS TO 31 DECEMBER 2014

Folkestone
EDUCATION TRUST

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Chief Executive Officer

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Gungahlin, ACT

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FET'S HIGHLIGHTS

✓	Distributable income of $13.1 million, an increase of $1.8 million or 15.9% on the previous corresponding period ("pcp")
✓	Statutory profit of $52.3 million, an increase of 144.8% on pcp
✓	Gross Assets increased by 11.6% from $464.6 million to $518.5 million
✓	Net Tangible Asset ("NTA") per unit of $1.69, an increase of 12.7% from 30 June 2014
✓	Development pipeline of $68.1 million across 14 development sites
✓	Total Unitholders' return for the half year to 31 December 2014 of 25.0%
✓	Successful merger with Folkestone Social Infrastructure Trust in January 2015 increasing the total asset base by 18% to $618 million

FET'S HIGHLIGHTS

- **Maintained a focused strategy and delivered above expectation performance**
  - deep industry involvement and strong tenant relationships drive demand for FET product
  - disciplined capital and portfolio management provides realisation of upside on existing assets and alignment with new long term growth opportunities
  - adept risk management procedures applied to development opportunities, through constant supply and demographic analysis, low gearing and asset recycling
- **Asset recycling driving movement to more efficient assets, reducing long term cost and increasing alignment to assets with a higher propensity for future growth**
  - asset sales of $17.2 million (1H FY15 $9.3 million) of investment properties providing a profit before selling costs of $2.9 million ($2.1 million for 1H FY15)
  - demand for childcare assets provides opportunity to recycle capital from low growth assets into development opportunities that are expected to generate higher long term returns
  - development assets structured to minimise transaction costs, ensuring asset values begin at par
- **A mix of strong childcare and real estate fundamentals**
  - high demand locations for childcare, matched to locations where increasing densities are expected to drive further value
  - focus on sites with good long term residential and commercial development potential with a focus on vertical development
  - disciplined approach to capital deployment in under supplied markets
- **Leveraging our Competitive Advantage**
  - acquisitions and capital recycling program together with FET's size, diverse tenant relationships and pipeline allows Management to leverage these advantages and skill set in driving returns
- **Forecast second half distribution**
  - FST merger will provide an additional growth to earnings and distribution as will development assets. 2H FY15 distribution forecast at 6.45 cpu, equivalent to 12.8 cpu for the full year

HALF YEAR PERFORMANCE REVIEW [1]

EXECUTION DRIVING OUTPERFORMANCE

$52.3m ↑ Net Profit 144.8%	**$13.1m** ↑ Dist. Income 15.9%	**6.35 cpu** ↑ Distribution 5.8%	**$1.69** ↑ NTA 12.7%	**25.0%** Total Return

ASSET MANAGEMENT Strategically adding value	**PORTFOLIO MANAGEMENT** Systematic portfolio growth & reweighting	**CAPITAL MANAGEMENT** Maximising unitholder value
89% Options exercised	**$68.1m** Development Pipeline	**5.1% pa** Weighted cost of debt
+0.4 Yrs WALE of 8.4 yrs	**$17.2m** Divestments (settled & contracted)	**30.2%** Gearing
+$41.4m Increase in Valuations	**0.70%** Average Yield Compression	**29%** Unhedged Debt

[1] Six months to 31 December 2014. Excludes impact of FST Merger

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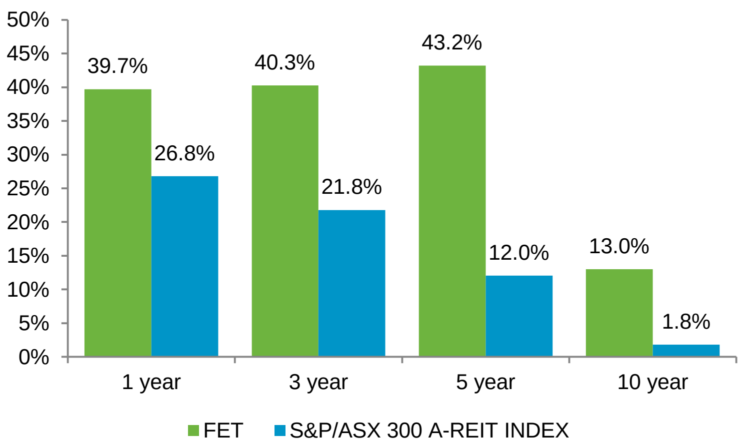
FET'S PERFORMANCE

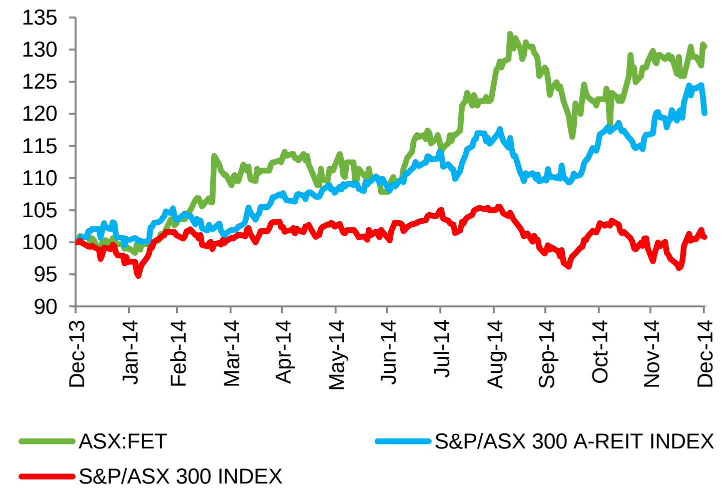
- FET has consistently outperformed the S&P/ASX300 A-REIT Accumulation Index across 1, 3, 5 and 10 year categories, ranking FET 1st over 5 years, 2nd over 10 years and within the top 3 in each other timeframe[2]
- Growth achieved by maintaining the strategy and focusing on asset, portfolio and capital management disciplines
- Underpinned by sound real estate and childcare industry fundamentals and FET's pipeline of growth prospects

FET TOTAL RETURN PERFORMANCE VS S&P/ASX 300 A-REIT INDEX: TO 31 DECEMBER 2014



Note: Assumes reinvestment of net dividend

FET UNIT PRICE V S&P/ASX 300 AND A-REIT INDICES: 12 MONTHS TO 31 DECEMBER 2014



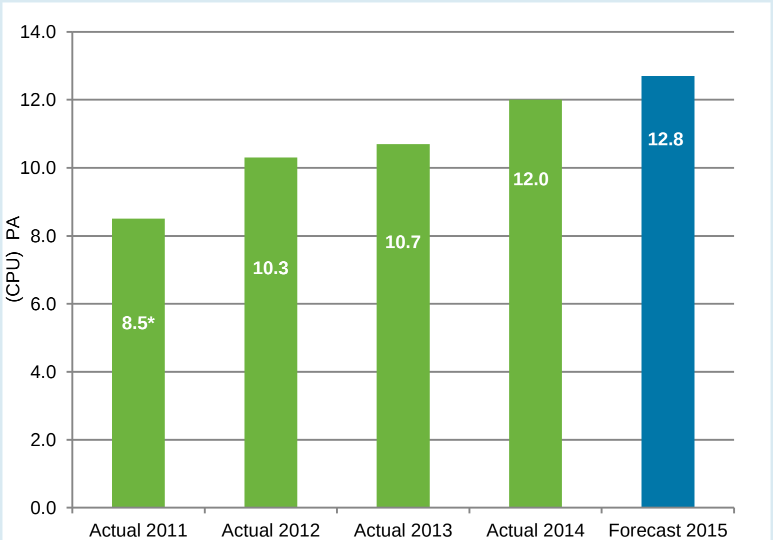
DELIVERING VALUE THROUGH OUTPERFORMANCE

2 UBS Australian REIT Month in Review - December 2014

FET'S PERFORMANCE

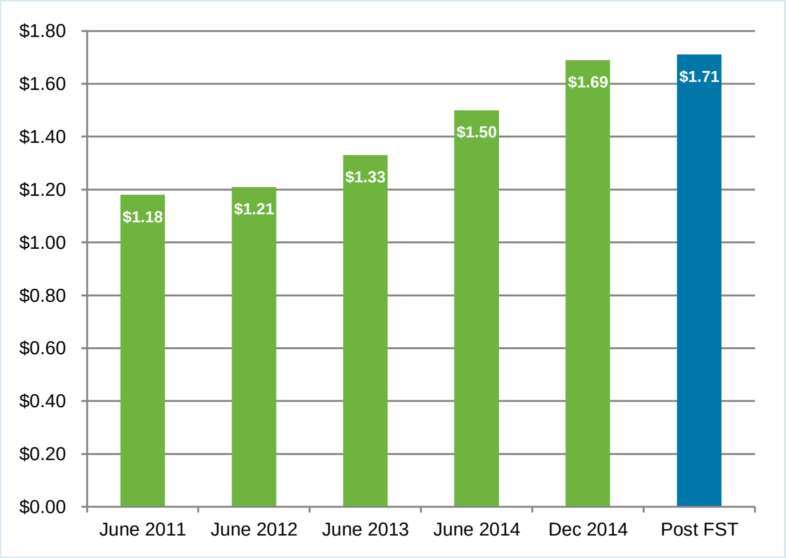
- Distribution growth – average 10.8% p.a. since 2011 – driven by disciplined capital, portfolio and asset management, complementing a sound portfolio of well located and leased assets
- FET's strategy is based on the belief that childcare and its underlying mainly residential land use, would perform as the industry matured and the inherent value of medium density housing sites became more evident. NTA growth has averaged 11.2% p.a. since 30 June 2011

DISTRIBUTION GROWTH: 2011 - 2015



*Annualised

NTA GROWTH: 2011 – 2015



DELIVERING ON STRATEGIES DRIVES GROWTH IN PERFORMANCE

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FINANCIAL RESULTS

INCOME STATEMENT

- Half year statutory profit of $52.3 million, up 144.8% on the pcp:
  - distributable income of $13.1 million, an increase of 15.9% on pcp
  - asset management initiatives, acquisitions and rental growth have grown lease income by $3.2 million or 17.8% on the pcp
  - expense growth of 15.3% due to growth in portfolio, although pro-rata lower than the corresponding income growth through acquisitions
  - other expenses includes $0.3 million in relation to income tax payable on New Zealand portfolio
  - statutory profit includes property valuations, mark-to-market (MTM) adjustments of hedges, capital items or non-recurring items
  - yield compression and rent growth contributing $41.4 million in property revaluations
- Distribution of 6.35 cents per unit, an increase of 5.8% on pcp

Income Statement

FOR THE HALF YEAR	DEC 2014 ($m)	DEC 2013 ($m)
Lease income	21.2	18.0
Property outgoings	3.1	3.0
Other income	0.1	0.1
Total Operating Income	**24.4**	**21.1**
Finance costs	4.3	4.0
Property outgoings	4.6	4.2
Responsible entity's remuneration	1.4	1.1
Other expenses	1.0	0.5
Total Operating Expenses	**11.3**	**9.8**
Distributable Income	**13.1**	**11.3**
Net revaluation increment of properties	41.4	9.2
MTM adjustments of hedging positions	(2.2)	0.5
Gain on sale of investment properties	0.6	0.3
Merger costs	(0.6)	-
Statutory Profit	**52.3**	**21.3**
EPU	25.4	11.8
Distribution (cpu)	6.35	6.0

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BALANCE SHEET

- Strong balance sheet metrics maintained:
  - property revaluations of $41.4 million driven by yield compression and annual rent escalation
  - property acquisitions of $23.4 million across 2 completed centres and 5 development sites
  - property disposals ($10.7 million carrying value at 30 June 2014) in relation to 9 properties with a further 5 contracted properties of $5.5 million to settle in 2015
  - negative mark-to-market impact of derivatives of $5.4 million due to falling interest rates equivalent to $0.03 reduction in NTA per unit
- NTA per unit increased 12.7% to $1.69 per unit over the 6 months to December and 27.1% in the previous 12 months
- Gearing reduced to 30.2%

Balance Sheet

AS AT 31 DECEMBER 2014	DEC 2014 ($m)	JUN 2014 ($m)
Cash	0.4	1.8
Investment properties – to be sold	5.5	7.9
Investment properties – improved properties[3]	482.8	437.3
Investment properties – development sites	27.0	16.0
Other assets	2.8	1.6
Total assets	**518.5**	**464.6**
Trade and other payables	3.7	2.8
Distribution payable	6.6	6.3
Borrowings[4]	155.2	145.7
Derivative instruments	5.4	3.1
Total liabilities	**170.9**	**157.9**
Net assets	**347.6**	**306.7**
NTA per unit ($)	**1.69**	**1.50**
Gearing[5] (%)	**30.2**	**31.7**

[3] Includes $1.0 million (30 June 14: $0.7 million) of transaction costs in relation to properties not settled
[4] Borrowings as at 31 December 2014 include loans of $152.0 million and bank overdraft of $4.4 million less unamortised transaction costs of $1.2 million
[5] Gearing is calculated by borrowings and bank overdraft/ total assets

CAPITAL MANAGEMENT

CAPITAL MANAGEMENT – DEBT & HEDGING

DEBT

As at 31 December 2014

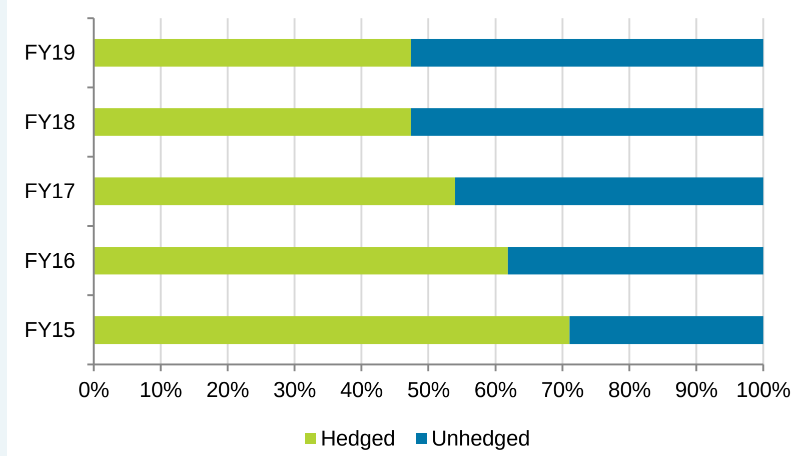
Debt Facility Limit	$173.0 million
Debt Drawn Amount	$152.0 million
Overdraft Facility	$10 million
Facility Maturity	June 2017
LVR Covenant	50% of all Secured Property
ICR Covenant	Not to be less than 2.0 x measured on a 6 monthly basis (actual 4.2x)
Cost of Debt	Cost of debt is 5.1% (excl. borrowing costs) and 5.6% pa (incl borrowing costs)

- Undrawn facility of $21.0 million to be utilised to assist in funding of development pipeline
- Post FST merger, a further $11.3 million available within existing FST debt facility

HEDGING

- As at 31 December 2014, FET had hedged $108 million (71%) at a fixed rate of 4.01% pa for FY15
- Staggered hedging positions through to June 2019 with average hedged positions of 55% at a rate of 3.96% pa
- 29% unhedged allowing immediate access to lower interest rates
- Weighted average hedge duration of 2.3 years

HEDGING PROFILE: BASED ON DEBT OF $152.0 MILLION AS AT 31 DECEMBER 2014



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CAPITAL MANAGEMENT – DRP

DISTRIBUTION REINVESTMENT PLAN (“DRP”)

- Reactivation of DRP on 9 September 2014 to support the funding of FET’s growth and development pipeline
- The key terms of the DRP are as follows:
  - a 1.50% discount is applicable to units issued under the DRP
  - the price at which units are allocated under the DRP is the daily volume weighted average market price of Folkestone Education Trust units sold in the ordinary course of trading on the ASX during the 10 trading day period starting on the second business day after the record date
- Strong unitholder participation of 26% and 24% for the initial September and December quarters respectively has resulted in cash reinvestment of $3.3 million at an average issue price of $1.87 per unit

PORTFOLIO MANAGEMENT

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PORTFOLIO STRATEGY

- Enhance alignment of assets with high growth childcare markets that promote growth in childcare values as well as alternate, generally medium density residential values over time, providing a sound growth and exit strategy
- Enhance portfolio quality, lease tenure and therefore distributions through acquisition, particularly through development
- Acquire assets through capital effective mergers such as the Folkestone Social Infrastructure Trust ("FST")
- Acquire assets that have greater than average growth prospects, primarily driven through intelligent site selection
- Leverage FET's competitive advantage in being able to identify and then source the best sites and operators on standard FET terms
- Increase FET's exposure to what is the industry's largest operator base which continues to grow
- Increase FET's scale and liquidity, lowering the cost of debt capital and increasing accessibility by both large and smaller investors
- Recycle capital through the sale of generally smaller centres at yields that provide an arbitrage to new developments


Baldivis, WA


Cremorne, NSW

ASSET RECYCLING

- FET's portfolio management program focuses on portfolio and earnings quality. Micro market analysis is key to asset selection and value growth
- Asset swapping is expected to provide higher long term rental and value growth via superior sites, improvements and enhanced lease rent profiles
- Existing arbitrage between existing and development centres being maximised to unitholder advantage

STRATEGY

ACQUISITIONS		DISPOSALS
2 new centres settled 5 developments settled 4 developments contracted Average yield 7.81%	✓ Strong Demographics ✓ Strong lease covenants ✓ Locations with strong underlying residential/ commercial utility ✓ Purpose Built ✓ Capital & Income Growth Prospects	9 centres settled 5 centres contracted Average yield 6.98%


Cremorne, NSW


Gungahlin, ACT


Fairlight, NSW

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OUR COMPETITIVE ADVANTAGE

- FET's growth strategy is based upon selecting prime quality sites, matched to the best operators with FET's standard lease
- Focus is on sites within a ~15km radius of CBDs, as well as rapidly growing growth areas and opportunistic purchases
- Underlying land values and future versatility of sites are key criteria, with a focus on medium density housing as a target future use
- Development sites fit the strategy and are cost effective by minimising transaction costs, predominantly stamp duty and provide development profits
- Enhance asset quality, earnings growth and future utility of sites within FET's portfolio
- Due diligence on operators to determine financial and operational ability is a key part of the strategy

PROPERTY PORTFOLIO - CURRENT DEVELOPMENTS

FET PIPELINE

- FET currently has 10 development sites, 3 of which construction has commenced
- These developments are expected to be completed by May 2016 with 1 development (Baldivis, WA) completed for the half
- Four development sites currently under contract
- Each site provides FET with a return on development funds deployed throughout the development period
- Extensive development pipeline across Victoria, NSW, QLD and WA being built with over $50 million of opportunities being assessed at any one time

Current development sites	10
Development sites under contract	4
Total development pipeline	**14**
Total costs incurred as at 31 Dec 2014 ($m)	27.0
Total expected value on completion ($m)	**68.1**

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ACQUISITIONS – STRATEGIC SELECTION OF QUALITY REAL ESTATE

GUNGAHLIN, ACT

- FET has sought sites based on its proprietary model which focusses on childcare demand and affordability, location and underlying micro economic and land value projections
- The Gungahlin acquisition brings high demand for childcare with new state of the art design and construction in a high population growth location
- Located in the Gungahlin town centre, adjacent to a new Bunnings (under construction), Gungahlin Market Place, Gungahlin Village with further new development pending
- Large commercially zoned site with multiple alternate uses and with two street frontages. In addition, FET negotiated a 15 new year lease to replace an original 10 year lease, from completion

KEY STATISTICS

Population Growth Forecast to 2011 to 2021 (%)	+55
Distance from Canberra CBD (km)	10
Land Area (sqm)	5,527
Building Area (sqm)	1,623
Rent (PA) ($)	429,000
Annual Reviews (%)	3.5
Value ($m)	5.35
Yield (%)	8.03
Alternate Uses	Commercial

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ACQUISITIONS – STRATEGIC SELECTION OF QUALITY REAL ESTATE

BALDIVIS, WA

- Consistent with the Trust's strategy, FET purchased the site directly opposite Stockland's Baldivis Shopping Centre - high growth outer metropolitan area
- The property was developed into a new purpose built childcare centre under a fixed price agreement
- FET had the site pre-committed before settlement to a quality operator for an initial 15 year term, on FET's standard lease
- The site adjoins a proposed medium density development, and will benefit from its location opposite the $116m redevelopment of Stockland Baldivis, which will enlarge the centre to almost 30,000 sq.m
- Practical completion was achieved in July 2014 and the centre achieved an occupancy level of over 95% within three months of opening

KEY STATISTICS

Population Growth Forecast to 2011 to 2021 (%)	+247
Distance from Perth CBD (km)	46
Land Area (sqm)	2,249
Building Area (sqm)	630
Rent (PA) ($)	197,800
Annual Reviews (%)	3.25
Value ($m)	2.60
Yield on Cost (%)	8.25
Alternate Uses	Medium Density Residential

Baldivis, WA – Completed Centre

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ACQUISITIONS – STRATEGIC SELECTION OF QUALITY REAL ESTATE

INNER SUBURBAN SITES

- FET is developing a number of other sites in established urban zones which are expected to appreciate in value due to the proposed childcare use as well as the underlying land component
- Camberwell, Armadale and Hawthorn (Vic) Nedlands (WA), Frenchs Forest and Manly (NSW) transactions are high barrier to entry locations in undersupplied markets, complemented by increasing underlying land values influenced by medium density development
- Locations suitable, subject to planning approval, for medium density development or in locations that are expected to increase their density capacity over time. Camberwell can accommodate 28 units, Armadale ~15 units and Hawthorn ~12 units as typical examples
- High demand for childcare in strong demographics where childcare is at a shortage
- Leases vary from 15 to 20 year initial terms, are triple net in nature with fixed annual rental increases of 3.25%
- Each site is being developed and is in the early stages of construction or DA
- Sites are consistent with the FET model of purchasing land that is well positioned to meet either upper end residential or commercial uses in areas where suitable development sites are difficult to obtain

Kooyong Rd, Armadale, Vic – Under Construction

Stirling Hwy, Nedlands, WA – Under Construction

PORTFOLIO ACQUSITION - FST MERGER

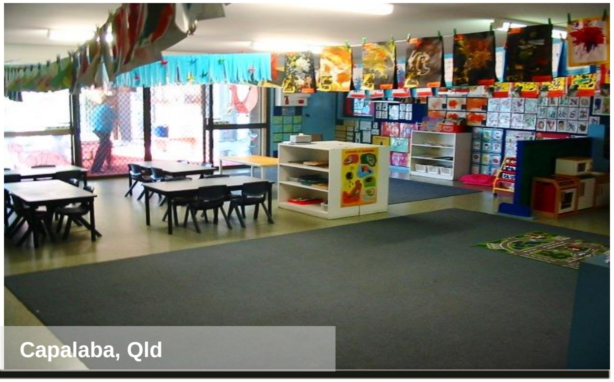
- 13 November 2014 - Announced merger with Folkestone Social Infrastructure Trust ("FST")
- 19 December 2014 – FST Unitholder approval to merger
- 6 January 2015 - Scheme implemented and ownership of FST transferred to FET

RATIONALE

- Transaction is consistent with FET's acquisition strategy of purchasing portfolios and individual assets that add to earnings, portfolio quality and both tenant and geographic diversification
- Strengthens FET's position as the leading provider of early learning accommodation
- The merger accretive to both distributions (0.1 cpu increase in second half) and NTA per Unit (increase of 1.2% from $1.69 to $1.71)
- Provides a significant increase in scale for FET from 355 to 402 centres and combined value from $515.3 million to $592.7 million
- Efficient acquisition structure generated lower transaction costs through lower stamp rates applicable to the merger compared to an outright purchase of properties


Jindalee, Qld


Indooroopilly, Qld


Capalaba, Qld

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PORTFOLIO ACQUSITION - FST MERGER

- FST had approximately $93 million of total assets, total liabilities of $25 million and net assets of $68 million
- FET issued 37.6 million units at an issue price of $1.99 per unit for total consideration of $74.7 million
- FST owned 47 early learning properties which have similar lease structures to FET:
  - triple net lease structures
  - annual rent indexation to CPI
  - land tax recovery (except Victoria)
  - long term initial leases with no further options
- FST has investments in two non early learning assets for which FET will periodically assess their ongoing position with a view to disposing of these assets over time
  - Melton medical centre leased to Primary Health – value of $7.4 million (passing income of $0.6 million)
  - Folkestone CIB Fund (police stations and court houses) – value of $8.0 million (current annualised distribution of $0.3 million)

FST – EARLY LEARNING PROPERTIES

No of Early Learning Properties	47
Passing Property Yield (%)	8.5
No. LDC Places	3,970
Current Valuation ($m)	77.4
Passing Income ($m)	6.6
No of Tenants	6
WALE (years)	7.2

Kellyville, NSW

PORTFOLIO ACQUSITION - FST MERGER

- Post merger, NTA per unit to increase by 1.2% to $1.71 per unit
  - 37.6 million units issued to FST unitholders at $1.99 per unit as consideration for the merger. Total consideration of $74.7 million
- Gearing reduced to 29.5%
- QLD exposure expected to provide further yield compression

PRO-FORMA MERGED BALANCE SHEET: AS AT 31 DECEMBER 2014	FET ($m)	FST ($m)	ADJ. ($m)	NEW FET ($m)
Cash	0.4	8.1	(8.1)[1]	0.4
Investment properties – to be sold	5.5	11.8	(11.8)[1,2]	5.5
Investment properties – improved properties	482.8	84.8	-	567.6
Investment properties – development sites	27.0	-	-	27.0
Securities (FCIB)	-	8.1	-	8.1
Goodwill	-	-	6.4[3]	6.4
Other assets	2.8	0.3	-	3.1
Total assets	**518.5**	**113.1**	**(13.5)**	**618.1**
Trade and other payables	3.7	1.0	-	4.7
Distribution payable	6.6	20.7	(20.7)[1]	6.6
Borrowings[4]	155.2	22.9	0.8[1]	178.9
Derivative instruments	5.4	0.2	-	5.6
Total liabilities	**170.9**	**44.8**	**(19.9)**	**195.8**
Net assets	**347.6**	**68.3**	**6.4**	**422.3**
Units on issue	206.0	28.4	37.6[3]	243.6
NTA per unit ($)	1.69	2.40		1.71[5]
Gearing (%)	30.2	20.3		29.5[6]

1. Payment of distributions to FST unitholders of $20.7 million on 6 January 2015
2. Settlement of self-storage property on 2 January 2015 with proceeds used to fund distributions.
3. Goodwill recognised as excess of consideration of $74.7 million (37.6 million units) over the net assets of FST of $68.3 million
4. Comprises loans of $152.0 million and bank overdraft of $4.4 million for FET and loans of $23.0 million less unamortised transaction costs of $1.2 million (FET) and $0.1 million (FST)
5. Net assets of $422.3 million less goodwill of $6.4 million / total units on issue
6. Gearing is calculated by borrowings and bank overdraft/ total assets

PROPERTY PORTFOLIO

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PROPERTY PORTFOLIO

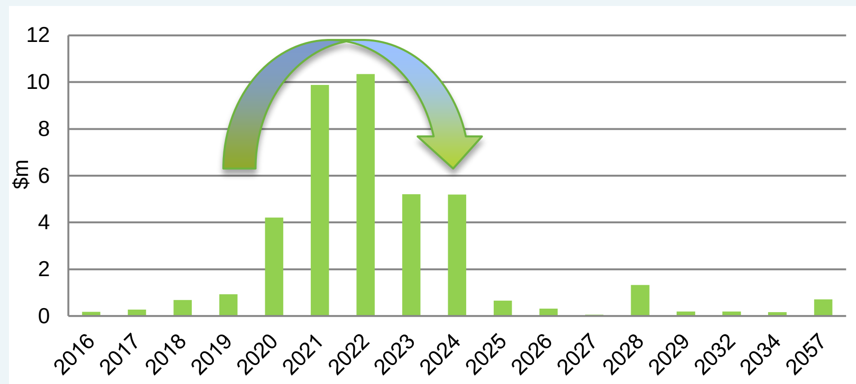

Gungahlin, ACT


Dannemora, NZ


Albany, NZ

- WALE increased by 0.4 years through new transactions and re-leasing success.
- Like for like rental growth of 2.5%
- 99.7% occupancy
- 42 of 47 five year options were renewed in Dec 14 increasing term of leases from 5 to 10 years, resulting in lease expiries due in 2019 now pushed out 5 years to 2024
  - Remaining five expected to be extended through negotiation shortly
- Risk mitigation of developments through detailed analysis of undersupplied markets, population growth statistics and residential density trends
- Development business and sound property fundamentals expected to provide further enhancement to FET's performance

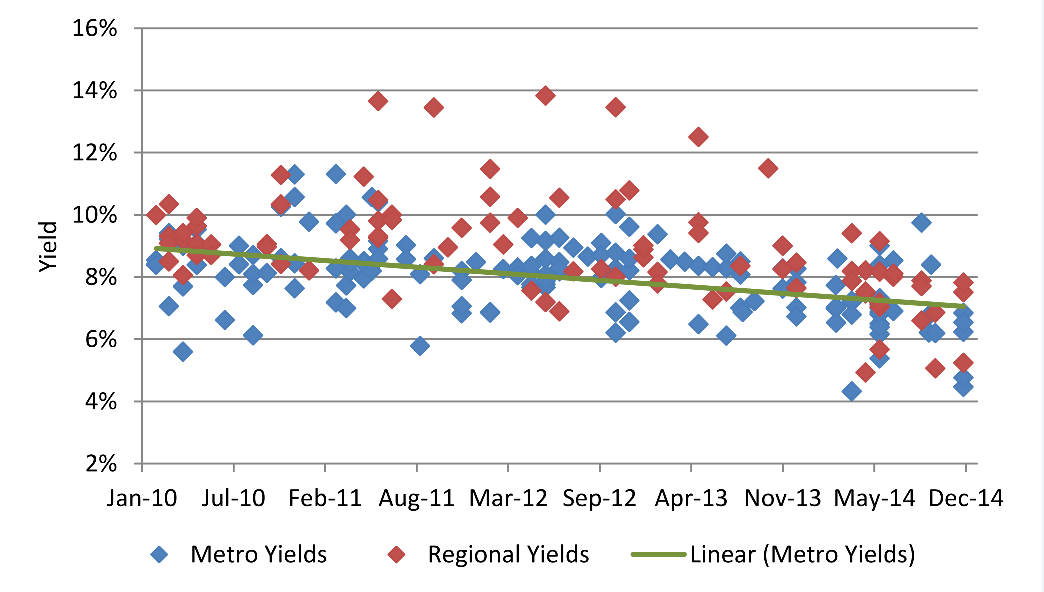
LEASE EXPIRY PROFILE (CALENDAR YEAR) BY ANNUAL RENT: 2016 - 2057



PROPERTY PORTFOLIO – MARKET PLACE

- Yield compression accelerated in FY14 after a reasonably strong FY13
- Yields have continued to tighten, with a noticeable further strengthening during H1 2015. Sale yields in NSW and Victoria remain strong with evidence of Queensland yields continuing to strengthen, but from a lower base
- Continuing consolidation of the sector amongst centre operators, particularly listed entities G8 (ASX:GEM) and Affinity (ASX:AFJ), who have grown aggressively throughout 2014. Think Childcare (ASX:TNK) has become the third listed child care operator
- Continued investor interest in the sector attracted to the long lease terms, considered tenant strength and federal government support
- Demand for child care has remained strong with needs greatly outstripping supply in some metropolitan locations, resulting in a strengthening of rentals

CHILDCARE CENTRE SALES YIELDS: 2010 - 2014



Source: Folkestone

PROPERTY PORTFOLIO – VALUATIONS

- Properties independently valued on a 3 year rolling basis
- 64 properties independently valued increased by 13.4% since 30 June 2014
- Strong growth in eastern seaboard states and New Zealand driven largely by yield compression and annual rental growth
- Directors valuations adopted for a further 247 properties (leasehold properties excluded) to reflect firming of yields evidenced in the sales transactions and independent valuations, in particular for the eastern states of Australia


Albany, NZ

INDEPENDENT VALUATIONS	NO. OF PROPERTIES VALUED	CARRYING VALUE ($m)	MOVEMENT (%)
QLD	21	30.7	13.3
NSW/ACT	17	24.0	16.3
VIC	12	19.9	15.2
SA	9	7.5	2.1
WA	1	1.0	3.6
New Zealand	4	2.7	14.2
Total	**64**	**85.8**	**13.4**

DIRECTOR VALUATIONS	NO. OF PROPERTIES VALUED	CARRYING VALUE ($m)	MOVEMENT (%)
QLD	79	110.4	13.0
NSW/ACT	58	85.2	12.0
VIC	41	75.8	8.8
SA	11	13.8	3.0
WA	9	12.8	2.1
TAS	2	3.5	3.3
New Zealand	47	52.8	7.4
TOTAL	**247**	**354.3**	**10.1**

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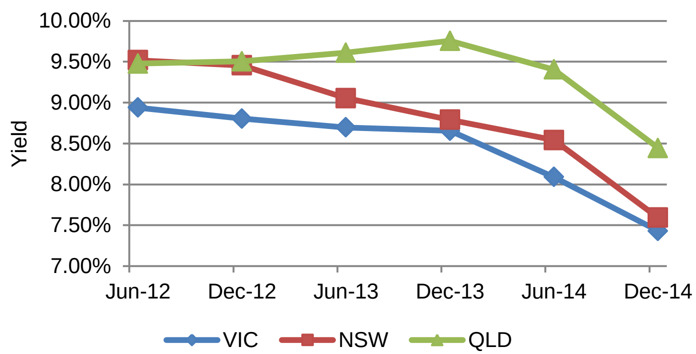
PROPERTY PORTFOLIO – PASSING YIELD

- Strong growth remains in NSW and Victoria driven by continuing increase in demand for services as well as by investors
- Queensland market is showing increased demand and we expect further tightening of yields in this market
- No sales transactions occurred during the period in SA, WA and Tasmania, hence the lack of current evidence has not supported a strengthening of yields to the same degree as the eastern states

HISTORICAL PROPERTY YIELDS BY STATE: 2012 – 2014



Source: Folkestone

	NO. OF PROPERTIES	CARRYING VALUE ($m)	YIELD 31 Dec 14 (%)	YIELD 30 Jun 14 (%)
QLD	100	141.1	8.5	9.6
NSW/ACT	76	125.7	7.8	8.5
VIC	53	95.6	7.4	8.0
SA	19	20.9	8.9	9.1
WA	11	16.5	8.3	8.5
TAS	2	3.5	7.7	7.9
New Zealand	51	55.6	7.9	8.2
Total Freeholds	**312**	**458.9**	**8.0**	**8.7**
Leaseholds	**33**	**28.4**	**13.0**	**13.2**
TOTAL	**345**	**487.3**	**8.3**	**9.0**

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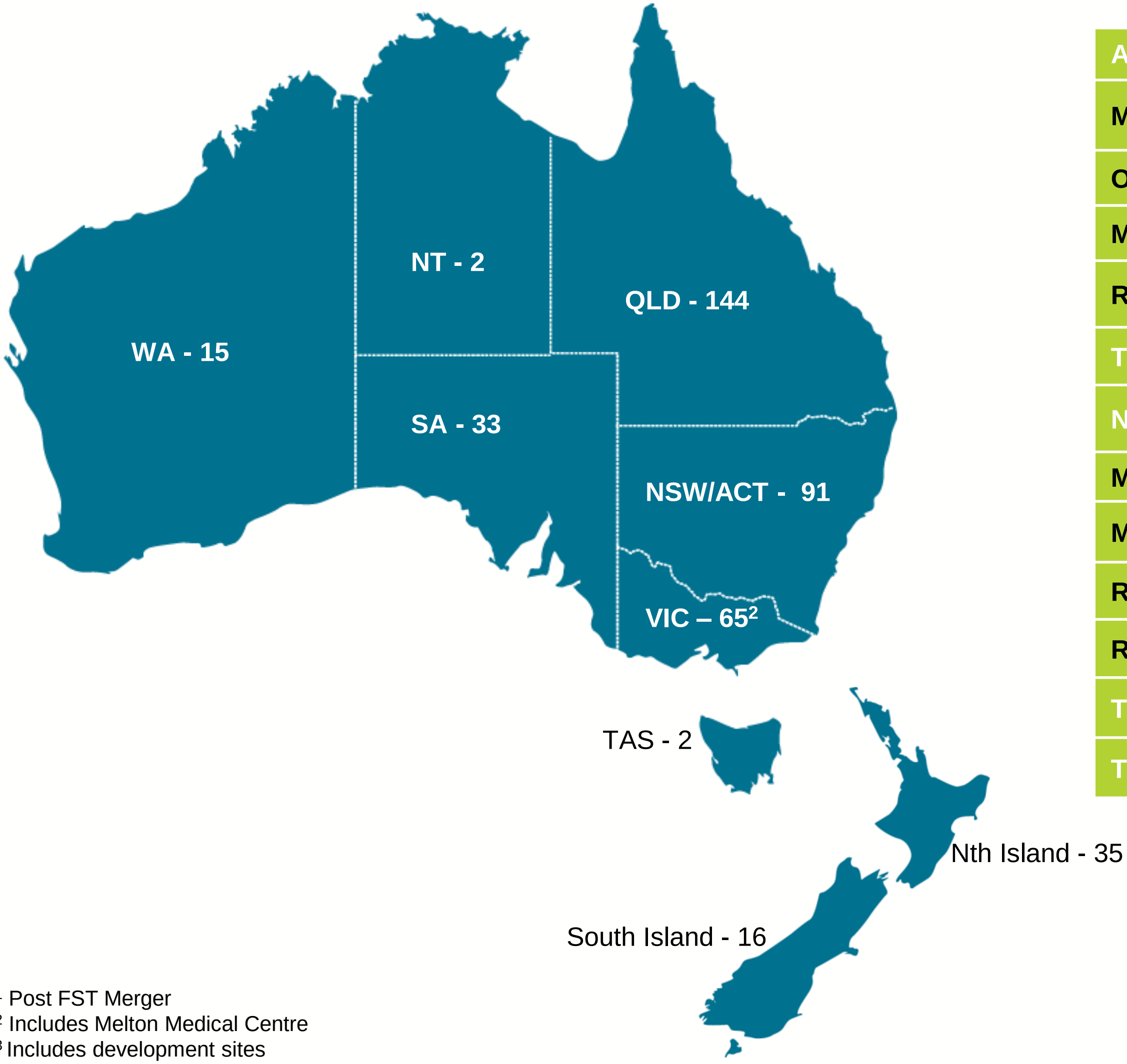
PROPERTY PORTFOLIO – GEOGRAPHICAL DIVERSIFICATION[1]



Australia - Location	No	%
Metropolitan	80	22.7
Outer Metropolitan	112	31.8
Major Regional	84	23.9
Regional	76	21.6
Total	**352**	**100**
New Zealand - Location		
Metropolitan	24	47.0
Major Regional	18	35.3
Regional	6	11.8
Rural	3	5.9
Total	**51**	**100**
Total Portfolio[3]	**403**	

[1] Post FST Merger
[2] Includes Melton Medical Centre
[3] Includes development sites

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EARLY LEARNING MARKET

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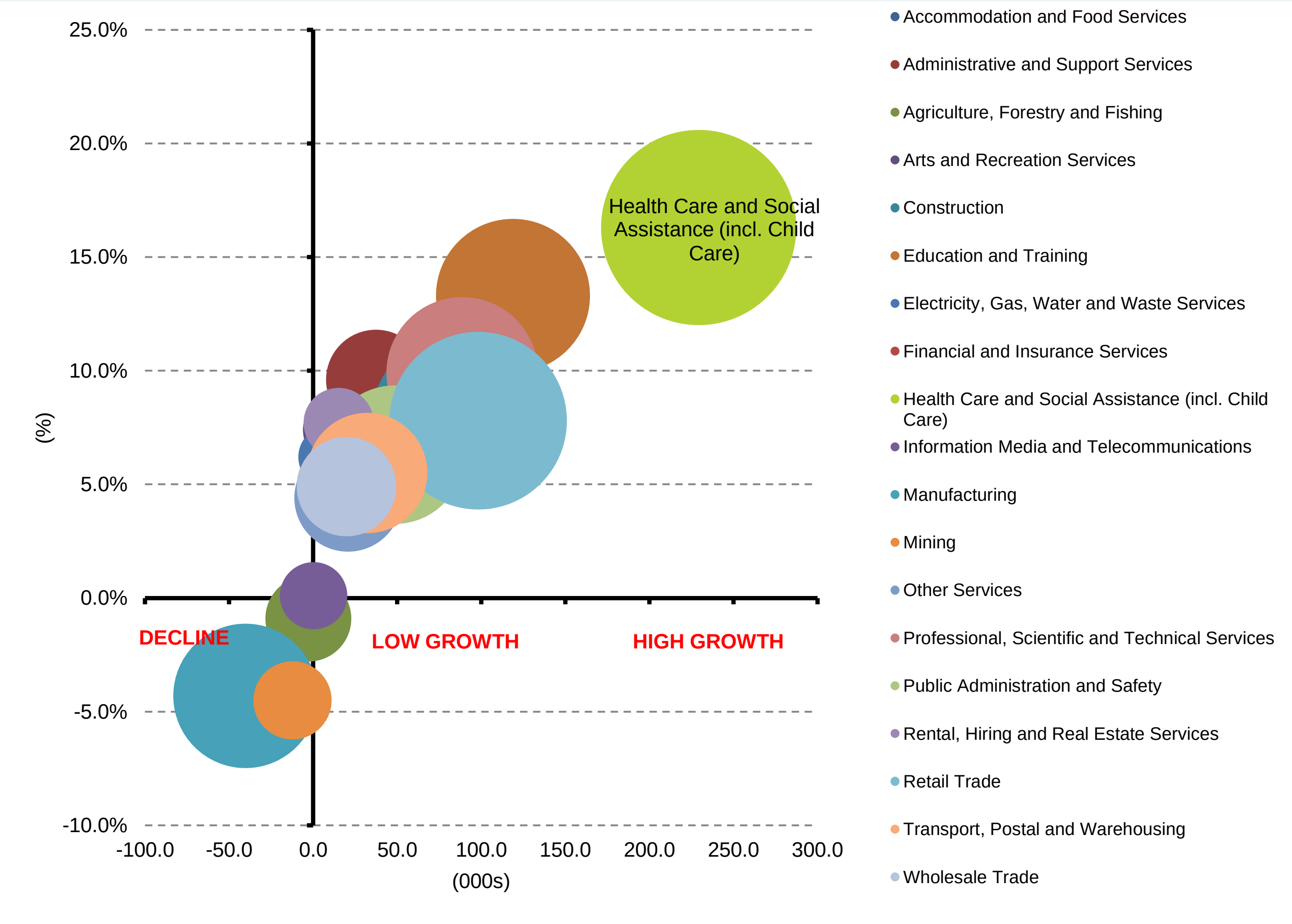
EARLY LEARNING GROWTH FORECASTS – 2013 – 2019

- Department of Employment forecasts show the early learning sector as one of Australia's key sources of employment growth
- Forecast growth in 'Social Assistance' employment of 229,400 jobs over the 5 year forecast period
- 39% higher growth forecast for Social Assistance than any other industry
- This is on the back of record demand for approved childcare in the 0-12 category
- Staff retention difficult due to relatively low wage rates

EMPLOYMENT GROWTH : 2013/2014 – 2018-2019



Source: Dept of Education

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EARLY LEARNING SECTOR OUTLOOK

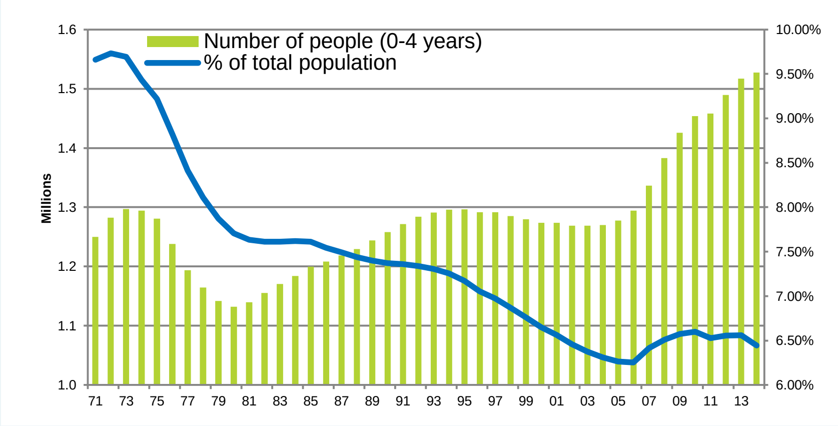
NUMBER OF PEOPLE AGED 0-4 YEARS INCREASING

- Over 1.53m (or 6.5% of the total population) aged between 0-4 years
- 17% increase in the number of children in 0-4 over the past 10 years
- Driven by both strong population growth and substantially higher birth rates
- Flowing through to increased demand for early learning services and strong take-up rates within existing centres

FEMALE WORK FORCE PARTICPATION

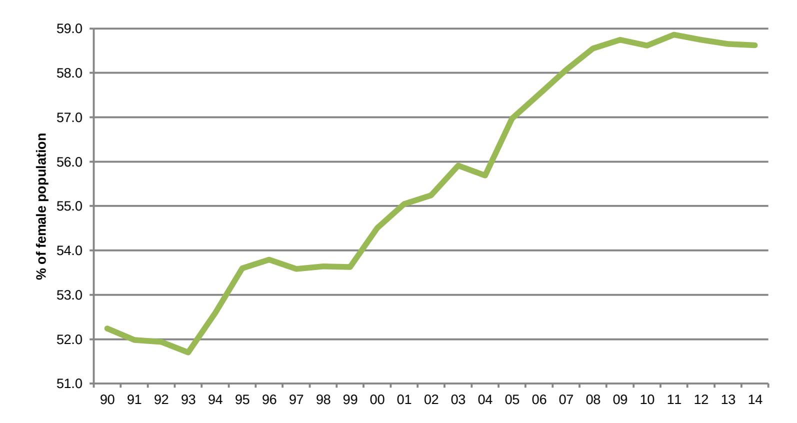
- Substantial growth in birth rates since 2004 within Australia
- Rise in workforce participation rate of women with dependent children has a positive affect on early learning, although growth rate in female participation rate has slowed
- The early learning sector is projected to generate revenue of $9.6 bill to 2018-19, including forecast revenue growth of 4.2% annualised
- Growth supported by the mini baby boom, continued government support and increasing costs of living placing pressure on females to return to the workforce

POPULATION 0-4 YEARS: 1971 - 2014



Source: ABS

FEMALE WORKFORCE PARTICIPATION: 1990 - 2014



Source: ABS

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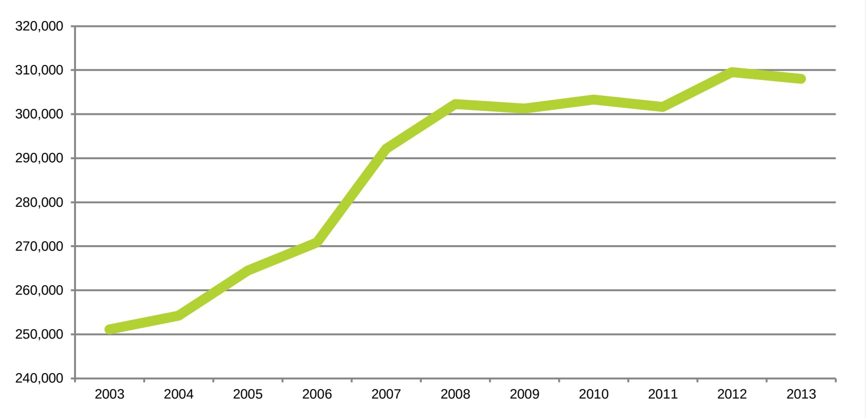
EARLY LEARNING SECTOR OUTLOOK

MIGRATION

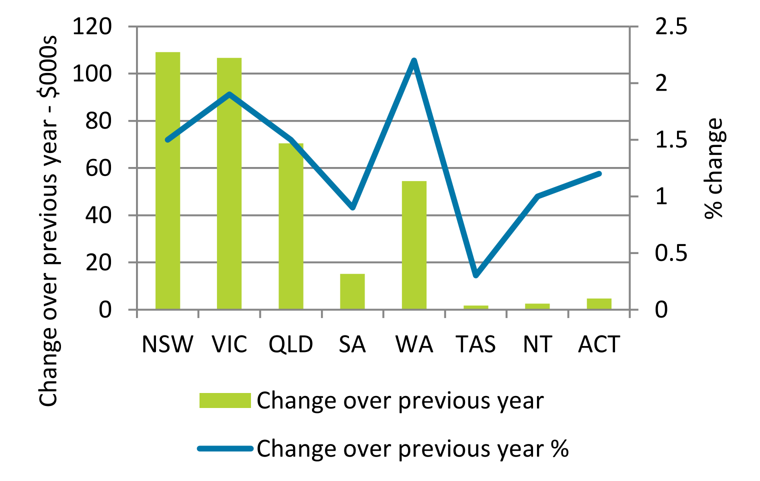
- Australia has an average migration level of over 1.7% p.a., placing it at the top of OECD on a percentage basis
- Major migration places Victoria, NSW, Queensland and WA as the states which are most likely to be influenced by net immigration inflows over the next few years
- Average age of migrants to Australia is 26 years which is expected to have a positive impact on birth rates over the next decade
- FET's development pipeline takes into account these trends in assessing new development opportunities

AUSTRALIAN BIRTH RATES BY YEAR: 2003 - 2013



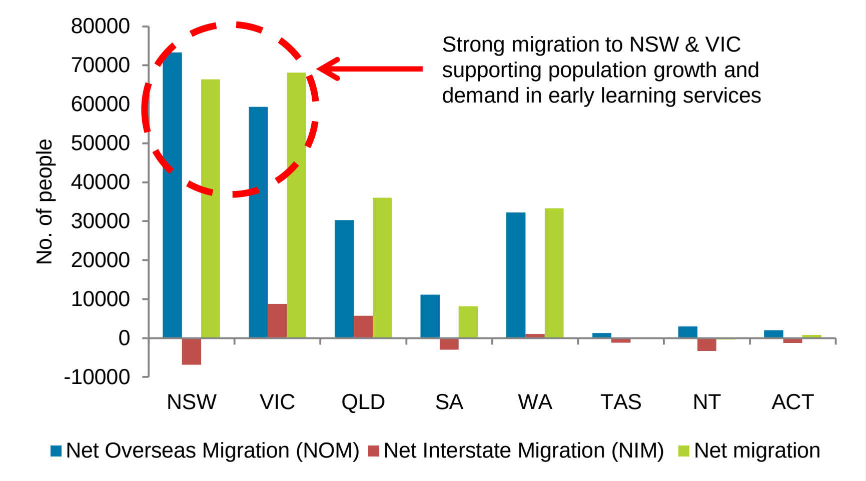
Source: ABS

STRONG POPULATION GROWTH EVIDENT – EASTERN SEABOARD AND WA: 2013-2014



Source: ABS

MIGRATION SUPPORTING POPULATION GROWTH : 2013 - 2014



Source: ABS

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OUTLOOK

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OUTLOOK

Asset Management

- December 2014 market rent reviews yet to be completed on 47 properties
- Market rental reviews have to date provided solid rent uplift and should continue in 2H FY15
- Remaining portfolio subject to rent increases through predominantly CPI based annual indexation

Portfolio Management

- Further acquisitions and some disposals to enhance the portfolio and provide a catalyst for future income and capital growth. FET's pipeline is building
- Further yield compression expected, particularly in the Queensland market. Lower borrowing rates are expected to add further impetus to the small investor market for childcare centres
- Development pipeline expected to enhance earnings, long run rental growth and underlying land values through deliberate asset selection over time with most existing developments expected to be well underway by the completion of FY15

Capital Management

- Debt costs to remain low and will support interest cost savings given 29% of debt is unhedged
- Continue to actively manage debt duration and hedging profile

Distribution Estimate

- FY15 estimated distribution of 12.8 cpu, up 5.8% on FY14

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