
DEBT FACILITY AND FUND UPDATE

DEBT FACILITY REFINANCED WITH EXTENDED MATURITY

On 30 June 2016, Folkestone Education Trust (“FET”) successfully refinanced its \$227 million debt facility with Australia and New Zealand Banking Group Limited (“ANZ”) and Hongkong and Shanghai Banking Corporation Limited (“HSBC”).

This replaces the previous \$193 million syndicated debt facility with National Australia Bank Limited (“NAB”) and Australia and New Zealand Banking Group (“ANZ”) which was due to mature in June 2017 and a separate facility of \$34.3 million with ANZ, assumed as part of the Folkestone Social Infrastructure Trust merger in January 2015, that was due to mature in July 2017.

The key feature of the new bilateral facilities is its two tranche structure split over three and five year terms. One tranche (\$113.5 million or 50%) will mature in June 2019 and the second tranche (\$113.5 million or 50%) will mature in June 2021, resulting in a weighted debt maturity of 4 years.

Key covenants regarding LVR and ICR remain unchanged.

FET is pleased to continue its association with ANZ and welcomes HSBC as a new financier to FET after a competitive refinancing process.

Mr Travis Butcher, Chief Financial Officer of FET said “We are pleased to have secured new longer term debt facilities for FET. The strong support of ANZ and HSBC reflects the underlying strength of FET’s portfolio, the weighted average lease expiry of approximately 8 years and the triple net nature of FET’s leases. This is an excellent result in an environment of global market volatility and where the banks’ wholesale cost of funding is facing upward pressure”.

FET currently has \$193 million of drawn debt and undrawn capacity of \$34 million, which will be utilised to assist in funding future acquisitions and developments. Gearing as at 31 May 2016 is 26.7%.

HEDGING

As part of FET’s interest rate management policy, additional hedging positions have been taken out to extend the hedge profile through to June 2021 and to supplement FET’s existing positions between FY17 and FY20.

For FY17, 66% of the drawn debt or \$127 million is now hedged at an average rate of 3.3%. The average hedging position over a five year period to June 2021 is 53% hedged also at an average rate of 3.3%.



The hedging arrangements have been restructured by combining the existing positions with new longer-term positions, at lower rates. This strategy provides the benefits of lower overall hedged rates whilst avoiding any dilution of capital and NTA per Unit, which would result from breaking those hedges.

COST OF DEBT

Based on the new debt arrangements, it is forecast that FET's cost of debt will be marginally reduced to just under 4.5 per cent per annum as at 30 June 2016. The all-in-cost of debt is now expected to be 4.8 per cent per annum, including the amortisation of deferred borrowing costs.

ACQUISITION/DEVELOPMENT UPDATE

FET has continued to expand its acquisition/development pipeline with a further ten sites of which seven are contracted and three are under exclusive arrangements, since 31 December 2015. The new transactions are consistent with FET's demographic, population growth and land value based strategy, together with FET's "best site, best operator, best lease" objectives. These developments will add approximately \$51 million in value "upon completion" to the development pipeline. After adjusting for (i) development sites completed in the last six months (~\$12 million); (ii) development sites which are no longer proceeding and the settlement of existing centre purchases (~\$19 million), together with other minor adjustments, the expected total value of the acquisition/development pipeline as at 30 June 2016, is approximately \$118 million.

With respect to FET's existing development program, childcare developments at Cheltenham (VIC), Epping (VIC), Lyndhurst (VIC) and Turrumurra (NSW) were successfully completed over the last six months and leases have commenced. The site at Camberwell (VIC) is due to complete in early July 2016. Management is extremely pleased with the quality of the respective outcomes, particularly given they were delivered on time and on budget.

Our management of FET's forward development program has progressed well with four development sites having successfully received planning approval, well ahead of schedule. The commencement of construction for these sites is now imminent. All these development sites are pre-committed to quality childcare operators with proven long term track records.

FET has considered and assessed a number of stand-alone investment opportunities together with portfolios of assets in Victoria, ACT and NSW, but none have met FET's investment criteria.

DISPOSALS

Three operating properties were disposed in the six months to 30 June 2016 producing a profit of \$0.5 million or 20.3% above the 31 December 2015 carrying values. In addition, two development sites at North Manly and Frenchs Forest, which will not proceed to development due to unexpected planning constraints, have been sold with the proceeds exceeding all costs incurred by FET in relation to these sites.



VALUATIONS

Consistent with FET's rolling three year independent valuations program, 66 valuations were completed in the six months to 30 June 2016. These valuations showed an overall increase in value of \$11.0 million or 10.2% over the previous Directors' valuations which were adopted at 31 December 2015.

DISTRIBUTIONS

In accordance with the announcement of 23 June 2016, Management confirms its full year FY16 distribution guidance of 13.4 cents per Unit with the final quarter's distribution of 3.35 cents to be paid to Unitholders on 20 July 2016. Distribution guidance for FY17 will be provided at the time of the annual results announcement in August 2016.

For further information contact:

NICK ANAGNOSTOU

Chief Executive Officer
Folkestone Education Trust

LULA LIOSI

Investor Relations Manager
Folkestone Education Trust
t: +61 3 9046 9946

TRAVIS BUTCHER

Chief Financial Officer
Folkestone Education Trust

About Folkestone Education Trust

The Folkestone Education Trust (FET) is a listed real estate investment trust (A-REIT) that invests in early learning properties. FET's website, www.educationtrust.folkestone.com.au provides information on FET, its Manager, announcements, current activities and historical information.

About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate funds manager and developer providing real estate wealth solutions. Folkestone's funds management platform, with approximately \$964 million under management, offers listed and unlisted real estate funds to private clients and select institutional investors, while its on balance sheet activities focus on value-add and opportunistic (development) real estate investments. www.folkestone.com.au