

FOLKESTONE EDUCATION TRUST

Daiwa Pan Asia REIT Day - Tokyo
ASX:FET

September 2016



Folkestone
EDUCATION TRUST

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FEATURES & HIGHLIGHTS

Market Position

- Externally managed ASX Listed Real Estate Investment Trust specialising in early learning centres
- 394 assets across Australia & New Zealand with gross asset value of A\$717.8m
- S&P/ASX 300 Index member with market capitalisation over A\$700m

Lease / Income Structure

- Net effective, incentive free, land rich property trust that pays quarterly distributions
- Triple net leases means minimal leakage to capex

Real Estate Market

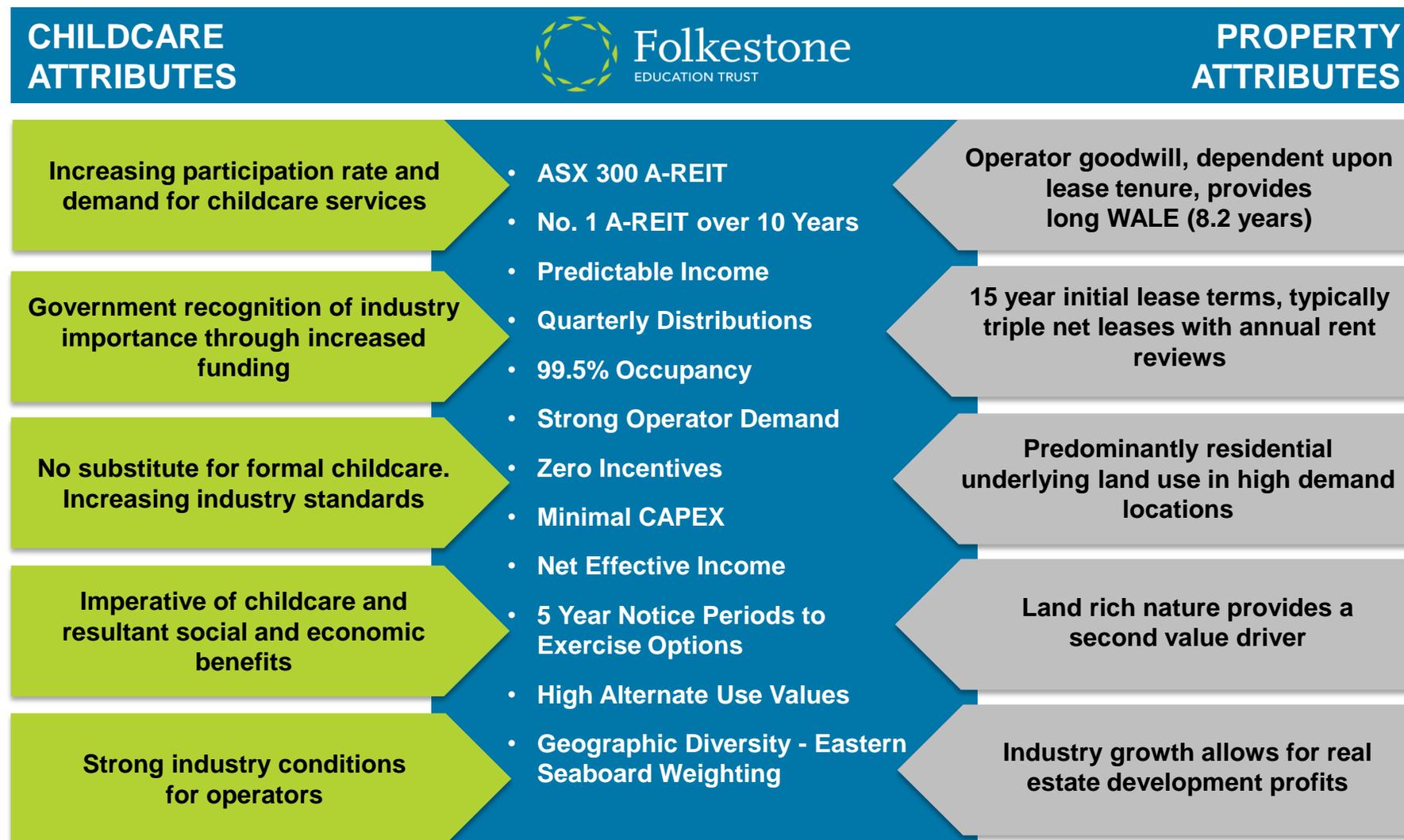
- Australian market continues to strengthen with early learning centres now recognised as key asset class
- 99.5% occupancy with a WALE of 8.2 years

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 and 10 years and within the top 5 in each other timeframe¹

¹ UBS Australian REIT Monthly – June 2016

INVESTMENT PROPOSITION



PORTFOLIO

- 394 properties, triple net leases, net effective rents
- Land rich – 88.4 ha of land (including 9.6 ha in NZ)
- Enhanced tenant register – 29 tenants and growing
- 7.0% passing freehold yield
- Folkestone CIB Units and Melton Medical Centre were acquired as part of the FST acquisition in January 2015



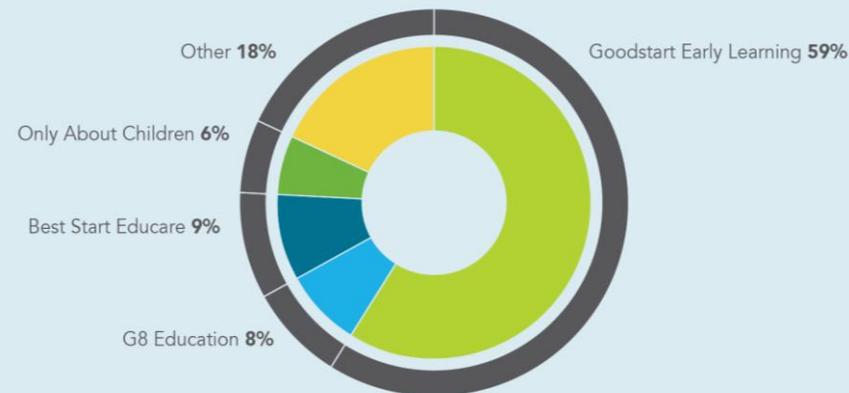
As at 30 June 2016	No.	Value (\$m)	% of Total Assets	Passing Yield (%)
ACT/NSW	76	156.7	21.8	6.7
QLD	131	238.0	33.2	7.4
VIC	57	130.7	18.2	6.6
SA	18	24.7	3.4	7.9
WA	15	27.2	3.8	7.5
TAS/NT	4	7.1	1.0	7.4
New Zealand	51	61.8	8.6	7.2
Total Freehold	352	646.2	90.0	7.0
Leasehold	33	27.8	3.9	13.7
Total Operating	385	674.0	93.9	7.3
Developments	8	32.4	4.5	
Medical	1	11.4	1.6	6.3
Total	394	717.8	100	7.3

As at 30 June 2016	Value (\$m)	% of Total Assets	Description
Folkestone CIB Units	10.7	1.4	15% ownership of a wholesale trust that owns 9 police stations and 2 courthouses leased to the Victorian government
Arena REIT Units	20.6	2.7	4.5% interest in ARF which invests predominantly in childcare
Total	31.3	4.1	

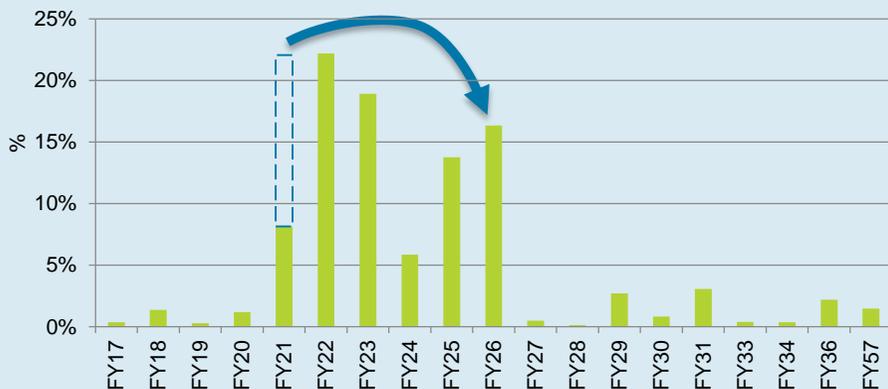
PORTFOLIO – LEASES

- Triple net leases – all outgoings including structural repairs, general repairs and maintenance, rates, taxes, insurance and property management expenses are met by the tenant;
- Tenant required to redecorate/refurbish the centre once every 5 years as directed by FET (acting reasonably)
- Typical lease term from commencement; 15 years plus two 5 year options with each option having a 5 year notice period regarding option take-up by tenants
- Rental growth indexed annually to CPI with a market review at year 11

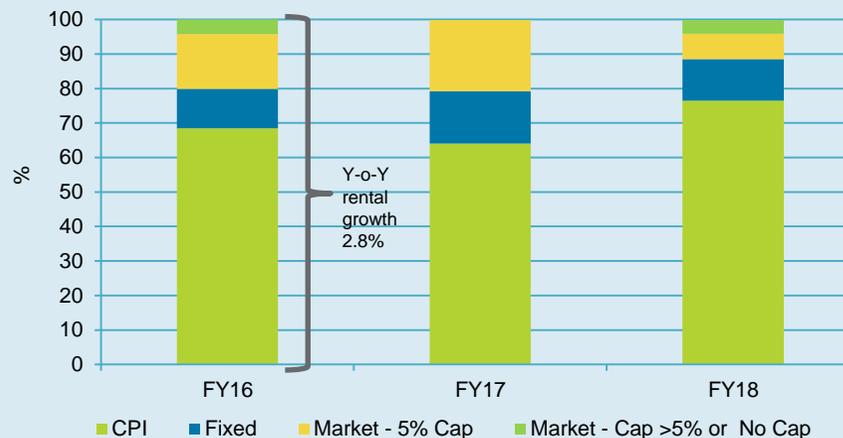
TENANT PROFILE BY % OF ANNUAL RENT: JUNE 2016



LEASE EXPIRY PROFILE BY % OF ANNUAL RENT: 2017 – 2057*



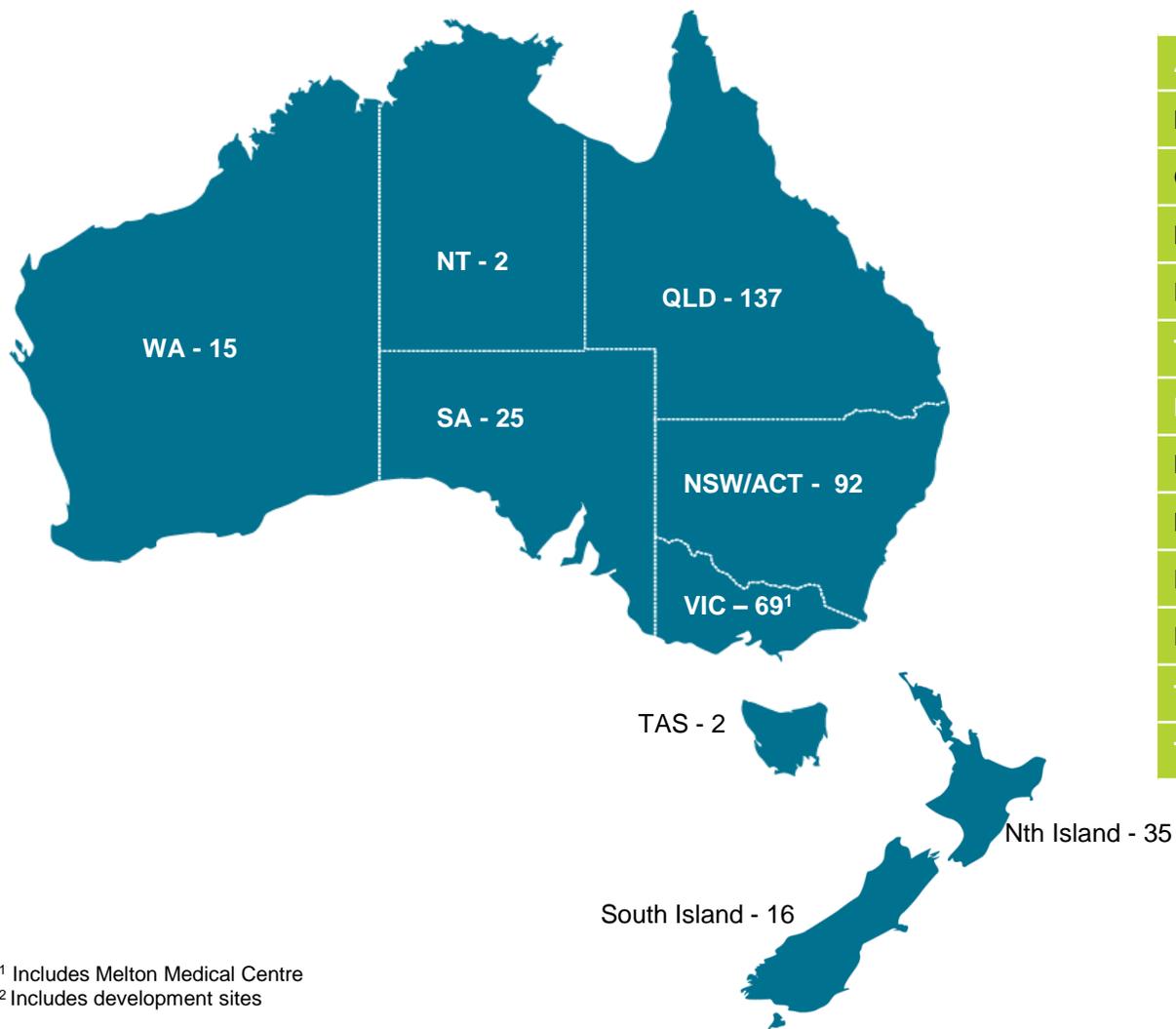
ANNUAL RENT REVIEW PROFILE BY % OF RENT**



*As at 30 June 2016

** Excludes current development sites

PORTFOLIO – GEOGRAPHICAL DIVERSIFICATION



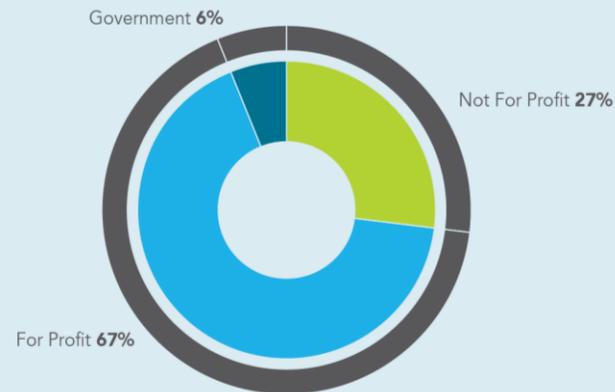
¹ Includes Melton Medical Centre
² Includes development sites

Australia - Location	No	%
Metropolitan	78	22.8
Outer Metropolitan	114	33.2
Major Regional	81	23.6
Regional	70	20.4
Total	343	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 Portfolio²	394	

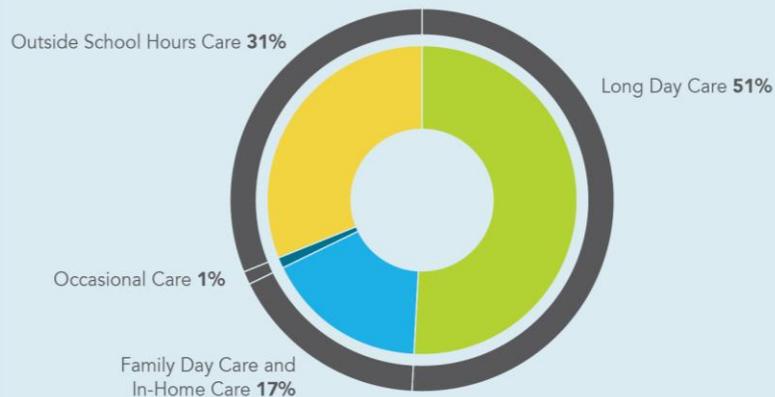
CHILDCARE MARKET IN AUSTRALIA

- 6,723 long day care centres as at June 2015 (LDC) in Australia¹, an increase of 1.8% since the June 2014¹
- For profit sector continues to grow market share – now 67%
- For the June 2015 quarter, 1.2m children attended approved child care, up 5.4% since the June quarter 2014¹
- Australia's largest operator, Goodstart Early Learning has a 9.6%² market share followed by G8 Education Limited with a 7.3%³ market share

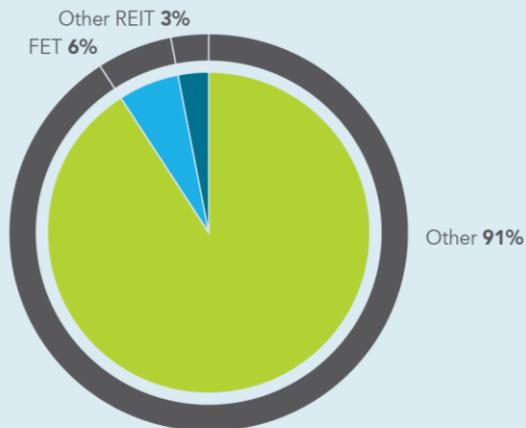
LONG DAY CARE OPERATORS BY TYPE: OCTOBER 2014⁴



CHILDREN USING CHILDCARE, JUNE 2015 QUARTER¹



KEY LONG DAY CARE LANDLORDS: JUNE 2015¹



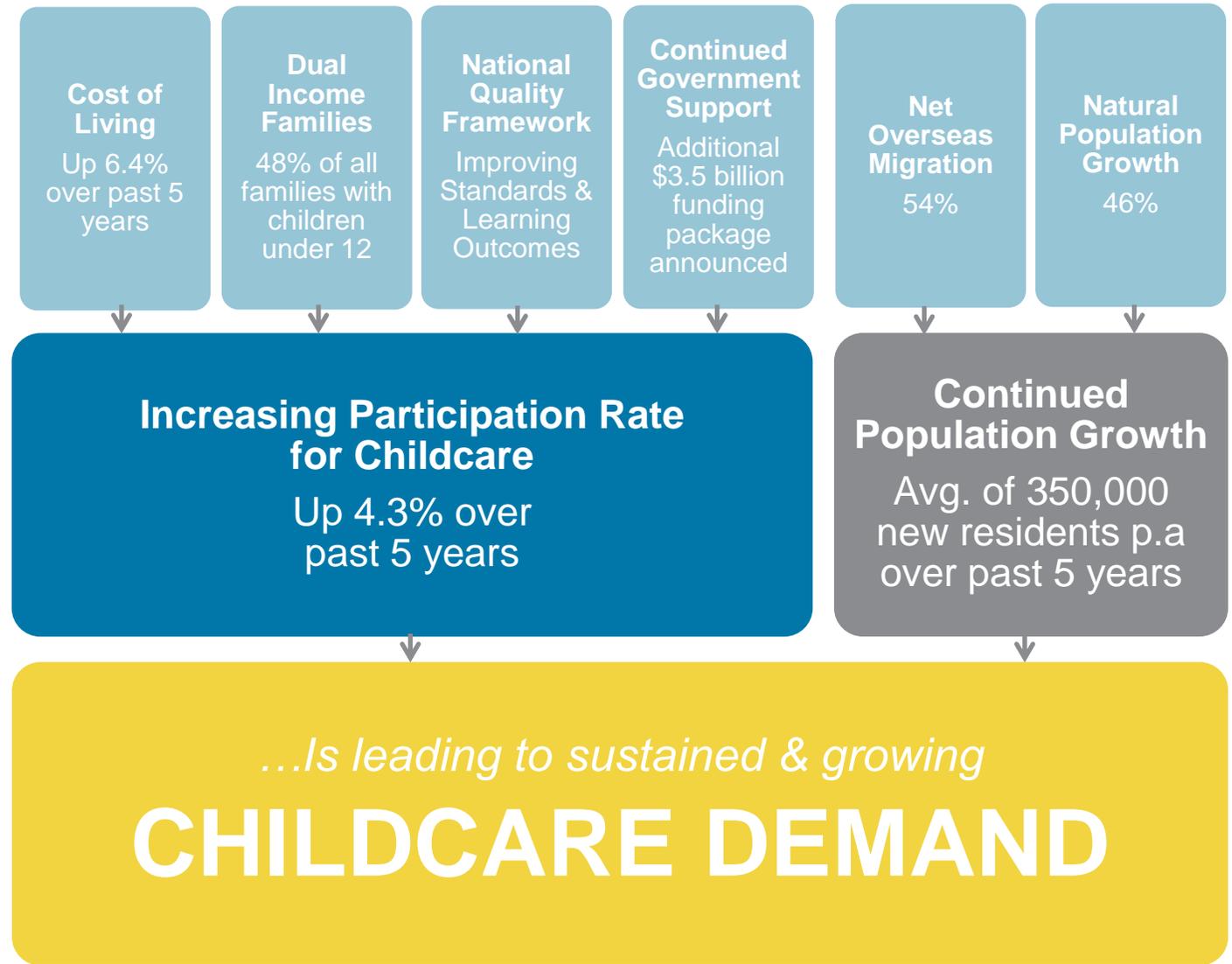
¹ Department of Education and Training Administrative Data

² Goodstart June 2015 Annual Report

³ G8 June 2015 Annual Report

⁴ Productivity Commission Inquiry Report October 2014

CHILDCARE MARKET IN AUSTRALIA – CONTINUED DEMAND



Childcare in Australia is vital to the economy through..

- ✓ Removing barriers to entry to employment & increasing the size of the labour pool
- ✓ Positively contributing to economic growth
- ✓ Providing long term net savings to Government

Source: ABS, Early Childhood and Child Care Summary June Quarter 2011-15, Folkestone

CHILDCARE MARKET IN AUSTRALIA - CONTINUED DEMAND

FET TO CONTINUE UTILISING DEMOGRAPHICS TO IDENTIFY HIGH SUCCESS LOCATIONS

FET forecast
~60,000 more
children
utilising LDC
by 2020¹

Higher
demand for
centres in high
population
growth
locations

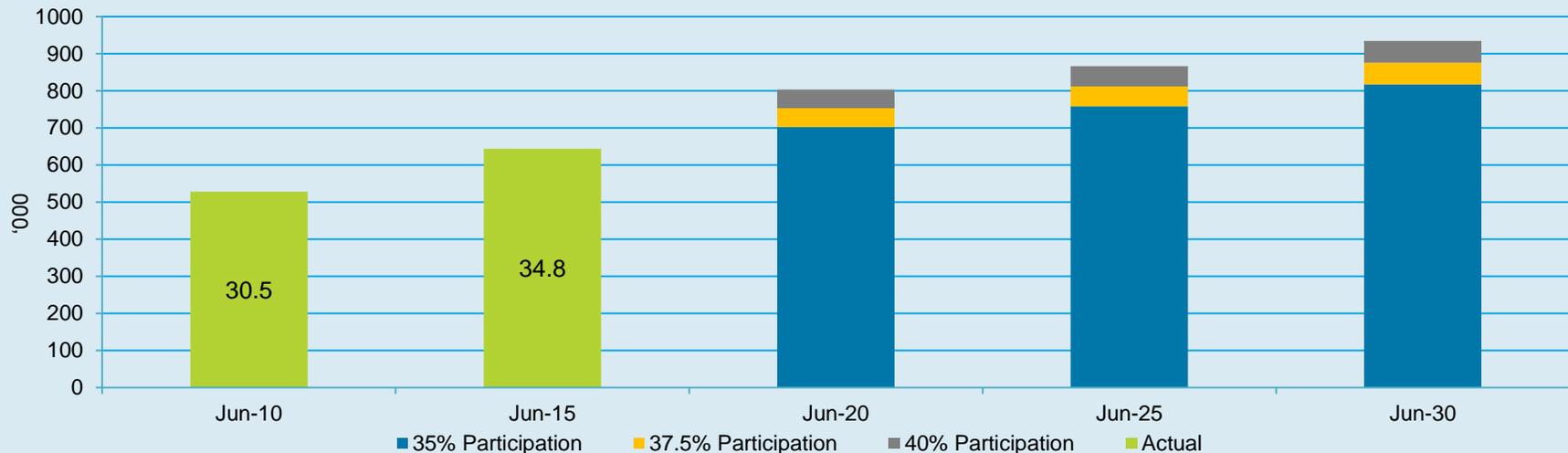
New centres
required in
under supplied
locations

Childcare
Demand is
isolated to
small
catchments of
~1km radius

It's the
customers, not
the tenants
who dictate
location, unlike
commercial
space

Over / under
supply is
isolated. The
'ripple' effect of
over supply is
limited

NUMBER OF CHILDREN FORECAST TO UTILISE LDC: JUNE 2010 – JUNE 2030



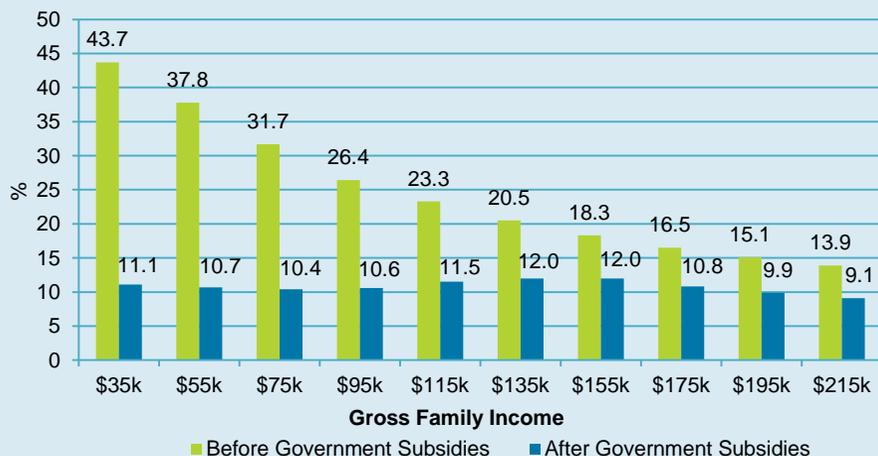
¹Population forecast based on ABS Population Projections

Source: Population Projections Australia 3222.0 ABS, Early Childhood and Child Care Summary June Quarter 2011-15, Folkestone

CHILDCARE MARKET IN AUSTRALIA - GOVERNMENT FUNDING

- From July 2018, the Child Care Subsidy will replace the Child Care Benefit and the Child Care Rebate with a single, means-tested payment to better support families with access to affordable childcare
- Increased funding of \$3.5 billion to be committed by the Government to the industry over the next 4 years, with the majority of the funding increase to be available from July 2018
- This funding will increase, with projected government expenditure by 2021-22 of \$11.1 billion
- Out of pocket costs are expected to fall, particularly for families on incomes below \$120,000 per annum
- This is expected to drive the female workforce participation rate which will positively contribute to Australia's economic growth
- Modelling completed by PwC in 2016 project long term net savings to Government of \$4.7 billion by 2050¹

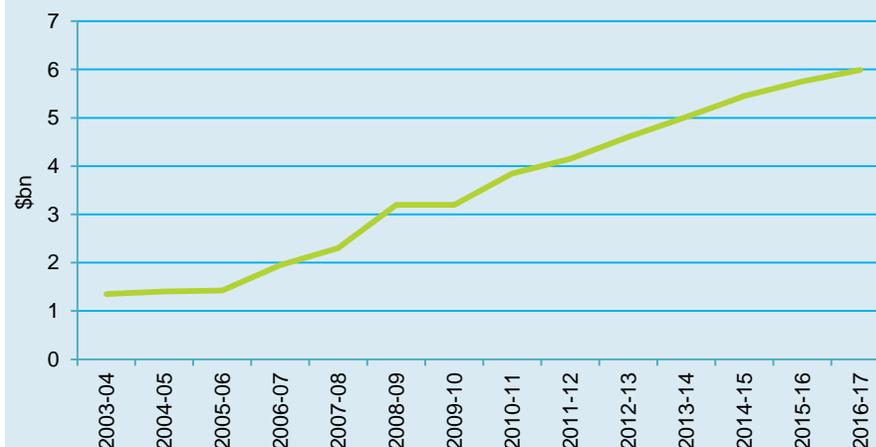
OUT-OF-POCKET COSTS FOR 1 CHILD IN LDC BEFORE & AFTER GOVERNMENT SUBSIDIES: MARCH QUARTER 2015



Source: Department of Education and Training Administrative Data

¹. Economic impacts of the proposed Child Care Subsidy, PWC, February 2016

GOVERNMENT FUNDING INCREASING: 2003-04 TO 2016-17

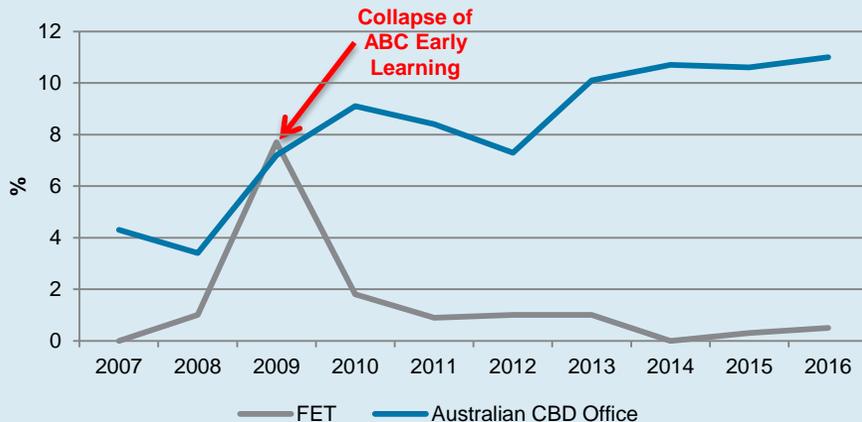


Source: MyChild

WHAT MAKES FET DIFFERENT TO OTHER A-REITS?

	Childcare	Commercial
Typical Lease term	15 years	5 years
Lease Type	Triple Net (All insuring & maintaining)	Rent plus outgoings
Incentives	Nil	Required for every transaction including tenant retention - can be up to 40% of net rent
Underlying land value as a % of Investment Value	Metro:70-80%	Metro:30-35%
Vacancies/Supply	FET has a 0.5% vacancy rate.	Australian office market has a 10.5% vacancy rate ¹
Tenant/Property Goodwill value	Lease inherently linked to the value and goodwill of the operators business	Commercial tenants can be relatively transient and deal driven in relation to their accommodation requirements
Availability of alternate premises	Limited	Significant
Financial impact on changing premises	Potential loss of business value/goodwill	No impact on value
Capex	Nil – Triple Net Lease	Significant, base building services upgrades required after 10 years

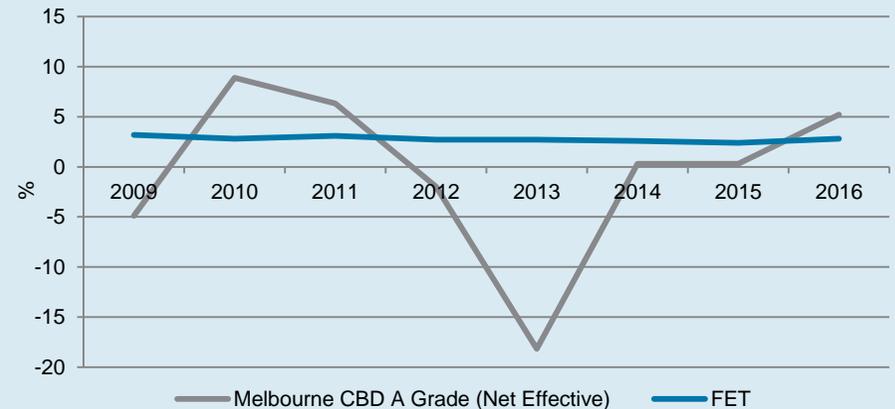
VACANCY RATES: JULY 2007 – JULY 2016



Source: Property Council of Australia Office Market Report July 2016

¹Property Council of Australia Office Market Report July 2016

RENTAL GROWTH RATES: JUNE 2009 – JUNE 2016



Source: FET and Urbis

FULL YEAR PERFORMANCE REVIEW

Only About Children, Cheltenham, VIC



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FULL YEAR PERFORMANCE REVIEW

FY16 - EXECUTION DRIVING OUTPERFORMANCE

\$106.8m

Net Profit
+20.5%



\$34.5m

Dist. Income
+16.2%



14.0cpu

EPU¹
+5.3%



13.4cpu

Distribution
+4.7%



\$2.14

NTA Per Unit
+17.6%



34.8%²

Total Return



PORTFOLIO MANAGEMENT

Portfolio Growth & Reweighting

\$26.3m

Developments Completed

16.4%

Margin on Completed Developments

18

Developments Contracted

\$109.9m

Acquisition / Development Pipeline

ASSET MANAGEMENT

Systematically Adding Value

8.2yrs / 99.5%
WALE / Occupancy

+\$72.8m / -70 bps
Increase in Valuations / Yield Compression

5.5%

Average Increase on 65 Market Reviews

61 of 69

5 Year Options Renewed

CAPITAL MANAGEMENT

Maximising Unitholder Value

4 yrs
Average Debt Maturity

4.5% pa
Cost of Debt

26.6%
Gearing

53%
Average Hedged Debt until FY21

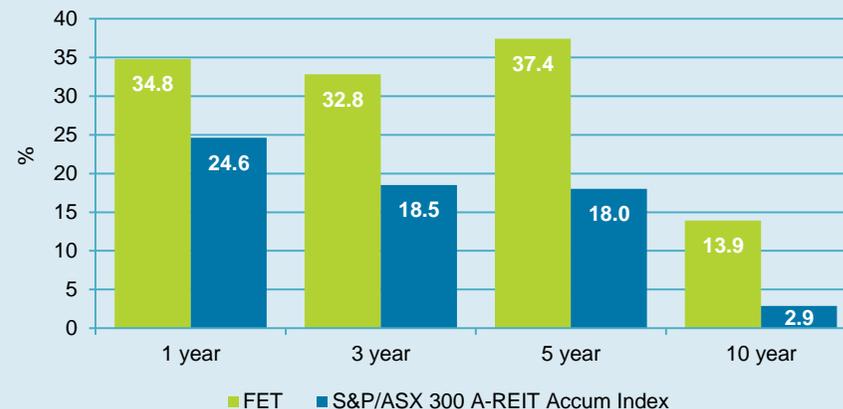
¹ Distributable income divided by the weighted average number of units on issue

² UBS Australian A-REIT Month in Review – June 2016

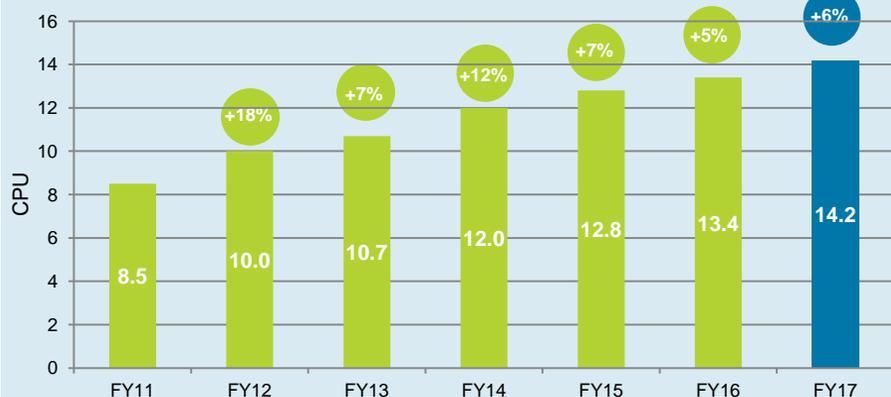
FET's PERFORMANCE

- Continued performance driven by execution of a well-formulated and clear strategy
- FET has significantly outperformed the S&P/ASX300 A-REIT Accumulation Index across 1, 3, 5 and 10 year periods
- FET ranked 5th over 1 year and 3 years and 1st over 5 years and 10 years¹
- Distribution growth – average 8.9% p.a. since 2011
- NTA growth - average 12.6% p.a. since 30 June 2011

FET TOTAL RETURN PERFORMANCE VS S&P/ASX 300 A-REIT INDEX: TO 30 JUNE 2016



DISTRIBUTION GROWTH CPU: FY11– FY17



NTA GROWTH \$ PER UNIT: June 2011 – June 2016



¹ UBS Australian REIT Month in Review – June 2016

To Provide Investors With Secure And Growing Long Term Cash-Flows With The Potential For Capital Growth

PORTFOLIO MANAGEMENT

ASSET MANAGEMENT

CAPITAL MANAGEMENT

FET's Intellectual Property & Industry Knowledge

Disciplined Strategy Provides Long Term Benefits

- Identify high success locations through proprietary modelling of demographic trends
- Focus on sites within a ~20km radius of CBD and rapidly expanding growth areas
- Focus on new developments which drive earnings growth, asset quality & development profits
- Deliver quality centres with leading edge designs in high demand locations that childcare operators compete for
- Construction of FET 'IP' & Development Management capability mitigates risk, increases quality of outcomes through greater control

- Adherence to FET's "best site, best lease, best operator" criteria
- Maintain key lease features
 - long term commitments
 - triple net leases
 - annual escalations
 - provision of security
 - centre operating data
- Pro-active management of existing properties including asset recycling to generate profit, minimise obsolescence and optimise quality
- Zero incentives/high land value component
- FET's reputation as Landlord of choice for future opportunities

- Maintain strong capital position with a 'through the property cycle view'
- Maintain balance sheet flexibility to provide capacity to fund new opportunities
- Diversification of maturity risk profile
- Hedging strategy focussed on mitigating of interest rate risk through economic cycles
- Manage costs effectively

FINANCIAL RESULTS - YEAR TO 30 JUNE 2016

- Statutory profit increase of \$18.2m or 20.5%
- Distributable income increase of \$4.8m or 16.2%
- EPU growth of 5.3%
- DPU growth of 4.7% based on FY16 distribution of 13.4 cpu
- Strong balance sheet metrics with total assets of \$753.6m (increase of 15.1%) and a decline in gearing to 26.6%
- Growth in NTA per unit of \$0.32 or 17.6%

Key Financial Metrics

For the Year Ended 30 June	2016	2015	% Change
Statutory Profit (\$m)	106.8	88.6	20.5
Distributable Income (\$m)	34.5	29.7	16.2
Earnings Per Unit – EPU (cpu) ¹	14.0	13.3	5.3
Distribution Per Unit – DPU (cpu)	13.4	12.8	4.7



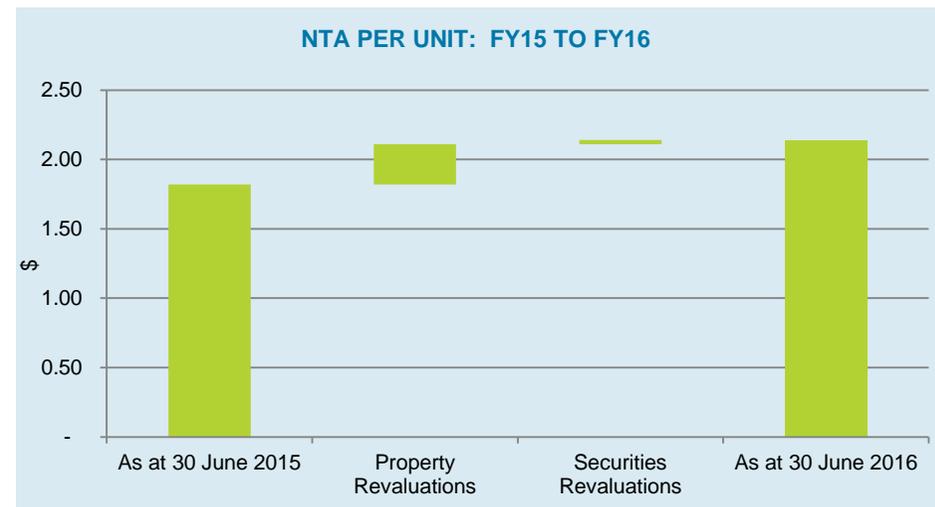
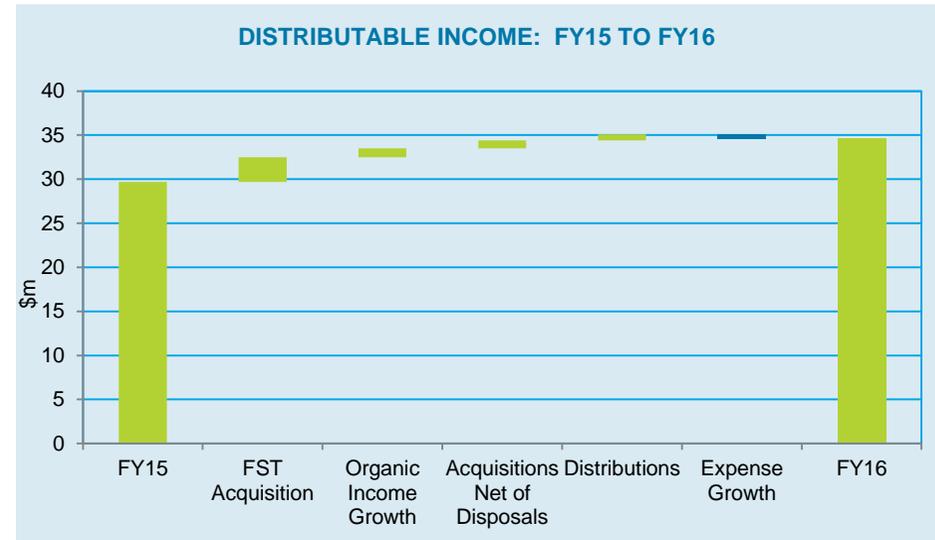
As at	June 16	June 15	% Change
Total Assets (\$m)	753.6	654.5	15.1
Investment Properties (\$m)	719.5	627.3	14.7
Borrowings (\$m)	200.4	193.2	3.7
NTA per Unit (\$)	2.14	1.82	17.6
Gearing (%)	26.6	29.5	(2.9)

Further details and commentary is included in the Appendices

¹ Distributable income divided by weighted average number of units

PROFIT & NTA CONTRIBUTIONS

- Improvement in FY16 distributable income due to:
 - full year contribution of \$2.8m from FST transaction in FY16 compared to six months in FY15
 - organic income growth of 2.8% (\$1.0m increase)
 - increased income from acquisitions / developments less disposals (\$0.9m increase)
 - increased distributions from security portfolio (\$0.7m increase)
- Growth in NTA per unit of \$0.32 primarily due to:
 - property revaluations of \$72.8m or \$0.29 per unit
 - security revaluation increases of \$6.8m or \$0.03 per unit

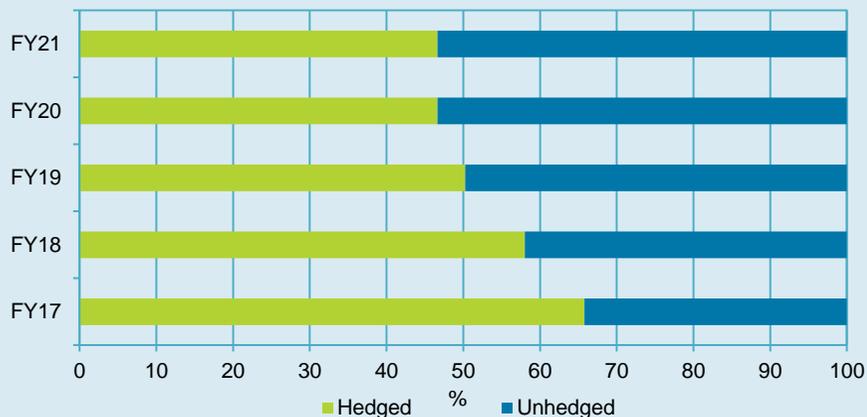


CAPITAL MANAGEMENT – DEBT & HEDGING

- New bilateral facilities with HSBC and ANZ with maturities of June 2019 (50%) and June 2021 (50%)
- Undrawn facility of \$34.0m which will be utilised to fund the development pipeline
- A further \$50m uncommitted facility is available under the existing documentation
- As at 30 June 2016, FET had hedged \$127m (66%) of the debt at a fixed rate of 3.27% pa for FY17

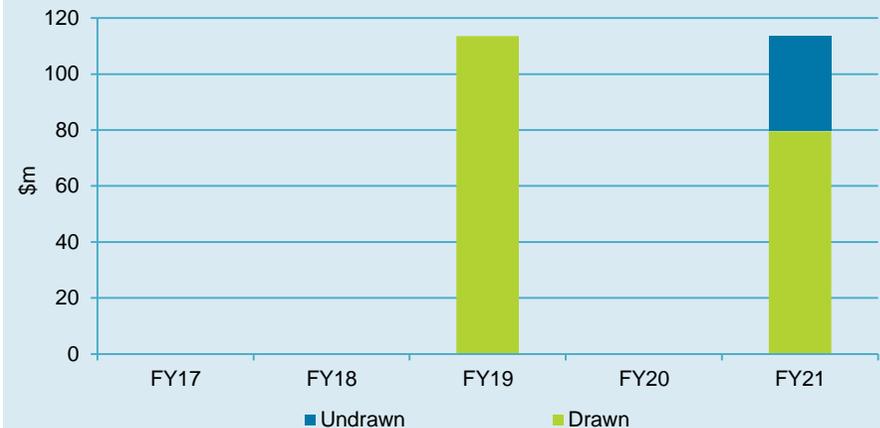
As at 30 June	2016	2015
Debt Facilities Limit (\$m)	227.0	207.3
Debt Drawn Amount (\$m)	193.0	190.0
Overdraft Facilities (\$m)	10.0	12.0
Facilities Maturity	50% - June 19 50% - June 21	June / July 2017
ICR (x)	5.1	4.6
Cost of Debt (% p.a.)	4.5	4.6
All-in Cost of Debt ¹ (% p.a.)	4.8	5.0
Average Interest Rate Hedged (%)	53	52
Average Hedged Rate (% p.a.)	3.27	3.64
Average Hedging Maturity (years)	2.8	2.8

HEDGING PROFILE: BASED ON DEBT OF \$193.0M
AS AT 30 JUNE 2016



¹ Includes amortisation of deferred borrowing costs

DEBT MATURITY PROFILE: FY17 – FY21



OPERATIONAL PERFORMANCE



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Only About Children, Camberwell, VIC

PORTFOLIO MANAGEMENT

PRO-ACTIVE MANAGEMENT OF EXISTING ASSETS COMPLIMENTED BY ASSET RECYCLING

6 assets sold at a 25.3% premium to FY15 carrying value¹

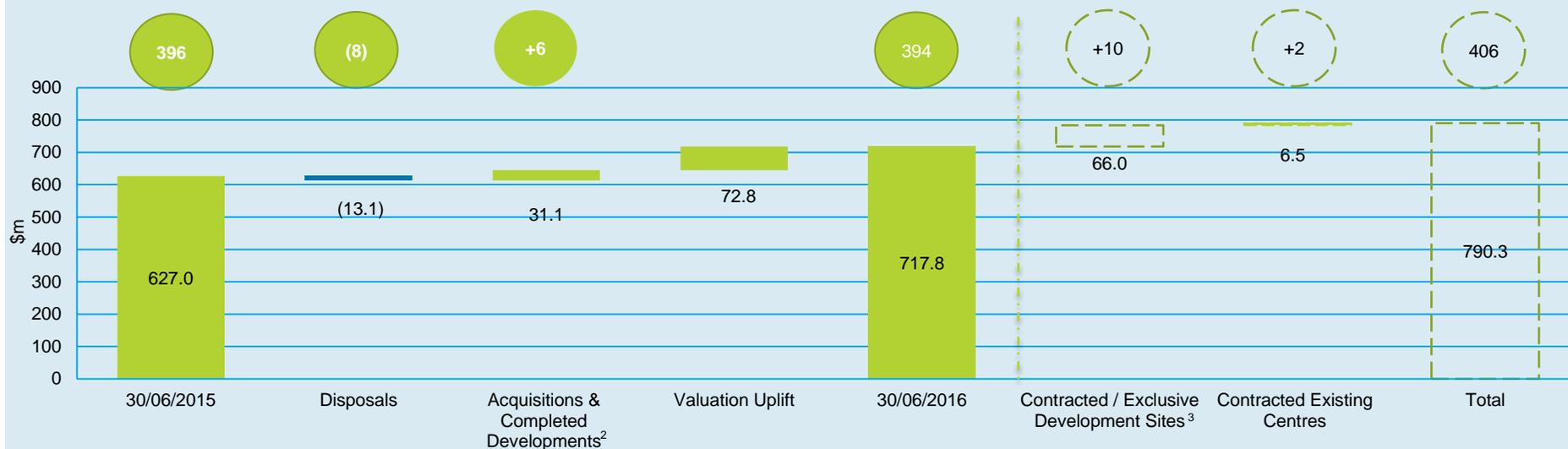
2 operating centres and 4 development sites acquired

70bps / +\$72.8m improvement on FY15
Overall portfolio yield 7.3%

394 properties \$717.8m total carrying value as at 30 June 2016

Forecast value of \$790.3m on completion of developments and settlement of existing centres

VALUE AND NUMBER OF INVESTMENT PROPERTIES



¹ Excludes 2 development sites sold

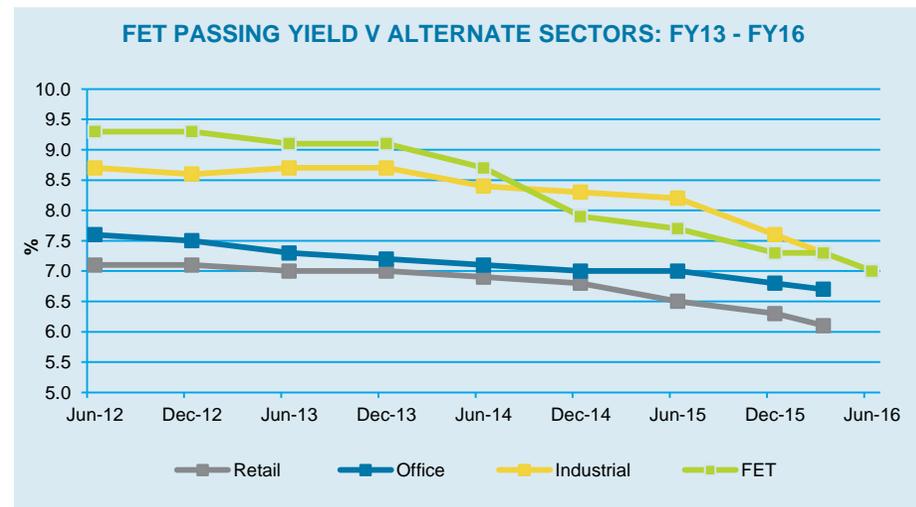
² Includes construction costs on properties owned at 30 June 2015

³ Includes forecast construction costs

REAL ESTATE PORTFOLIO – VALUATIONS

- Properties independently valued on a rolling 3 year basis, supplemented with Director's valuations which are reflective of the parameters provided by the independent valuations
- Overall portfolio yield 7.3%, 70bps firming on portfolio passing yield at 30 June 2015
- Average yield on independent valuations 7.0% and 7.1% on Director's' valuations
- Strong growth continues in Eastern seaboard states driven largely by yield compression and rental growth

INDEPENDENT VALUATIONS	NO. VALUED	CARRYING VALUE (\$m)	MOVEMENT (%)	YIELD (%)
NSW/ACT	25	45.6	15.2	6.6
QLD	54	95.2	11.3	7.2
VIC	22	52.0	17.6	6.3
SA	6	8.8	16.8	8.0
WA	4	6.7	11.4	7.7
New Zealand	9	8.8	10.9	7.3
Total Freehold	120	217.1	13.8	6.9
Leasehold	5	1.9	2.4	16.7
TOTAL	125	219.0	13.7	7.0



* FET yields based on freehold properties held since 2012
Source: MSCI IPD, Folkestone

DIRECTOR VALUATIONS*	NO. VALUED	CARRYING VALUE (\$m)	MOVEMENT (%)	YIELD (%)
NSW/ACT	49	104.8	10.1	6.8
QLD	75	136.4	15.4	7.4
VIC	31	61.7	9.0	6.7
SA	12	15.9	17.0	7.7
WA	10	16.9	8.7	7.5
TAS/NT	4	7.1	9.4	7.4
New Zealand	42	53.0	11.6	7.1
Commercial	1	11.4	6.4	6.3
TOTAL	224	407.2	11.9	7.1

* Excludes two vacant properties and one completed development

FET TARGETS DEVELOPMENT SITES WITHIN A ~20KM RADIUS OF CBD AND RAPIDLY EXPANDING GROWTH AREAS

Inner Metro Opportunities

- **6 of the top 25*** fastest growing LGA's in metropolitan areas (within 20 kms of CBD)
- Young professionals and families, with higher incomes are wanting to live close to employment hubs (CBDs and inner city activity nodes)
- Conversion of former commercial sites to residential and medium density housing
- Scarcity of land and locational complexities in some inner metro locations are preventing the supply of childcare services from meeting demand

FET Strategy

- **9 of 18** current development sites within 20 kms of Melbourne and Sydney CBDs
- Continue to target new builds and conversions of existing buildings in inner metro locations

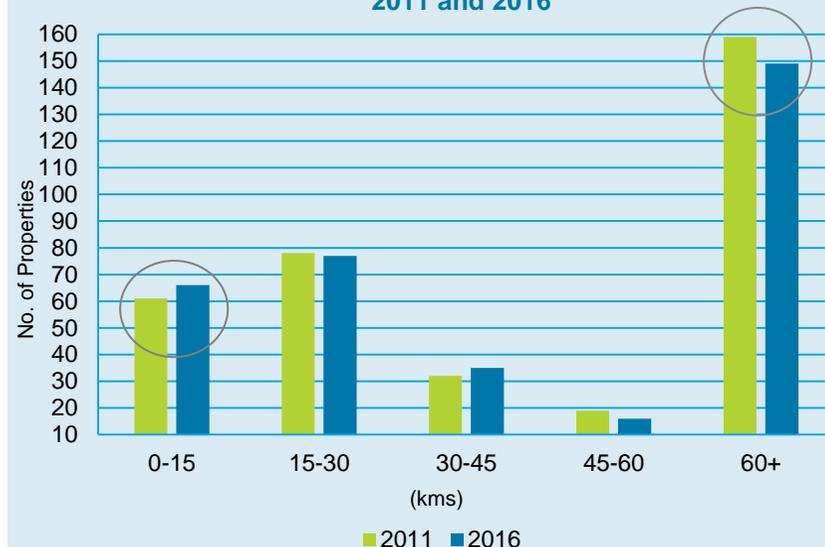
Growth Area Opportunities

- **17 of the 25*** fastest growing LGA's in outer metropolitan growth areas
- Greater emphasis on the provision of community infrastructure, including childcare, within masterplanned communities
- Younger families are drawn to growth areas due to the affordability of real estate
- Dual income families are increasingly required, correlating in higher demand for childcare services

FET Strategy

- **9 of 18** current development sites are within growth areas
- Continue to target new construction in locations with appropriate demographic and economic conditions

FET CENTRES DISTANCE TO CAPITAL CITY**:
2011 and 2016



Source: Folkestone

*The two LGA's not positioned within growth areas or inner metro locations are in regional localities

**Source: MacroPlan Dimasi

DEVELOPMENT PIPELINE

DEVELOPMENT PIPELINE CONTINUES TO GROW



TOTAL DEVELOPMENT SITES PIPELINE – EXPECTED COMPLETION VALUE \$M AS AT 30 JUNE 2016



*Within 20km of the Central Business District

FY16 COMPLETED DEVELOPMENTS

FOLKESTONE HAS DELIVERED ON TIME AND ON BUDGET

16.4%
margin
on
costs

7.5%
yield on
costs

\$26.3m
completion
value

Armadale VIC – Completed July 15



Nedlands WA – Completed October 15



Epping VIC – Completed December 15



Turrumurra NSW – Completed June 16



Cheltenham VIC – Completed June 16

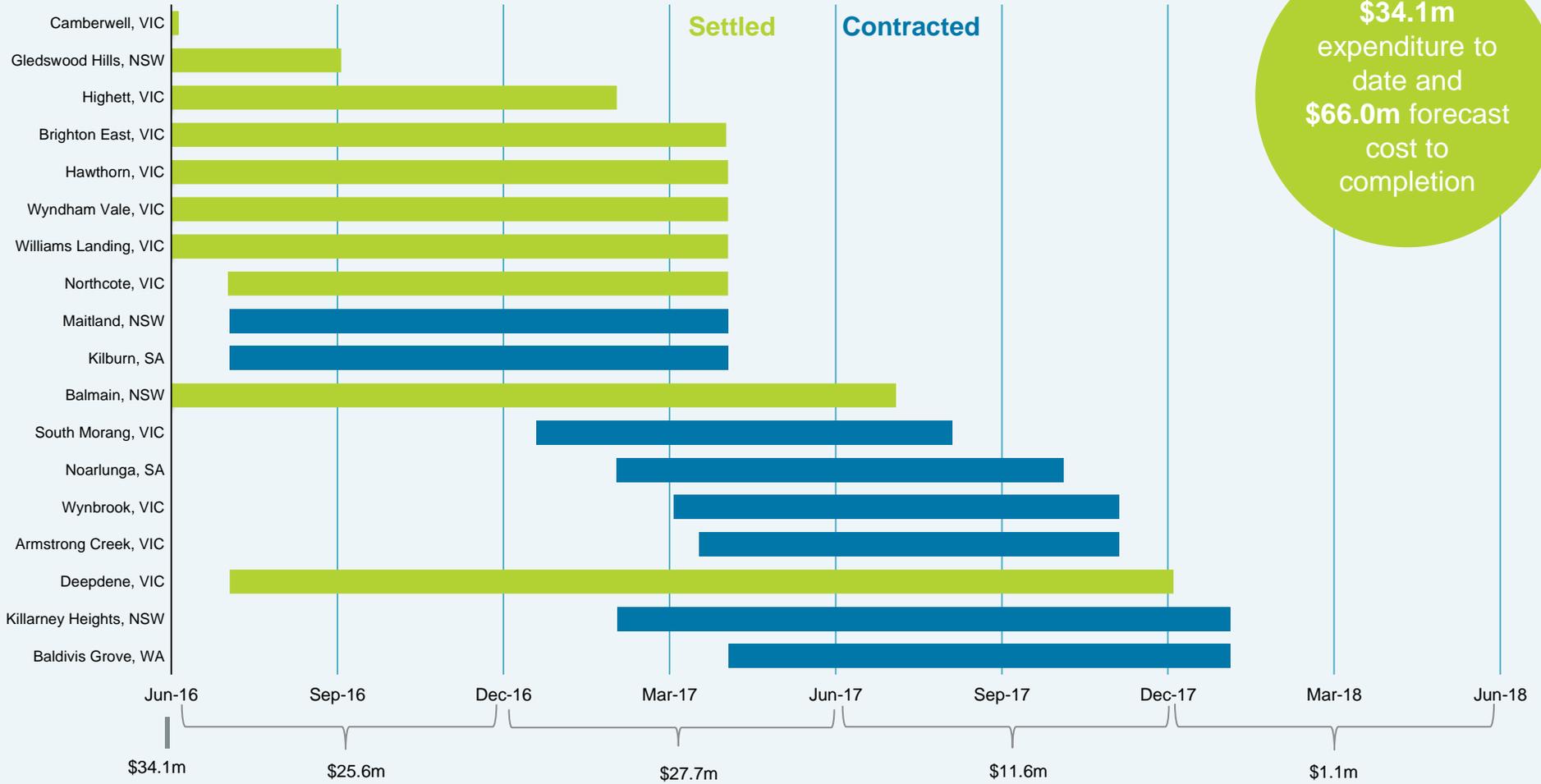


Lyndhurst VIC – Completed June 16



CURRENT DEVELOPMENTS

DEVELOPMENT PIPELINE COST TO COMPLETE: FY17 – FY18



A photograph of several young children in a classroom setting, focused on playing with large, colorful plastic blocks (red, yellow, blue, green). The children are sitting on the floor, and the background shows a window with colorful paper decorations hanging from it. The text 'CHILDCARE MARKET' is overlaid in white on the left side of the image.

CHILDCARE MARKET



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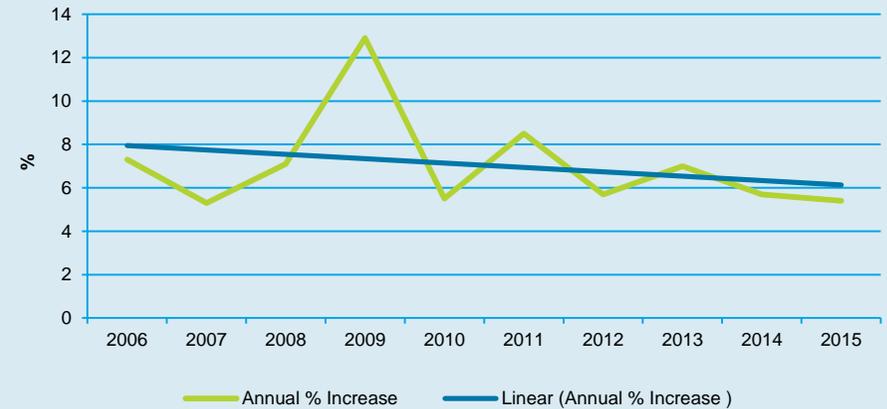
Operator Environment

- Business multiples remain buoyant, driven by strong demand for centres/businesses
- Approximately 6,723 long day care centres (LDC) as at June 2015 in Australia¹, an increase of 1.8% since the June 2014
- Approximately 34.8% of children in Australia aged 0-5 years utilises long day care, an increase of 4.3% since the June 2010 quarter
- Daily fees increased on an average of 5.0% p.a. for the period from the June quarter 2014 to the June quarter 2015¹
- New educator ratios were implemented, to the majority, from 1st January 2016 under the National Quality Framework (NQF) – since commencement of the NQF, 67% of long day care services have achieved a quality rating²
- Overall, centre profitability has increased on previous years as per data provided by FET tenants

¹ Department of Education and Training Administrative Data

² NQF Snapshot Q1 2016, May 2016

**% CHANGE TO LDC FEES:
JUNE QUARTER 2006 TO JUNE QUARTER 2015**



LONG DAY CARE PARTICIPATION RATES: 2010 - 2015



Source: Department of Education and Training Administrative Data

OUTLOOK



Eclipse Early Learning, Lyndhurst, VIC



Folkestone
EDUCATION TRUST

Favourable Industry Conditions

Underlying demand for childcare usage to continue due to population growth and increased utilisation
Demand from investors for childcare properties to remain strong
Further property yield compression expected

PORTFOLIO MANAGEMENT

10
Developments Expected
to be Completed

Continued Portfolio Growth and Network
Optimisation

Disposal of Small Number of Non-core
Properties Into Strong Investor Market

ASSET MANAGEMENT

101
Market Reviews in FY17

97
Option Renewals in FY17

100%
Target Occupancy

CAPITAL MANAGEMENT

34%
of Debt Subject to Variable Interest Rates
in FY17

\$34 m
Undrawn Facility
Providing Capacity to Fund Growth

26.6%
Gearing Below 30-40% Range

**FY17 Distribution Guidance of 14.2 cpu
Increase of 6% on FY16**

APPENDICES



Folkestone
EDUCATION TRUST

HISTORY – KEY EVENTS

- May 2003 Listed on ASX as Peppercorn Investment Fund (ASX: PIV) owning ~\$100 million of childcare centres (both freehold property and businesses)
- December 2004 Sale of child care businesses
- January 2005 Changed name from Peppercorn Investment Fund to Australian Education Trust (ASX: AEU)
- November 2008 ABC Learning (Funds largest tenant) enters into receivership
- March 2011 Distributions re-commence
- April 2011 Completes \$30 million capital raising
- November 2013 Completes \$45 million capital raising
- December 2013 Acquired the Folkestone Childcare Fund which consisted of a portfolio of 23 early learning properties
- March 2014 Inclusion in the S&P / ASX 300 index
- June 2014 Changed name from Australian Education Trust (ASX: AEU) to Folkestone Education Trust (ASX: FET)
- January 2015 Acquired the Folkestone Social Infrastructure Trust which consisted primarily of a portfolio of 47 early learning properties

INCOME STATEMENT

- Statutory profit of \$106.8m, up 20.5% on pcp:
 - distributable income of \$34.5m, an increase of 16.2% on pcp
 - acquisitions (FST and property) and rental growth have grown lease income by \$5.4m or 11.5% on the pcp
 - expense growth of 10.4% due to increase in portfolio size
 - statutory profit includes property valuations, mark-to-market (MTM) adjustments of hedges, capital items or non-recurring items
 - yield compression and rental growth combine to contribute \$72.8m in property revaluations
- FY16 distribution of 13.4 cents per unit, an increase of 4.7% on pcp



Income Statement for the Year	June 2016 (\$m)	June 2015 (\$m)
Lease Income	52.4	47.0
Property Outgoings	8.0	7.0
Other Income	1.7	0.7
Total Operating Income	62.1	54.7
Finance Costs	10.0	9.4
Property Outgoings	11.8	10.4
Responsible Entity's Remuneration	4.0	3.4
Other Expenses	1.8	1.8
Total Operating Expenses	27.6	25.0
Distributable Income	34.5	29.7
Net Revaluation Increment Of Properties	72.8	59.2
MTM Adjustments Of Hedging Positions	(2.4)	(2.0)
Gain On Sale Of Investment Properties	2.0	3.2
Merger Costs	-	(1.4)
Other	(0.1)	(0.1)
Statutory Profit¹	106.8	88.6
Earnings - EPU² (cpu)	14.0	13.3
Distribution - DPU (cpu)	13.4	12.8

¹ Excludes a gain of \$6.8m (FY15: loss of \$1.0m) in relation to fair value adjustments of securities

² Distributable income divided by the weighted average number of units on issue

BALANCE SHEET

- Strong balance sheet:
 - property revaluations of \$72.8m driven by yield compression and rent escalations
 - property acquisitions / construction costs of \$32.7m across 2 operating centre acquisitions and development site programme
 - property disposals of \$13.1m (carrying value at 30 June 2015) in relation to the settlement of 6 properties resulting in a \$2.0m profit
 - securities include investment in listed Arena REIT of \$20.6m and unlisted FCIB of \$10.7m
 - negative mark-to-market impact of derivatives of \$7.7m due to declining interest rates
- NTA per unit increased 17.6% to \$2.14 per unit on pcp
- Gearing reduced to 26.6%



Balance Sheet as at	June 2016 (\$m)	June 2015 (\$m)
Cash	0.8	1.0
Investment Properties – To Be Sold	-	6.0
Investment Properties – Improved Properties ¹	687.2	585.9
Investment Properties – Development Sites	32.4	35.4
Securities	31.3	24.4
Other Assets	1.9	1.8
Total Assets	753.6	654.5
Trade And Other Payables	7.4	3.8
Distribution Payable	8.4	8.1
Borrowings ²	198.3	192.3
Derivative Instruments	7.7	5.3
Total Liabilities	221.8	209.5
Net Assets	531.8	445.0
No Of Units	248.2	245.2
NTA Per Unit (\$)	2.14	1.82
Gearing³ (%)	26.6	29.5

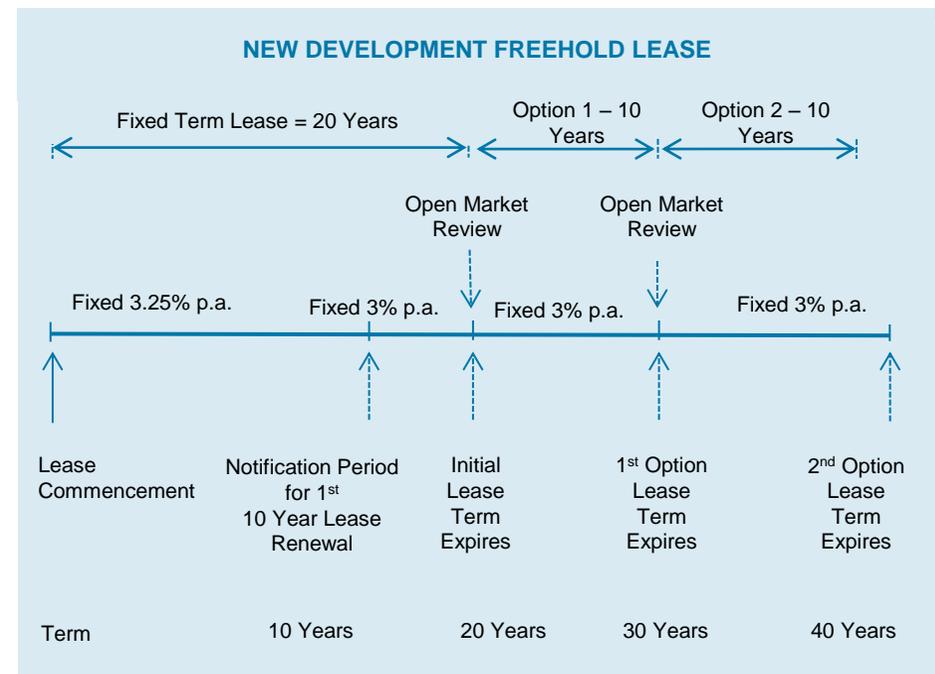
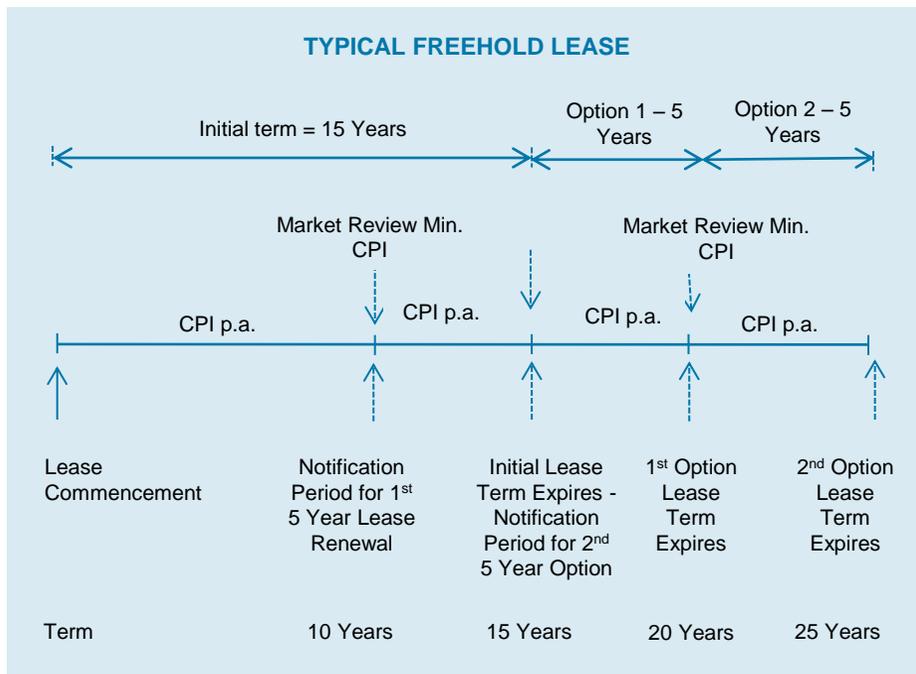
¹ Includes \$1.7m (30 June 15: \$0.3m) of transaction costs in relation to properties not settled

² Borrowings as at 30 June 2016 include loans of \$193.0m and overdraft of \$7.4m, less unamortised transaction costs of \$2.1m

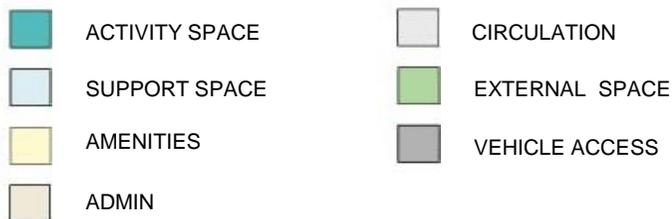
³ Gearing is calculated by borrowings and bank overdraft / total assets

TYPICAL FREEHOLD LEASE

- Triple net leases, all costs including outgoings, insurance, property management and general expenses are payable by the tenant
- Typical lease term of 15 years plus 2 five year options (exercisable by tenant)
- Rental growth indexed annually to CPI with a market review at year 11
- Most leases have a 5 year notice period for option take-up by tenants
- Redecoration / refurbishment requirement by tenant every 5 years



TYPICAL NEW FET CHILDCARE CENTRE



- Market leading designs across all new development sites, led by a specialised internal development team
- North facing activity rooms and outdoor play areas
- Clerestory windows to achieve natural lighting to interior spaces
- Generous, flexible and functional storage areas
- Administrative areas clustered for efficiencies
- Interactive kitchens with centre operations
- Central entry location for efficient circulation
- Safe entry paths from access points
- Compliance with all relevant ratios and legislation

CHILD TO SPACE RATIOS

INTERNAL ACTIVITY ROOM
3.25 m²/ CHILD

EXTERNAL PLAY SPACE
7.0 m²/ CHILD

CARER RATIO (VIC)

AGE 0-3 = 1:4 CHILDREN
AGE 3-5 = 1:11 CHILDREN

ACQUISITION CASE STUDY

TURRAMURRA, NSW

- Affluent location on Sydney's north shore, with an undersupply of quality childcare
- Redevelopment of an existing building, completed in June 2016
- Innovative and modern design, with extensive use of timber and glass providing dedicated childcare spaces for children of each age group
- Delivered a strong return to FET of 7.2% yield on cost

LOCATION ATTRIBUTES

- Established residential infill site within a high end socio-economic area adjoining Pymble and St Ives
- Close proximity to local primary schools (both public and private) within a convenient residential location for drop-off and pick-up
- Walking distance to Pymble Public School
- Turramurra Station and Turramurra commercial precinct within 1.5kms

Key Statistics

Operator	Only About Children
Number of Long Day Care Places	87
Land Area (sqm)	2,245
Rent (\$) (p.a.)	391,500
Lease Term (years)	20
Options (years)	2 x 10
Annual Reviews (%)	3.25
Approximate Value (\$m)	5.6
Yield on Cost (%)	7.2
Median House Price (\$m)	1.8



ACQUISITION CASE STUDY

WYNDHAM VALE, VIC

- Acquired in September 2015 with completion forecast for early 2017
- DA approved and currently under construction, with a premium operator secured
- Infill site within rapidly growing outer suburban area – the City of Wyndham has grown by 50,000 people over the past five years
- Innovative and modern design reflecting FET's focus on creating quality childcare environments

Key Statistics

Operator	Little Learning School
Anticipated Number of Long Day Care Places	124
Land Area (sqm)	2,491
Rent (\$) (p.a.)	297,600
Lease Term (years)	15
Options (years)	2 x 5
Annual Reviews (%)	3.25
Anticipated On Completion Value/Yield (\$m)	4.25 / 7.0
Forecast Yield on Cost (%)	8.1
Population Growth Forecast 2016 to 2036 (%)	183

LOCATION ATTRIBUTES

- Corner site with high exposure to passing traffic
- The recently opened Wyndham Vale Train Station is 1.5kms to the north west
- Over 3,500 dwellings approved each year within the catchment
- 80 babies are born each week within the City of Wyndham
- Jobs growth – over 50,000 jobs will exist within a 10 minute drive of the site by 2050



KEY STATISTICS

	FY13	FY14	FY15	FY16
NTA (\$)	1.33	1.50	1.82	2.14
NTA Growth (Annualised) (%)	9.9	12.8	21.3	17.6
Weighted Average Passing Yield (%)	9.3	9.0	8.0	7.3
Weighted Average Lease Expiry (Years)	8.2	8.0	7.9	8.2
% Of Lease Income Expiring In Next 5 Years	1.7	3.4	5.6	11.3
Like-for-like Rental Growth (%)	2.7	2.6	2.4	2.8
Major Customer % Of Income (Goodstart) (%)	64	59	63	59
Geographic Spread (% Rental Income)				
• NSW/ACT	28.0	28.9	26.2	25.8
• QLD	28.1	30.6	37.5	35.5
• VIC	22.1	19.9	16.9	19.8
• WA	3.2	2.8	3.7	3.9
• SA	6.6	6.5	6.0	5.3
• TAS/NT	0.7	0.6	1.1	1.0
• NZ	11.3	10.7	8.6	8.7
Market Rent Reviews				
Completed Number	6	8	54	65
Weighted Average Rental Growth (%)	5.1	6.1	4.3	5.5
Capital Management				
Gearing (%)	34.1	31.7	29.5	26.6
Weighted Average Cost Of Debt (%)	6.2	5.6	4.6	4.5
Weighted Average Debt Maturity (Years)	2.6	2.9	1.9	4.0
Interest Cover Ratio (X)	3.4	4.6	4.6	5.1

Source: Company Data

DIRECTORY

FOLKESTONE EDUCATION TRUST

ASX Code: FET

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