

# Appendix 4D

## Half-Year Report For the half-year ended 31 December 2009

### 1. Details of the reporting period and the previous corresponding period

Current period: 1 July 2009 to 31 December 2009  
Prior corresponding period: 1 July 2008 to 31 December 2008

### 2. Results for announcement to the market

	Key Information			\$A'000
2.1	Revenues from ordinary activities	Down	98%	To \$295
2.2	Profit (loss) from ordinary activities after tax attributable to members	Down	397%	To \$(900)
2.3	Net profit (loss) for the period attributable to members	Down	397%	To \$(900)

### 2.4 Dividends

The Board has resolved not to pay an interim dividend in respect of the half-year ended 31 December 2009 and no final dividend was paid for the year ended 30 June 2009.

### 2.5 Record date for determining entitlement to dividends

Not applicable

### 2.6 Brief explanation of the figures reported above

The net loss after tax for the six months ending 31 December 2009 is \$900 thousand compared to a net loss after tax of \$181 thousand in the corresponding period in 2008.

The result for the half year has been impacted by a provision made against the carrying value of inventory relating to our project at 300 Millers Road Altona. The amount of the write-down for the period represents the development and holding costs incurred since 30 June 2009 and hence the book value of the project after the write-down has been retained at the same value that it was at 30 June 2009. The value at 30 June 2009 was determined with reference to an independent valuation.

During the period Folkestone exited its equity investment in Access Constructions and the result includes an after tax loss of \$66 thousand from the construction division which is presented as a loss from discontinued operations.

**3. Net tangible asset backing per ordinary security**

Security	Current period	Previous corresponding period
Ordinary shares	33¢	73¢

During the current period, the company announced a 2 for 1 rights issue at 15 cents per share. The equity raising was completed on 8 October 2009 and as a result a further 54,666,667 shares were issued, increasing the total shares on issue to 86,468,024.

Shares on issue at reporting date	Current period	Previous corresponding period
Ordinary shares	86,468,024	31,438,857

**4. Control gained or lost over entities in the financial year**

Not applicable

**5. Dividend details**

Not applicable

**6. Dividend or distribution reinvestment plan details**

Not applicable

**7. Details of associates and joint venture entities**

Name	Ownership interest %	
	Current period	Previous corresponding period
Folkestone (Bayside) Pty Ltd	20%	20%
Folkestone Docklands Unit Trust	50%	50%

**8. Applicable accounting standards for foreign entities**

Not applicable

**9. Statement if accounts are subject to audit dispute or qualification**

The half-year report has been subject to review, and is not subject to audit dispute or qualification.

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**Folkestone Limited**  
**ABN 21 004 715 226**

**Half Year Report**  
**31 December 2009**

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# Folkestone Limited

## Directors' Report

### For the half-year ended 31 December 2009

The directors' present their report together with the financial report of Folkestone Limited ('the Company') and of the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2009 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### Directors

The following persons were directors of Folkestone Limited during the whole of the half-year and up to the date of this report:

- ATL Maitland (*BCom, FAICD, FAIM, SF Fin*) (Chairman)
- O Guglielmi (*BBus, CPA*) (Managing Director & Chief Executive Officer)
- MW Parkinson *CBE (MA, MBA (Stanford), FAICD)*
- KH Denning *AM, JP (BEc, AAPI (Val), AAIB)*

#### Financial Results

The net loss after tax for the six months ending 31 December 2009 is \$900 thousand compared to a net loss after tax of \$181 thousand in the corresponding period in 2008.

The result for the half year has been impacted by a provision made against the carrying value of inventory relating to our project at 300 Millers Road Altona. The amount of the write-down for the period represents the development and holding costs incurred since 30 June 2009 and hence the book value of the project after the write-down has been retained at the same value that it was at 30 June 2009. The value at 30 June 2009 was determined with reference to an independent valuation.

During the period Folkestone exited its equity investment in Access Constructions and the result includes an after tax loss of \$66 thousand from the construction division which is presented as a loss from discontinued operations.

#### Capital Raising

On 26 August 2009, Folkestone announced a 2 for 1 renounceable rights offer to shareholders at an issue price of 15 cents per share. The equity raising was completed on 8 October 2009 and resulted in 54,666,667 new ordinary shares being issued, increasing the total shares on issue to 86,468,024. The equity raising resulted in cash proceeds of \$8.2m. Costs associated with the equity raising were \$0.681m, resulting in net cash proceeds of \$7.519m.

#### Cash Position

The company has adequate cash reserves, credit facilities and future anticipated cash inflows to fund overheads, development projects and committed expenditure on future acquisitions.

#### Asset Backing

Net tangible asset backing was 33 cents per share at 31 December 2009 compared with 68 cents at 30 June 2009.

#### REVIEW OF OPERATIONS

##### 135, 225 & 285 Donnybrook Rd, Mickleham

In December 2006 Folkestone acquired 320 hectares of future industrial land at 135, 225 & 285 Donnybrook Rd, Mickleham in a 20:80 joint venture with the AMP Capital Investors' managed Select Property Portfolio Number 2 Fund ("SPP No:2"). Folkestone is the development manager for the joint venture. Located within the Urban Growth Boundary, the land enjoys excellent links to Melbourne's road transport infrastructure in particular the Hume Highway and Craigieburn bypass.

## **Folkestone Limited**

### **Directors' Report**

### **For the half-year ended 31 December 2009**

The land was rezoned in December 2008 from farmland to Business 1 and 3 which will enable the land to be developed for employment uses. The earlier than expected rezoning of the land is a response by the local and state government authorities to the lack of appropriately zoned employment land in the northern growth corridor of Melbourne.

The joint venture is continuing with works to bring infrastructure services to the site. Settlement and the final land payment to the Vendor will take place in December 2010. Folkestone's component of this payment is approximately \$12m.

#### **169 Noone Street, Clifton Hill**

In June 2007 Folkestone acquired a 1.13 hectare parcel of land at 169 Noone Street in the inner Melbourne suburb of Clifton Hill in a 50:50 joint venture with SPP No: 2. Folkestone is the development manager for the joint venture. The development, known as The Terraces Clifton Hill, is a 103 residential dwelling project comprising 58 townhouses and 45 apartments.

Pre-sales totaling \$44.988 million have been signed to date which includes the sale of the Stage 6 townhouse site, comprising 16 lots, as a super lot. The pre-sales represent 83% of the total estimated revenue for the project.

The debt facility has been re-financed with St George Bank during the current period and now runs until March 2011.

Based upon the current construction timetable, it is still anticipated that settlements will commence in the last quarter of the 2010 financial year.

#### **300 Millers Road, Altona**

In December 2007, Folkestone acquired a 15 hectare parcel of land at 300 Millers Road in Altona in a 50:50 joint venture with SPP No: 2. Folkestone has been appointed development manager by the joint venture. This site is zoned Industrial 3 and is located approximately 11km from the Melbourne CBD and 2.5km from the Westgate Freeway and Western Ring Road.

As disclosed at the Annual General Meeting, the site was put to the market late last year via an Expression of Interest Campaign run by Colliers International and CB Richard Ellis. The property is currently under due diligence with one party from the EOI campaign which will conclude in the first quarter of the 2010 calendar year.

The debt facility has been re-financed with St George Bank during the current period and now runs until November 2010.

#### **"Parcel B" - toyotagreen Business Park, Port Melbourne**

Parcel B is a joint venture between Folkestone, MAB Corporation and Goodman International and forms part of the toyotagreen Business Park. Since last reporting date, the joint venture partners have agreed to terminate the Development Agreement as a result of the final stage of the development being postponed indefinitely due to the current volatility of the financial and property markets.

#### **Hume Central, Broadmeadows**

Recently, Broadmeadows has been designated a Central Activities District (CAD). It received over \$80m in the State Budget handed down in May 2009 to fund a number of initiatives for the district.

One such initiative is the delivery of a government services building within the vicinity of the Broadmeadows Railway Station. Having been appointed by Hume City Council as preferred developer for the Hume Central precinct, Folkestone submitted a tender on this 10,800sqm government requirement and has been notified that it has been shortlisted in conjunction with one other party. As outlined at the Annual General Meeting, if successful with the

**Folkestone Limited**  
**Directors' Report**  
**For the half-year ended 31 December 2009**

tender, Folkestone's role in this project will be as a development manager for which it will be paid a fee. Folkestone will not be investing capital in this project.

**Construction division**

As reported in the Annual Report, Folkestone exited its equity investment in the Access Constructions business by way of a Management Buy Out with effect from 1 July 2009. The current period after tax loss of \$0.066m from the construction division reflects defect rectification costs on past projects and ongoing insurance and rental obligations.

**Outlook**

In response to the changing market conditions, Folkestone announced in August 2009 a change in strategic direction simultaneously with a 2 for 1 renounceable rights issue.

The first stage of the strategy relates to the orderly sell through of existing projects in a manner and within a timeframe that will maximise shareholders investment. The Board and Management are focused on this strategy and remain committed to meeting the stated timeframe of December 2011 to complete this process.

The second stage of the new strategy is to pursue a transition to a mid-scale, lowly geared property company which provides shareholders with reliable and transparent earnings and distributions. Folkestone has been active in identifying and assessing such opportunities and will continue to benchmark these transactions against a return of capital through the realisation strategy.

As previously stated, the key economic factor impacting Folkestone's business has been the availability and cost of debt and other capital for development projects. Over the last six months, Folkestone undertook a capital raising and was able to secure facility rollovers for two of its projects with St George Bank which has provided the necessary stability to pursue the orderly realisation of development assets and Folkestone is well positioned to achieve incremental returns should the industrial and commercial property markets improve as the realisation process is completed.

**ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS**

The economic entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 4 of the half-year financial report.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



ATL Maitland  
Chairman



O Guglielmi  
Managing Director & Chief Executive Officer

Melbourne  
10 February 2010

The Board of Directors  
Folkestone Limited  
Suite 8, 14 Lionel Road  
Mount Waverley VIC 3149

10 February 2010

Dear Board Members,

**Folkestone Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Folkestone Limited.

As lead audit partner for the review of the financial statements of Folkestone Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU

  
Craig Bryan  
Partner  
Chartered Accountants

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## Independent Auditor's Review Report to the members of Folkestone Limited

We have reviewed the accompanying half-year financial report of Folkestone Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of cashflows, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 17.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 Interim and Other Financial Reports 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 half-year 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 2009 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 Folkestone Limited, 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.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## *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 Folkestone Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Craig Bryan  
Partner  
Chartered Accountants

Melbourne, 10 February 2010

**Folkestone Limited**  
**Directors' Declaration**  
**For the half-year ended 31 December 2009**

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



**ATL Maitland**  
Director

Melbourne  
10 February 2010



**O Guglielmi**  
Director

**Folkestone Limited**  
**Condensed consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2009**

	Consolidated	
	Half-year ended 31 December 2009 \$000	Half-year ended 31 December 2008 \$000
<i>Continuing operations:</i>		
Revenue	295	15,798
Development expenses	-	(13,700)
Employee benefits expense	(682)	(1,015)
Changes in inventories of finished goods and work in progress	(410)	(3,754)
Depreciation and amortisation expense	(20)	(8)
Rental expense on operating leases	(131)	(82)
Other expenses	(227)	(220)
Finance costs	(2)	(27)
Loss before income tax	(1,177)	(3,008)
Income tax credit	333	873
Loss for the half-year from continuing operations	(844)	(2,135)
<i>Discontinued operations:</i>		
(Loss)/profit from discontinued operations	(66)	1,852
Loss for the half year	(910)	(283)
<b>Total comprehensive income</b>	<b>(910)</b>	<b>(283)</b>
Attributable to:		
Non-controlling interests	(10)	(102)
Owners of the parent	(900)	(181)
	<b>(910)</b>	<b>(283)</b>
<b>Earnings per share</b>		
From continuing and discontinued operations:		
Basic earnings per share (cents per share)	(1.58)	(0.58)
Diluted earnings per share (cents per share)	(1.58)	(0.58)
From continuing operations:		
Basic earnings per share (cents per share)	(1.46)	(6.50)
Diluted earnings per share (cents per share)	(1.46)	(6.50)

The above condensed consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 12 to 17.

**Folkestone Limited**  
**Condensed consolidated statement of financial position**  
**as at 31 December 2009**

	Consolidated	
	31 December 2009	30 June 2009
	\$000	\$000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	12,513	8,707
Trade and other receivables	96	1,001
Inventories	20,468	18,333
Current tax assets	882	482
Other current assets	23	15
<b>TOTAL CURRENT ASSETS</b>	<b>33,982</b>	<b>28,538</b>
<b>NON-CURRENT ASSETS</b>		
Shares in associated entities	3,074	2,826
Property, plant and equipment	20	40
Deferred tax assets	1,042	865
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,136</b>	<b>3,731</b>
<b>TOTAL ASSETS</b>	<b>38,118</b>	<b>32,269</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	762	2,050
Short-term borrowings	8,537	8,161
Short-term provisions	79	198
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,378</b>	<b>10,409</b>
<b>TOTAL LIABILITIES</b>	<b>9,378</b>	<b>10,409</b>
<b>NET ASSETS</b>	<b>28,740</b>	<b>21,860</b>
<b>EQUITY</b>		
Issued capital	27,049	19,326
Reserves	412	345
Retained earnings	897	1,797
Parent interest	28,358	21,468
Minority interest	382	392
<b>TOTAL EQUITY</b>	<b>28,740</b>	<b>21,860</b>

The above condensed consolidated statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 12 to 17.

**Folkestone Limited**  
**Condensed consolidated statement of changes in equity**  
**For the half-year ended 31 December 2009**

	Issued Capital	Retained Earnings	Reserves	Attributable to holders of the parent	Minority Interest	Total
CONSOLIDATED	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2008</b>	19,115	6,584	219	25,918	618	26,536
Profit for the period	-	(181)	-	(181)	(102)	(283)
Total comprehensive income	-	(181)	-	(181)	(102)	(283)
Issue of share capital – Dividend Reinvestment Plan	211	-	-	211	-	211
Issue of performance rights	-	-	98	98	-	98
Dividends paid (note 5)	-	(1,091)	-	(1,091)	(3)	(1,094)
<b>Balance at 31 December 2008</b>	<b>19,326</b>	<b>5,312</b>	<b>317</b>	<b>24,955</b>	<b>513</b>	<b>25,468</b>
<b>Balance at 1 July 2009</b>	<b>19,326</b>	<b>1,797</b>	<b>345</b>	<b>21,468</b>	<b>392</b>	<b>21,860</b>
(Loss)/profit for the period	-	(900)	-	(900)	(10)	(910)
Total comprehensive income	-	(900)	-	(900)	(10)	(910)
Issue of share capital – equity raising (note 6)	8,200	-	-	8,200	-	8,200
Share issue costs (note 6)	(681)	-	-	(681)	-	(681)
Related income tax benefit (note 6)	204	-	-	204	-	204
Issue of performance rights	-	-	67	67	-	67
<b>Balance at 31 December 2009</b>	<b>27,049</b>	<b>897</b>	<b>412</b>	<b>28,358</b>	<b>382</b>	<b>28,740</b>

The above condensed consolidated statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 12 to 17.

**Folkestone Limited**  
**Condensed consolidated cash flow statement**  
**For the half-year ended 31 December 2009**

	Consolidated	
	Half-year ended 31 December 2009 \$000	Half-year ended 31 December 2008 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,132	47,566
Payments to suppliers and employees	(5,151)	(34,725)
Interest received	192	260
Finance costs	(2)	(28)
Income tax paid	(12)	(2,499)
Net cash provided by (used in) operating activities	<u>(3,841)</u>	<u>10,574</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(8)
Proceeds from sale of property, plant and equipment	-	5
Payment for investment in associate	(248)	(440)
Net cash used in investing activities	<u>(248)</u>	<u>(443)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	1,787	7,856
Repayment of borrowings	(1,411)	(8,248)
Dividends paid to members of the parent entity	-	(1,091)
Proceeds from issue of shares	7,519	211
Net cash provided by (used in) financing activities	<u>7,895</u>	<u>(1,272)</u>
Net increase (decrease) in cash held	<u>3,806</u>	<u>8,859</u>
Cash and cash equivalents at beginning of the period	<u>8,707</u>	<u>4,756</u>
Cash and cash equivalents at end of the period	<u>12,513</u>	<u>13,615</u>

The above condensed consolidated cash flow statement is to be read in conjunction with the notes of the financial statements set out on pages 12 to 17.

**Folkestone Limited**  
**Notes to the condensed consolidated financial statements**  
**For the half-year ended 31 December 2009**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting." The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

**Basis of Preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009.

**Adoption of new and revised Accounting Standards**

In the current year, the company and the Group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the company's and the Group's accounting policies, but has resulted in changes to the company and Group's presentation of, or disclosure in the following areas:

- Presentation of the financial statements - as a consequence of the adoption of AASB 101 Presentation of Financial Statements (2007) and its associated amending standards, the company no longer presents an income statement, cash flow statement and balance sheet but presents in lieu thereof a statement of comprehensive income, statement of cash flows and a statement of financial position.
- Information about the company's operation segments – the adoption of AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 has not resulted in any amendments to the reportable segments of the Group as its sole reportable segment is Property Development.

**Folkestone Limited**  
**Notes to the condensed consolidated financial statements**  
**For the half-year ended 31 December 2009**

**NOTE 2: DISCONTINUED OPERATIONS**

**Sale of Access Constructions**

As disclosed in the 2009 Annual Report, Folkestone has exited its equity investment in the Access Constructions business. This was executed by way of a Management Buy Out signed on 19 August 2009 but with effect from 1 July 2009. The net effect of the sale of the business including the write-off of goodwill was \$2.255m against book value. This was reflected in the financial statements for the year ended 30 June 2009.

The results of the discontinued operations which are included in the statement of comprehensive income for the period ended 31 December 2009 are as follows:

	<b>31 Dec 2009</b>	31 Dec 2008
	<b>\$000</b>	\$000
<b>(Loss)/profit from discontinued operations</b>		
Revenue	149	33,471
Expenses	(244)	(30,825)
(Loss)/profit before tax	(95)	2,646
Income tax credit/(expense)	29	(794)
Net (loss)/profit from discontinued operations after income tax	<u>(66)</u>	<u>1,852</u>

**Folkestone Limited**  
**Notes to the condensed consolidated financial statements**  
**For the half-year ended 31 December 2009**

**NOTE 3: SEGMENT REPORTING**

**Business Segments**

The economic entity's sole reportable segment under AASB 8 is Property Development.

In prior periods, the economic entity also operated a Construction division which was reported as a separate segment under AASB 114. That operation was discontinued with effect from 1 July 2009 (see Note 2).

	Revenue		Segment Profit	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
	\$000	\$000	\$000	\$000
<b>Continuing operations</b>				
Property development	295	15,798	(115)	(1,656)
	<u>295</u>	<u>15,798</u>	<u>(115)</u>	<u>(1,656)</u>
Administration costs			(1,062)	(1,352)
Loss before tax			<u>(1,177)</u>	<u>(3,008)</u>
<b>Discontinued operations</b>				
Construction	149	33,471	(30)	5,321
	<u>149</u>	<u>33,471</u>	<u>(30)</u>	<u>5,321</u>
Administration costs			(65)	(2,675)
(Loss)/profit before income tax			<u>(95)</u>	<u>2,646</u>
Income tax benefit (continuing and discontinued operations)			362	79
Consolidated segment revenue and profit for the period	<u>444</u>	<u>49,269</u>	<u>(910)</u>	<u>(283)</u>

**NOTE 4: RESULTS FOR THE PERIOD**

The result for the half year has been impacted by a provision made against the carrying value of inventory relating to our project at 300 Millers Road Altona. The amount of the write-down for the period represents the development and holding costs incurred since 30 June 2009 and hence the book value of the project after the write-down has been retained at the same value that it was at 30 June 2009. The value at 30 June 2009 was determined with reference to an independent valuation.

**Folkestone Limited**  
**Notes to the condensed consolidated financial statements**  
**For the half-year ended 31 December 2009**

**NOTE 5: DIVIDENDS**

	Half-Year ended 31 December	
	2009 \$000	2008 \$000
<b>Recognised amounts</b>		
Dividends paid		
Nil final dividend for the year ended 30 June 2009 (2008: 3.5 cents per share paid on 1 October 2008)	-	1,091
	-	1,091
	-	1,091

**Dividends not recognised at the end of the half-year**

The directors have not recommended payment of an interim dividend since the end of the half-year.

**NOTE 6: ISSUED CAPITAL**

	Half-year ended 31 December 2009		Half-year ended 31 December 2008	
	Shares	\$000	Shares	\$000
Opening balance of equity securities	31,438,857	19,326	30,957,195	18,934
Shares issued during the year				
- Issue of Performance Rights	362,500	-	-	-
- Equity raising (a)	54,666,667	8,200	-	-
Less: share issue costs	-	(681)	-	-
Add: related income tax benefit	-	204	-	-
- Dividend reinvestment plan	-	-	481,662	392
<b>At reporting date</b>	<b>86,468,024</b>	<b>27,049</b>	31,438,857	19,326

(a) On 26 August 2009, Folkestone announced a 2 for 1 renounceable rights offer to shareholders at an issue price of 15 cents per share, which represented a discount of approximately 45% to the closing price on 25 August 2009. The equity raising was completed on 8 October 2009 and resulted in 54,666,667 new ordinary shares being issued, resulting in cash proceeds of \$8.2m. Costs associated with the equity raising were \$0.681m, resulting in net cash proceeds of \$7.519m.

**NOTE 7: CONTINGENT LIABILITIES**

- a) Folkestone Limited has guaranteed the performance of certain controlled and related entities in relation to development agreements. These include:
- Folkestone (Bayside) Pty Ltd - Folkestone Limited owns 20% of the share capital of Folkestone (Bayside) Pty Ltd and has provided a guarantee in favour of Capital Finance Australia Limited in relation to a loan facility for \$43.250m (drawn \$29.091m) for the acquisition of 135, 225 & 285 Donnybrook Rd, Mickleham. The loan facility has a maturity date of 21 December 2011 which may be extended by mutual agreement. The

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guarantee provided is several from the other shareholder of Folkestone (Bayside) Pty Ltd and is limited to 20% of the loan facility only.

- Lionel Road (Vic) Pty Ltd (formerly Access Constructions Pty Ltd) - Folkestone Limited has provided a parent company guarantee in favour of ING Industrial Custodian Pty Ltd in relation to the due and punctual performance by Lionel Road (Vic) Pty Ltd of its obligations under the design and construct contracts with ING Industrial Custodian Pty Ltd for the following project:
  - Stramit : Office & Factory Development, Rear 1464 Ferntree Gully Road, Knoxfield (construction completed, defects liability period expires 26 February 2010)
- Bertie Bridge Pty Ltd – Folkestone Limited owns 75% of the share capital in Bertie Bridge Pty Ltd. Folkestone Limited has provided a several guarantee in favour of Trust Company of Australia Limited in relation to the due and punctual performance by Bertie Bridge Pty Ltd of its obligations under the Development Agreement for Toyota Business Park (Parcel B). Subsequent to reporting date, the Development Agreement has been terminated.
- Noone St Clifton Hill Pty Ltd - Folkestone Limited holds 50% of the share capital in Noone St Clifton Hill Pty Ltd. Folkestone Limited has provided a guarantee in favour of St George Bank in relation to a loan facility for \$25.630m (drawn to 31 December 2009: \$8.074m) for the development of 169 Noone Street, Clifton Hill. The loan facility runs to March 2011. As part of the security for the facility, Folkestone Limited has provided St George Bank with an unlimited guarantee and indemnity for 100% of the loan. Folkestone’s joint venture partner, SPP No 2, has provided a limited undertaking of \$2.25m to Folkestone Limited in respect of the guarantee and indemnity provided to St George Bank
- Millers Road (Altona) Pty Ltd - Folkestone Limited holds 50% of the share capital in Millers Road (Altona) Pty Ltd. Folkestone Limited has provided a guarantee in favour of St George Bank in relation to a loan facility for \$9.0m (drawn to 31 December 2009: \$9.0m) for the development of 300 Millers Road, Altona. The loan facility runs to November 2010. As part of the security for the facility, Folkestone Limited has provided St George Bank with an unlimited guarantee and indemnity for 100% of the loan. Folkestone’s joint venture partner, SPP No 2, has provided a limited undertaking of \$4.5m to Folkestone Limited in respect of the guarantee and indemnity provided to St George Bank

b) Lionel Road (Vic) Pty Ltd (formerly Access Constructions Pty Ltd) has a surety bond facility with QBE Insurance. As at balance date, QBE had issued \$0.5m in surety bonds to clients of Lionel Road (Vic) Pty Ltd. The \$0.5m in surety bonds are scheduled to expire on 31 May 2010, after which time the surety bond facility will be closed.

The maximum bond value for any one contract must not exceed 50% of the facility limit and the maximum term of each bond is 24 months plus 12 months maintenance.

The following entities within the Folkestone consolidated group have provided a Deed of Indemnity of Guarantee securing the performance of Lionel Road (Vic) Pty Ltd under the surety bond facility with QBE:

Lionel Road (Vic) Pty Ltd	Folkestone Freeholds Pty Ltd
Folkestone Developments Pty Ltd	Folkestone Project Management Pty Ltd
Fenchurch Pty Ltd	Folkestone (EMT) Pty Ltd in its own right and as trustee for the Folkestone East Melbourne Trust
Folkestone (PMD) Pty Ltd	Ceres House Pty Ltd
Folkestone Limited	
Sorrento (Vic) Pty Ltd	

Each of the above contingent liabilities have been reviewed to determine whether they meet the definition of a financial guarantee contract as defined under AASB 139. The company has determined that there is no value attributable to the

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financial guarantees disclosed in this note. In assessing the liability arising from the financial guarantee contracts, the following have been considered:

- probability of default under the terms of the facility agreement to which the financial guarantee contract relates
- past history of claims on financial guarantee contracts that the company has provided
- other securities that the bank holds in addition to the financial guarantee contracts
- value of primary asset securing the obligation to which the financial guarantee contract relates

No material losses are anticipated in respect of any of the above contingent liabilities.

At the date of this report, the directors are not aware of any liability in relation to the guarantees mentioned above that has not been provided for in the financial statements.

Based upon these criteria, the director's have assessed that the liability arising from the financial guarantee contracts is \$nil.

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