
FOLKESTONE ACQUIRES FIRST ASSET FOR ITS SENIORS LIVING PLATFORM

Folkestone's (ASX:FLK) real estate funds management subsidiary, Folkestone Real Estate Management Limited (FREML), announced today that it had exchanged contracts for the acquisition of Watermark Castle Cove, an award winning retirement living community on Sydney's lower north shore, the first asset for its seniors living platform and the Folkestone Seniors Living Fund No.1 (FSLF).

The acquisition of the Watermark Castle Cove retirement living community comprises:

- a 100 per cent interest in 50 existing independent living apartments (ILAs) and 8 ILAs under construction which will be paid for on completion (including leasing¹); and
- a 100 per cent interest in adjacent land for development of an additional 21 ILAs on terms whereby part of the consideration is contingent on completion and leasing¹ of the ILAs and the development is undertaken in a 50/50 joint venture with the Watermark Partnership.

As a result of the acquisition, the FSLF will be entitled to the earnings generated by Watermark Castle Cove from the deferred management fees payable by residents on departure and re-leasing of the ILAs (inclusive of the 21 ILAs to be developed in joint venture with the Watermark Partnership) and 50 per cent of the profit from the development of the additional 21 ILAs.

Mr Stuart Nicolson, Folkestone's CEO – Seniors Living said "After a period of extensive research and analysis, we are pleased to have secured Watermark Castle Cove as our first asset and the Joint Venture with the Watermark Partnership for our seniors living platform. Watermark Castle Cove is an outstanding example of the next generation of retirement living communities which offers quality accommodation and premium facilities and services to an ageing population. Stage 1 of Watermark Castle Cove won the Urban Development Institute of Australia's Best Seniors Living Development in 2011.

"We are delighted to be partnering with the Watermark Partnership on Watermark Castle Cove and to work with them on expanding this and developing other high quality seniors living accommodation in Sydney. Watermark Partnership have extensive experience in the development and management of retirement living communities and are currently developing a number of retirement living communities with other new opportunities in the pipeline" said Mr Nicolson.

¹ Under the terms of Watermark's Resident Agreement, an incoming resident signs a Resident Sublease which has a term of 99 years giving the resident the right to occupy the ILA.



“The joint venture between the Watermark Partnership and Folkestone meets the objectives of both parties. Watermark gains a partner who is committed to the sector and brings expertise and resources in the form of capital, funds management, development management and

retirement village operations. Folkestone secures a partner who is a proven and credible operator in the sector and who has a desire to grow their business. The combined resources of both parties will allow the establishment of additional high quality retirement living communities like Watermark Castle Cove to serve the increasing expectations of Sydney’s discerning retirees” said Mr Nicolson.

Mr Enzo Marchione, Director of Watermark Partnership, said “We are delighted to be partnering with Folkestone to build on the foundations of high quality design and services that have become the hallmarks of Watermark’s retirement living communities. We have been working closely with the Folkestone team in recent months and look forward to combining our resources and expertise to develop more outstanding projects in Sydney”.

Mr Greg Paramor, Managing Director of Folkestone said “We already have more than \$780 million in funds under management in social infrastructure through the ASX listed Folkestone Education Trust, Australia’s largest owner of early learning properties, and the unlisted CIB Fund which owns police stations and courthouses in Victoria. Our move into seniors living is a natural progression of our strategy to be a key player in the social infrastructure space.”

Folkestone Seniors Living Fund No.1 Offer

As Folkestone’s first seniors living fund, FSLF’s investment strategy is to own and develop high quality retirement living communities in Sydney via investing in operating facilities and/or partnering with quality operators to own and/or develop retirement living communities.

FREML will be seeking to initially raise \$26.65 million when the Offer, in respect of the FSLF, is launched on or around 18 July 2016. Folkestone has underwritten \$19.65 million of the Offer to assist the Fund in acquiring Watermark Castle Cove. This is consistent with Folkestone’s strategy to utilise its balance sheet to secure attractive investment opportunities for its funds management platform. Folkestone will co-invest 10 per cent in the Fund, representing an alignment of interest between Unitholders and the manager of the FSLF.

Mr Nicolson said “We are looking to expand our presence in the seniors living sector to develop a platform that will offer a range of seniors living opportunities across both retirement living and aged care. We have a number of other investment opportunities under investigation that will either meet the investment criteria of FSLF or will provide both development and/or investment opportunities for other seniors living funds that Folkestone plans to launch.”

Folkestone Real Estate Management Limited Board

FREML will act as trustee and manager of the FSLF and other seniors living funds that Folkestone will launch.

FREML’s Board comprises Mark Baillie (Non-Executive Chairman of FREML and Non-Executive, Deputy Chairman of Folkestone Limited), Stuart Nicolson, Folkestone’s CEO Seniors Living and Richard Gates, Non-Executive Director. Richard retired from ANZ in early 2016 after a banking career spanning over 30 years. In the past 15 years with ANZ, Richard led ANZ’s Australian health, aged care and retirement living business. He has a strong



established network with stakeholders in the aged care and retirement sector, including Government, operators and advisers to the industry.

Mr Paramor said “Richard has a long and distinguished track record in the banking, aged care and retirement living sectors and we look forward to Richard bringing many strategic and operational insights to aid the growth of our seniors living platform.”

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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 \$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

About Watermark Partnership

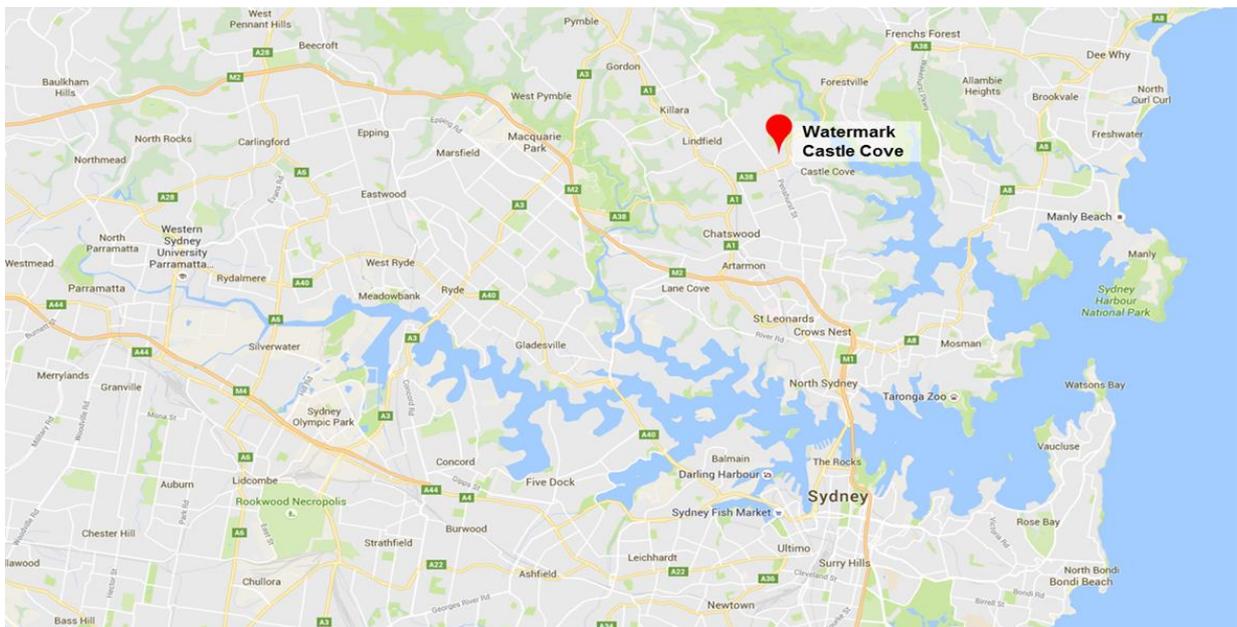
Watermark Partnership comprises Enzo Marchione, Tony Olding and Dr Christopher Watt. They have developed and operated a number of retirement villages over the past 15 years and Watermark Castle Cove is their flagship project having won the Urban Development Institute of Australia’s Award for Excellence for Best Seniors Independent Living in New South Wales in 2011.

APPENDIX 1 – Watermark Castle Cove

Photos of Watermark Castle Cove



Location of Watermark



APPENDIX 1 – Watermark Castle Cove (cont'd)

Summary of Watermark Castle Cove's ILAs

Independent Living Apartments (ILAs)	No.	% Owned by Fund
Operational (Stage 1)	50	100
Under Construction (Stage 2)	8 ¹	100
Development Approved (Stage 3)	18	50 ²
Yet to be Development Approved (Stage 4)	3	50 ²
Total ILAs	79	

1. Eight ILAs in the current stage are forecast to be completed by Q4 2016
2. The FSLF holds 100 per cent of the Land and has a 50 per cent interest in the development of an additional 21 ILAs with the remaining 50 per cent to be paid on deferred terms by the FSLF upon completion and leasing of the ILAs. The FSLF will following completion and leasing be entitled to 100% of the earnings generated by the ILAs from the deferred management fees

Layout of Stages at Watermark Castle Cove

