



# The Australian Social Infrastructure Fund

ASX Announcement

13 February 2013

## ASIF Results for the Half Year Ended 31 December 2012

Folkestone Real Estate Management Limited as the responsible entity for The Australian Social Infrastructure Fund (ASIF or Fund) (ASX:AZF) provides the results of the Fund for the half year ended 31 December 2012.

### KEY HIGHLIGHTS SUMMARY

- ✓ Distributable income of \$2.4 million, an increase of 26.3% on the previous corresponding period ("pcp").
- ✓ Statutory profit of \$3.3 million compared to a profit of \$2.2 million in the pcp.
- ✓ NTA per unit of \$2.37 as at 31 December 2012, an increase of 4.8% on pcp.
- ✓ Independent valuations of 8 properties achieving an average 9% increase in value.
- ✓ 98% occupancy across direct property portfolio.
- ✓ Gearing<sup>1</sup> reduced to 33.8%.
- ✓ Distributions paid of 8.5 cents per unit<sup>2</sup>, compared to 7.0 cents per unit in the pcp, an increase of 21.4%.
- ✓ Distribution forecast of 17 to 18 cents per unit for FY13 maintained.
- ✓ Market capitalisation increased by 6% to \$54.1 million<sup>2</sup>.

### FINANCIAL SUMMARY

The table below provides a summary of ASIF's 31 December 2012 results in comparison to the previous corresponding period:

Half year ending	Dec 2012	Dec 2011	Var. %
Total operating revenue	\$5.3m	\$5.2m	1.9%
Total operating expenses	\$2.9m	\$3.3m	(12.1%)
Distributable income	\$2.4m	\$1.9m	26.3%
Distribution (cpu)	8.5	7.0	21.4%
Net profit	\$3.3m	\$2.2m	49.6%

As at	Dec 2012	June 2012	Var. %
Total Assets	\$104.9m	\$103.0m	1.8%
Investment Property	\$85.1m	\$85.2m	(0.2%)
Securities Portfolio	\$18.9m	\$17.4m	8.6%
Borrowings <sup>3</sup>	\$35.5m	\$36.6m	(3.0%)
Net Assets	\$67.5m	\$64.4m	4.8%
Gearing <sup>1</sup>	33.8%	35.6%	(1.8%)
NTA per unit	\$2.37	\$2.26	4.8%

### PORTFOLIO PERFORMANCE

Key portfolio performance criteria as at 31 December 2012:

As at	Dec 2012
Value of Investment Property	\$85.1m
Annualised Net Rental Income	\$7.8m
Property Yield – Early Learning	9.2%
Property Yield – Commercial	9.1%
Total Property Yield	9.2%
Vacancy Rate	2%
Weighted Average Lease Expiry	8.3 years

<sup>1</sup> Gearing is calculated by borrowings / total assets

<sup>2</sup> For the half year to 31 December 2012

<sup>3</sup> Borrowings includes cash overdraft

## PROPERTY SUMMARY

ASIF's asset portfolio as at 31 December 2012 is summarised as follows:

	No of Properties	Carrying Value	% of Total Portfolio	Current Rent (pa)	Passing Yield
Early Learning Properties	48	\$68.4m	66%	\$6.3m	9.2%
Commercial Properties	2	\$16.7m	16%	\$1.5m	9.1%
<b>Total Properties</b>	<b>50</b>	<b>\$85.1m</b>	<b>82%</b>	<b>\$7.8m</b>	<b>9.2%</b>
		Carrying Value	% of Total Portfolio	Income (pa) <sup>4</sup>	Yield
<b>Securities Portfolio</b>		<b>\$18.9m</b>	<b>18%</b>	<b>\$0.9m</b>	<b>4.8%</b>

The Fund has 5 tenants across its portfolio of early learning properties, including Goodstart Early Learning which leases 39 of the properties. The commercial properties are tenanted by Guardian Storage and Primary Health (ASX: PRY).

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

## PORTFOLIO PERFORMANCE – DIRECT PROPERTY

The key portfolio highlights for the half year included:

- There has been the following sales and leasing activity in respect to the 3 properties vacated by Goodstart during the half year<sup>5</sup>:
  - The property at Capalaba, QLD was sold with the proceeds applied to debt reduction;
  - The double early learning centre property at Boondall, QLD was re-leased for an initial 10 year term;
  - The property at Upper Coomera, Gold Coast, QLD is being marketed;
- 8 properties independently re-valued, achieving an average 9% increase in value or \$0.7 million;
- Weighed average lease expiry ("WALE") of 8.3 years; and
- Occupancy of 98%.

The Fund arranged 8 independent valuations out of the total 50 properties during the period. The properties were early learning centre properties located in NSW, NT and WA. The total increase in value was \$0.7 million or 9%, with increases in value achieved in each of these locations.

All properties are currently valued as per the last external valuation, with the exception of four properties where the last valuation was adjusted to reflect changed circumstances and the property's fair value. Valuations are conducted across the portfolio on a rolling three yearly basis. The average valuation date of the portfolio is September 2011. Given the increases in valuations across the portfolio as at 31 December 2012, it is reasonable to assume that there remains some value yet to be recognised in the portfolio that would otherwise understate the Fund's NTA. This may apply to up to approximately 50% of the portfolio where valuations were undertaken prior to September 2011.

## PORTFOLIO PERFORMANCE – PROPERTY SECURITIES

The key portfolio highlights for the half year included:

- APGF made a capital distribution of 18.5 cents per stapled security to all unitholders following the sale of 12 Creek Street, Brisbane (Blue Tower), with ASIF receiving a capital return of \$0.7 million which has been applied to debt reduction. APGF distributions are now suspended whilst its remaining assets are divested in the medium term;

<sup>4</sup> Based on annualising distributions received by ASIF for the half ended 31 December 2012

<sup>5</sup> Pursuant to early termination rights held by the tenant under those leases

- CIB has advised investors that it may seek a capital reinvestment to upgrade a site as part of its portfolio enhancement. Distributions for CIB continue to be reinvested with the air-conditioning and carpet upgrade program continuing; and
- AET units increased in value by 25% or \$1.9 million during the half year to 31 December 2012.

## DEBT FUNDING

### Debt

The Fund has a debt facility with the Australia and New Zealand Banking Group Limited (ANZ) with key commercial terms as follows:

Facility Limit	\$34.3 million (fully drawn)
Overdraft	\$2 million (\$1.2 million drawn)
Facility Term	3 years from December 2011 (with an option for 1 year at ASIF's election)
Loan to Value Ratio Covenant	38.8% v covenant of 52.5% (value based on 100% of secured property values and 50% value of Australian Education Trust units)
Interest Cover Ratio Covenant	2.8 times v covenant of 1.60 times (EBITDA) measured on a yearly basis

As at 31 December 2012, the Fund complied with all of its debt covenant ratios and obligations. Debt reduced from \$35.65 million to \$34.3 million due to the sale of an investment property of \$0.7 million and a capital return from APGF of \$0.7 million.

### Hedging Arrangements

The Fund hedges a proportion of its debt against movements in interest rates. A staggered periodic approach to hedging has been adopted with an emphasis on reducing volatility in short term forecast earnings. The hedging position of the Fund as at 31 December 2012 is as follows:

Period	Hedged Amount	Hedged Rate (pa)	Proportion Hedged
<b>FY13</b> January 2013 - June 2013	\$20m	3.86%	58%
<b>FY14</b> July 2013 - June 2014	\$10m	3.98%	29%
<b>FY15</b> July 2014 - June 2015	\$5m	3.99%	15%

### Cost of Debt

The current all in cost of debt is 5.8% pa, which is based on prevailing interest rates, existing swap arrangements, bank margins and amortisation of establishment fees.

## DISTRIBUTIONS

Distribution forecast for the year ending 30 June 2013 is maintained at **17 to 18 cents per unit**. The Fund will continue to pay distributions on a quarterly basis one month in arrears. This is based on continued tenant performance.

## OUTLOOK

ASIF's objective is to provide predictable and secure long term cash-flows with the opportunity for capital growth. ASIF's financial position is stable with minimal vacancy, long term leases and long term debt financing and more predictable short term debt costs. The Fund's medium term objective is to maintain sustainable value growth to investors. This will require pro-active portfolio management including the potential to recycle assets over the medium term.

## INVESTOR RELATIONS

Unitholders are invited to contact the Fund's Investor Relations Manager, Lula Lioffi for any further information. Boardroom is the Fund's registry and can be contacted on 1300 737 760 with respect to any queries in relation to investors unitholdings.

The Australian Social Infrastructure Fund internet site, [www.asifund.com.au](http://www.asifund.com.au) is a source of information for Unitholders. It includes details of ASIF and its Manager, announcements, current activities and historical information. The site provides access to annual and half-year reports and also ASIF updates covering matters of relevance to investors.

***(The documents attached to this release comprise the information required by ASX Listing Rule 4.3A and should be read in conjunction with the half year results to 31 December 2012.)***

Mark Stewien  
Fund Manager  
Folkestone Real Estate Management Limited

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Travis Butcher  
Chief Financial Officer, Funds  
Folkestone Real Estate Management Limited

### About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate investment, development and funds management company. Folkestone's on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform, with approximately \$600 million under management, offers listed and unlisted funds to private clients, high net worth individuals and institutional investors. For further information on Folkestone visit, [www.folkestone.com.au](http://www.folkestone.com.au).

# Appendix 4D

## Half Year Report

### For the Period Ended 31 December 2012

Name of entity:

**The Australian Social Infrastructure Fund**

ABN:

29 094 185 092

#### 1. Details of the reporting period

This report details the results of The Australian Social Infrastructure Fund (the “Fund”) for the half year ended 31 December 2012 (previous corresponding period: half year ended 31 December 2011).

#### 2. Results for announcement to the market

			\$A'000			\$A'000
2.1	Revenue from ordinary activities	Up	250	4.2%	to	6,164
2.2	Profit (loss) from ordinary activities after tax attributable to members	Up	1,090	49.6%	to	3,289
2.3	Net profit (loss) for the period attributable to members	Up	1,090	49.6%	to	3,289
2.4	Interim Distributions – Quarter ending 31 December 2012 – 4.25 cents per unit					
2.5	Record date – 31 December 2012					
2.6	Brief explanation of the figures reported above: For further explanation of the results refer to the ASX Release and the Directors’ Report of the half-year report.					
2.7	<b>Earnings Per Unit (EPU)</b>			<b>Dec 2012</b>	<b>Dec 2011</b>	
	Basic earnings per unit			11.56	7.73	
	Diluted earnings per unit			11.56	7.73	

#### 3. Net tangible assets per unit

	<b>Dec 2012</b>	<b>Jun 2012</b>
Net tangible asset backing per ordinary unit	\$2.37	\$2.26

#### 4. Details of entities over which control has been gained or lost during the period

None.

## 5. Details of distributions

Period	Paid	Cents per unit
Quarter ending 30 September 2012	19 October 2012	4.25
Quarter ending 31 December 2012	21 January 2013	4.25
Total		8.50

## 6. Distribution Reinvestment Plan

Not applicable.

## 7. Details of associates and joint venture entities

Not applicable.

## 8. Foreign entities

None.

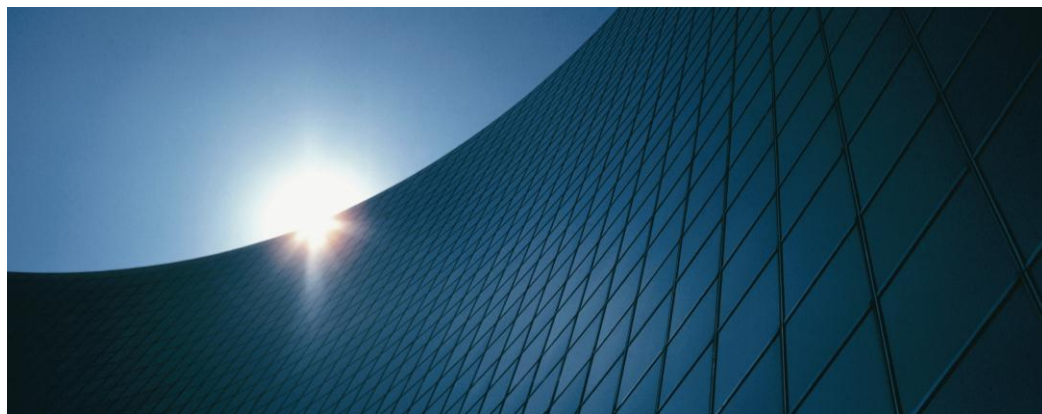
## 9. Disputes with auditors or qualifications

Nil



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Victor David Cottren  
Chairman  
Folkestone Real Estate Management Limited  
Melbourne, 13 February 2013



## The Australian Social Infrastructure Fund

ABN 29 094 185 092 ARSN 094 614 874

### HALF YEAR FINANCIAL REPORT

31 December 2012

**Folkestone**  
Funds Management

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

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## DIRECTORS' REPORT

The Directors of Folkestone Real Estate Management Limited ("the Responsible Entity"), the Responsible Entity of The Australian Social Infrastructure Fund ("the Fund"), present their report together with the financial report of the Fund for the half year ended 31 December 2012.

On 28 September 2012, Folkestone Limited acquired a controlling interest of Austock Group's property funds management business platform. The property funds management business platform acquired by Folkestone included Austock Funds Management Limited, the responsible entity of the Fund. Effective on 28 September 2012, the name of the Responsible Entity has changed to Folkestone Real Estate Management Limited.

### THE RESPONSIBLE ENTITY

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

#### Directors of the Responsible Entity

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

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

### PRINCIPAL ACTIVITIES

The principal activity of the Fund during the financial year was investment in income producing social infrastructure assets. As at 31 December 2012 the Fund owned 48 early learning centres, a self storage facility, a medical centre and has investments in a number of property securities. Details of the Fund's portfolio are as follows:

\$'000's	Notes	31 Dec 2012	30 June 2012
Investment Properties	4	85,085	85,225
Securities	3	18,892	17,371
Cash		24	17
Receivables and Other Assets		897	337
<b>Total Gross Assets</b>		<b>104,898</b>	<b>102,950</b>
Cash overdraft		1,199	961
Borrowings	5	34,166	35,482
Other Liabilities		2,005	2,109
<b>Net Assets</b>		<b>67,528</b>	<b>64,398</b>
Number of units on Issue		28,450	28,450
Per Unit NTA (\$)		2.37	2.26

## DIRECTORS' REPORT (continued)

### REVIEW AND RESULTS OF OPERATIONS

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

- Distributable income\* of \$2.4 million, an increase of 26% on the previous corresponding period ("pcp").
- Statutory profit of \$3.3 million compared to a profit of \$2.2 million in the pcp, primarily due to lower finance costs in this period.
- Distribution for the half year of 8.5 cents per unit, compared to 7.0 cents per unit in the pcp.
- Unit price of the Fund has increased from \$1.79 at 30 June 2012 to \$1.90 at 31 December 2012, an increase of 6%.
- Debt reduced by \$1.35 million following sale of one investment property and a capital return from APGF.
- Gearing (Borrowings and Cash Overdraft / Total Assets) reduced to 33.8%.
- Weighted average lease expiry at 31 December 2012 of 8.3 years.

Half year ended 31 December (\$m's)	2012	2011
<b>Revenue</b>		
Lease income	4.1	4.0
Property outgoings recoverable	0.7	0.7
Distributions & dividends received	0.5	0.5
	5.3	5.2
<b>Expenses</b>		
Finance costs	1.3	1.8
Responsible entity's remuneration	0.6	0.6
Direct property expenses	0.9	0.8
Other expenses	0.1	0.1
	2.9	3.3
<b>Distributable income *</b>	<b>2.4</b>	<b>1.9</b>
Change in fair value of derivative instruments	0.2	(0.2)
Net revaluation increment of investment properties	0.7	0.7
Impairment of available-for-sale financial assets	-	(0.1)
Net gain/(loss) on sale of investment property	-	(0.1)
	3.3	2.2
<b>Net Profit attributable to the Unitholders for the half year</b>	<b>3.3</b>	<b>2.2</b>

### DISTRIBUTIONS

Distributions paid for the half year ended 31 December 2012 totalled 8.5 cents per unit (2011: 7.0 cents per unit).

Distributions declared by the Fund since the end of 30 June 2012 were:

	Paid/ payable	Cents per unit	Amount \$'000
Quarter ending 30 September 2012	19 Oct 2012	4.25	1,209
Quarter ending 31 December 2012	21 Jan 2013	4.25	1,209
<b>Total</b>		<b>8.50</b>	<b>2,418</b>

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

## DIRECTORS' REPORT (continued)

### FUNDING

As at 31 December 2012 the Fund had total assets of \$104.9 million, borrowings of \$34.3 million and net assets of \$67.5 million. The Fund has 28,449,729 fully paid ordinary units on issue as at 31 December 2012.

The Fund has a debt facility with the Australia and New Zealand Banking Group Limited (ANZ) with the key commercial terms of the facility as follows:

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

As at 31 December 2012, the Fund complied with all of its debt covenant ratios and obligations.

In addition, the Fund has an overdraft facility with ANZ in order to more efficiently manage its working capital position. Key commercial terms of the facility as follows:

<b>Facility Limit</b>	\$2 million
<b>Drawn Amount</b>	\$1.2 million as at 31 December 2012
<b>Maturity Date</b>	December 2014 with an option for 1 further year, exercisable at the Fund's election
<b>Covenants</b>	Same as debt facility

### Hedging Arrangements

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

Period	Hedged Amount \$'000	Hedged Rate	Hedged
<b>FY13</b>			
January 2013 - June 2013	20,000	3.86%	58%
<b>FY14</b>			
July 2013 - June 2014	10,000	3.98%	29%
<b>FY15</b>			
July 2014 - June 2015	5,000	3.99%	15%

### MATTERS SUBSEQUENT TO END OF THE FINANCIAL PERIOD

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

### ROUNDING OF AMOUNTS

The Fund is of a kind referred to in ASIC Class order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors report and financial report. Amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars, unless in accordance with that Class Order otherwise stated.

## DIRECTORS' REPORT (continued)

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



**Victor David Cottren**  
Chairman  
Folkestone Real Estate Management Limited  
Melbourne, 13 February 2013

## AUDITOR'S INDEPENDENCE DECLARATION



### Auditor's Independence Declaration

As lead auditor for the review of the Australian Social Infrastructure Fund for the half-year ended 31 December 2012, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of the Australian Social Infrastructure Fund during the period.



Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
13 February 2013

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## STATEMENT OF COMPREHENSIVE INCOME

	Half-year	
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
<b>Revenue</b>		
Lease income	4,033	3,990
Property outgoing recoveries	691	655
Distributions and dividends	458	504
Interest income	1	20
Change in fair value of derivative financial instruments	176	-
Net property revaluation increment	760	716
Other income	45	29
<b>Total revenue</b>	<b>6,164</b>	<b>5,914</b>
<b>Expenses</b>		
Finance costs	1,267	1,814
Property outgoings	859	811
Responsible entity's remuneration	569	619
Other expenses	158	109
Net loss on sale of investment properties	3	98
Change in fair value of derivative financial instruments	-	150
Impairment of available-for-sale financial assets	19	114
<b>Total expenses</b>	<b>2,875</b>	<b>3,715</b>
<b>Net profit attributable to Unitholders for the half year</b>	<b>3,289</b>	<b>2,199</b>
<b>Other comprehensive income</b>		
Gain/(loss) on revaluation of available-for-sale financial assets	2,259	822
<b>Other comprehensive income</b>	<b>2,259</b>	<b>822</b>
<b>Total comprehensive income for the half year</b>	<b>5,548</b>	<b>3,021</b>
<b>Earnings per unit</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per unit	11.56	7.73
Diluted earnings per unit	11.56	7.73

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## BALANCE SHEET

	Note	31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		24	17
Trade and other receivables		472	302
Other current assets	2	1,983	1,612
<b>Total current assets</b>		<b>2,479</b>	<b>1,931</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	3	18,892	15,894
Investment properties – Straight line rental account	4	288	346
Investment properties	4	83,239	84,779
<b>Total non-current assets</b>		<b>102,419</b>	<b>101,019</b>
<b>Total assets</b>		<b>104,898</b>	<b>102,950</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	5	1,199	961
Trade and other payables		528	530
Distribution payable		1,205	1,131
Derivative financial instruments	6(a)	159	318
<b>Total current liabilities</b>		<b>3,091</b>	<b>2,940</b>
<b>Non-current liabilities</b>			
Borrowings	5	34,166	35,482
Derivative financial instruments	6(b)	113	130
<b>Total non-current liabilities</b>		<b>34,279</b>	<b>35,612</b>
<b>Total liabilities</b>		<b>37,370</b>	<b>38,552</b>
<b>Net assets</b>		<b>67,528</b>	<b>64,398</b>
<b>EQUITY</b>			
Contributed equity	7	58,273	58,273
Distribution reserve		470	(401)
Available-for-sale financial assets reserve		8,785	6,526
<b>Total equity</b>		<b>67,528</b>	<b>64,398</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

	Units on Issue	Available-for-sale financial assets reserve	Distribution reserve	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2011</b>	58,273	5,402	1,315	64,990
Net profit attributable to Unitholders	-	-	2,199	2,199
Distribution paid or provided for	-	-	(1,992)	(1,992)
Gain on revaluation of available-for-sale financial assets	-	822	-	822
<b>Balance at 31 December 2011</b>	<b>58,273</b>	<b>6,224</b>	<b>1,522</b>	<b>66,019</b>
<b>Balance at 1 July 2012</b>	58,273	6,526	(401)	64,398
Net profit attributable to Unitholders	-	-	3,289	3,289
Distribution paid or provided for	-	-	(2,418)	(2,418)
Gain on revaluation of available-for-sale financial assets	-	2,259	-	2,259
<b>Balance at 31 December 2012</b>	<b>58,273</b>	<b>8,785</b>	<b>470</b>	<b>67,528</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



## CASH FLOW STATEMENT

	Half-year	
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations (inclusive of GST)	4,949	5,101
Cash payments in the course of operations (inclusive of GST)	(2,128)	(2,075)
Distributions and dividends received	410	491
Interest received	1	20
Finance costs paid	(1,224)	(1,755)
<b>Net cash provided from operating activities</b>	<b>2,008</b>	<b>1,782</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment properties	737	1,484
Proceeds from sale of financial assets	718	-
Net payments for repairs of flooded investment properties	-	(102)
<b>Net cash provided from investing activities</b>	<b>1,455</b>	<b>1,382</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	238	-
Repayment of borrowings	(1,350)	(2,490)
Distributions paid	(2,344)	(1,947)
<b>Net cash (outflow) from financing activities</b>	<b>(3,456)</b>	<b>(4,437)</b>
<b>Net increase / (decrease) in cash held</b>	<b>7</b>	<b>(1,273)</b>
<b>Cash at the beginning of the half year</b>	<b>17</b>	<b>2,237</b>
<b>Cash at the end of the half year</b>	<b>24</b>	<b>964</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Basis of preparation of half year report

This general purpose interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with the Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### Impact of standards issued but not yet applied by the Fund

AASB9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. 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. The Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

### 2. Other current assets

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Investment properties – straight line rental account	108	100
Prepayments	425	35
Available-for-sale financial assets to be sold within 12 months	-	1,477
Investment properties to be sold within 12 months	1,450	-
	<b>1,983</b>	<b>1,612</b>

### 3. Available-for-sale financial assets

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>Available-for-sale Financial Assets</b>		
<b>(a) Represented by:</b>		
Units in listed property trusts - at market valuation	9,741	7,808
Units in listed property trusts - at Directors' valuation	739	1,477
Units in unlisted property trusts - at Directors' valuation	8,412	8,086
<b>Total available-for-sale financial assets</b>	<b>18,892</b>	<b>17,371</b>
Less: available-for-sale financial assets to be sold within 12 months	-	(1,477)
<b>Carrying amount at the end of the half year</b>	<b>18,892</b>	<b>15,894</b>
<b>(b) Movements in available-for-sale financial assets:</b>		
Opening balance	15,894	17,506
Proceeds (Return of capital)	(719)	-
Acquisition (Distribution Re-investment Plan – CIB)	-	385
Impairment of available-for-sale financial assets	(19)	(1,643)
Movement in available-for-sale financial assets to be sold within 12 months	1,477	(1,477)
Gain on revaluation of available-for-sale financial assets reserve	2,259	1,123
<b>Carrying amount at the end of the half year</b>	<b>18,892</b>	<b>15,894</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

### 4. Investment properties

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>(a) Investment properties – at valuation</b>		
Total property investments	85,085	85,225
Less: straight line rental account – current (refer note 2)	(108)	(100)
Less: straight line rental account – non-current	(288)	(346)
<b>Total investment properties</b>	<b>84,689</b>	<b>84,799</b>
Less: investment properties to be sold within 12 months	(1,450)	-
<b>Carrying amount at the end of the half year</b>	<b>83,239</b>	<b>84,779</b>
<b>(b) Movement in investment properties:</b>		
Balance at the beginning of the period – at valuation	84,779	86,241
Net construction costs of investment properties damaged by flood	-	102
Disposal of properties	(850)	(1,401)
Net revaluation increment/(decrement)	760	(163)
Movement in investment properties to be sold within 12 months	(1,450)	-
<b>Carrying amount at the end of the half year</b>	<b>83,239</b>	<b>84,779</b>

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

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

Independent valuations for 8 of the 50 properties owned by the Fund was undertaken during the period ending 31 December 2012. The independent valuations were prepared using both the capitalisation of net income and direct comparison method which are consistent with the requirements of the relevant Accounting Standards. The result of the valuations was an increase in value of \$0.7 million or 8.6%.

Net revaluation increment of \$0.8 million also includes a straight line rental adjustment of \$0.1 million with a corresponding decrease in straight line rental asset.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

### 5. Borrowings

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>(a) Current</b>		
Bank overdraft	1,199	961
	<b>1,199</b>	<b>961</b>
<b>(b) Non current</b>		
Secured Liabilities		
- Bank loans	34,300	35,650
- Less: unamortised transaction costs	(134)	(168)
	<b>34,166</b>	<b>35,482</b>

The Fund has a debt facility with the Australia and New Zealand Banking Group Limited (ANZ) with the key commercial terms of the facility as follows:

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

As at 31 December 2012, the Fund complied with all of its debt covenant ratios and obligations.

In addition, the Fund 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:

<b>Facility Limit</b>	\$2 million
<b>Drawn Amount</b>	\$1.2 million as at 31 December 2012
<b>Maturity Date</b>	December 2014 with an option for 1 further year, exercisable at the Fund's election
<b>Covenants</b>	Same as debt facility

### Hedging Arrangements

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

Period	Hedged Amount \$'000	Hedged Rate	Hedged
<b>FY13</b>			
January 2013 - June 2013	20,000	3.86%	58%
<b>FY14</b>			
July 2013 - June 2014	10,000	3.98%	29%
<b>FY15</b>			
July 2014 - June 2015	5,000	3.99%	15%

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

### 6. Derivative financial instruments

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>(a) Current</b>		
Derivative financial instruments – interest rate swaps	159	318
	<b>159</b>	<b>318</b>
<b>(b) Non current</b>		
Derivative financial instruments – interest rate swaps	113	130
	<b>113</b>	<b>130</b>

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

Refer to note 5 for further information on these contracts.

### 7. Contributed equity

	Units on issue No '000	Units on issue \$'000
<b>Balance at 1 July 2011</b>	28,450	58,273
Units issued during the period	-	-
<b>Balance as 31 December 2011</b>	<b>28,450</b>	<b>58,273</b>
<b>Balance at 1 July 2012</b>	28,450	58,273
Units issued during the period	-	-
<b>Balance at 31 December 2012</b>	<b>28,450</b>	<b>58,273</b>

### 8. Segment reporting

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

### 9. Lease revenue commitments

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

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Receivable:		
Not later than 1 year	8,042	7,896
Between 1 years and 5 years	33,013	31,504
later than 5 years	34,575	40,652
	<b>75,630</b>	<b>80,052</b>

### 10. Contingent liabilities

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

### 11. Events occurring after the reporting period

The financial report was authorised on 13 February 2012 by the Board of Directors of the Responsible Entity.

There have been no significant events since 31 December 2012 that have or may significantly affect the results and operations of the Fund.

## DIRECTORS' DECLARATION

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

1. the financial statements and notes, set out on pages 7 to 14 are in accordance with the *Corporations Act 2001*, including:
  - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - ii) giving a true and fair view of the Fund's financial position as at 31 December 2012 and of its performance for the half year ended on that date;
2. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
3. the Fund has operated during the half year ended 31 December 2012 in accordance with the provisions of the Fund Constitution (as amended).

Signed in accordance with a resolution of the Directors of Folkestone Real Estate Management Limited.

Dated at Melbourne this 13th day of February 2013.



**Victor David Cottren**  
Chairman  
Folkestone Real Estate Management Limited

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS



### Independent auditors report to the unitholders of The Australian Social Infrastructure Fund

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Australian Social Infrastructure Fund (the Fund) which comprises the balance sheet as at 31 December 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Fund.

#### *Directors' responsibility for the half-year financial report*

The directors of the Folkestone Real Estate Management Limited (the Responsible Entity of the Fund) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, 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  
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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS (CONTINUED)



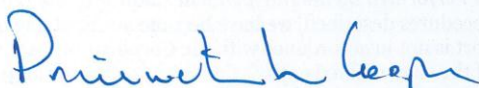
### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Social Infrastructure Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the Fund for the half-year ended 31 December 2012 included on the Fund's web site. The Fund's directors are responsible for the integrity of the Fund's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the half-year financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited half-year financial report to confirm the information included in the audited half-year financial report presented on this web site.



PricewaterhouseCoopers



Charles Christie  
Partner

Melbourne  
13 February 2013



## DIRECTORY

<b>Responsible Entity and principal place of business of the Fund</b>	<b>Folkestone Real Estate Management Limited</b> Level 12, 15 William Street Melbourne VIC 3000
<b>Directors of the Responsible Entity</b>	<b>Victor David Cottren (Chairman)</b> Michael Francis Johnstone Warner Kenneth Bastian
<b>Solicitors</b>	<b>Tress Cox</b> Level 4 40 Creek Street Brisbane QLD 4000
<b>Auditors/Taxation Advisors</b>	<b>PricewaterhouseCoopers</b> Freshwater Place 2 Southbank Boulevard Southbank VIC 3000
<b>Bank</b>	<b>Australia and New Zealand Banking Group Limited</b> Level 29, 100 Queen Street Melbourne VIC 3000
<b>Custodian</b>	<b>The Trust Company Limited</b> Level 15, 20 Bond Street Sydney NSW 2000
<b>Secretary of the Responsible Entity</b>	<b>Scott Nicholas Martin</b> Level 12, 15 William Street Melbourne VIC 3000
<b>Unit Registry</b>	<b>Boardroom Pty Limited</b> Level 7, 207 Kent Street Sydney NSW 2000

