

Appendix 4D

Half-Year Report For the half-year ended 31 December 2011

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

Current period: 1 July 2011 to 31 December 2011
Prior corresponding period: 1 July 2010 to 31 December 2010

2. Results for announcement to the market

Key Information				\$A'000 Current period	\$A'000 Previous corresponding period	
2.1	Revenues from ordinary activities	Up	66%	To	\$10,741	\$6,490
2.2	Profit (loss) from ordinary activities after tax attributable to members	Up	107%	To	\$711	\$(10,160)
2.3	Net profit (loss) for the period attributable to members	Up	107%	To	\$711	\$(10,160)

2.4 Dividends

The Board has resolved not to pay an interim dividend in respect of the half-year ended 31 December 2011 and no final dividend was paid for the year ended 30 June 2011.

2.5 Record date for determining entitlement to dividends

Not applicable

2.6 Brief explanation of the figures reported above

The net profit after tax for the six months ending 31 December 2011 is \$0.7 million compared to a net loss after tax of \$10.2 million in the corresponding period in 2010.

The result includes the following material items:

- \$1.1 million in development profits from the Noone St Clifton Hill project; and
- A \$0.8 million reversal of prior period impairment writedowns made against the carrying value of Folkestone's 20% interest in the Donnybrook Road, Mickleham asset. This has been made with reference to the most recent external valuation of the asset prepared for the re-financing of the senior debt facility in December 2011. The \$0.8 million is reflected in the condensed consolidated statement of comprehensive income as an \$8 million reversal of a prior period impairment in associated entities and the recognition of the share of net losses of associated entities of \$7.2 million in the current period.

Last year's half year result included \$9.7 million of non-cash provision items relating to the impairment of carrying values of interests in current development projects.

Please refer to the attached Half-Year Report for further information

Folkestone

3. Net tangible asset backing per ordinary security

Security	Current period	Previous corresponding period
Ordinary shares	12c	17c

Shares on issue at reporting date	Current period	Previous corresponding period
Ordinary shares	370,836,124	99,699,228

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%
Greenvalley Asset Property Trust	25%	-

8. Applicable accounting standards for foreign entities

Not applicable

9. Statement if accounts are subject to modified opinion, emphasis of matter or other matter paragraph

The half-year report has been subject to review, and is not subject to review with a modified opinion, emphasis of matter or other matter paragraph.

Folkestone Limited
ABN 21 004 715 226

Half Year Report
31 December 2011

Folkestone Limited
Directors' Report
For the half-year ended 31 December 2011

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Folkestone Limited

Directors' Report

For the half-year ended 31 December 2011

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 2011 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:

- ❑ Gregory J Paramor (FAPI, FAICD, FRICS)
- ❑ A Hugh Gurner (BA, FAICD)
- ❑ K Ross Strang (LLB (HONS), MAICD)
- ❑ Garry R Sladden (B.Bus, CPA, FINSA)

FINANCIAL RESULTS

The net profit after tax for the six months ending 31 December 2011 is \$0.7 million compared to a net loss after tax of \$10.2 million in the corresponding period in 2010.

The result includes the following material items:

- \$1.1 million in development profits from the Noone St Clifton Hill project; and
- A \$0.8 million reversal of prior period impairment writedowns made against the carrying value of Folkestone's 20% interest in the Donnybrook Road, Mickleham asset. This has been made with reference to the most recent external valuation of the asset prepared for the re-financing of the senior debt facility in December 2011. The \$0.8 million is reflected in the condensed consolidated statement of comprehensive income as an \$8 million reversal of a prior period impairment in associated entities and the recognition of the share of net losses of associated entities of \$7.2 million in the current period.

Last year's half year result included \$9.7 million of non-cash expenses relating to the impairment of the carrying values of interests in current development projects.

ASSET BACKING

Net tangible asset backing was 12.1 cents per share at 31 December 2011 compared with 11.9 cents per share at 30 June 2011.

FINANCIAL & CASH POSITION

Folkestone is in full compliance with all of its debt facilities and has sufficient liquidity to fulfil all of its commitments.

- The finance facility with Bank of Melbourne/St George Bank in respect of the project at 300 Millers Road, Altona North was extended during the current reporting period and expires on 30 November 2012.
- The finance facility with Capital Finance (Australia) Limited in respect of the project at Donnybrook Road, Mickleham was successfully re-financed with Commonwealth Bank on 20 December 2011, for a three year term which expires on 20 December 2014. The re-finance of the facility required the joint venture to inject \$15.3 million of further equity into the project. Folkestone's contribution for its 20% interest was \$3.1 million which brings Folkestone's total equity in this project at 31 December 2011 to \$10.0 million.
- The finance facility in respect of the project at Noone Street Clifton Hill was extended to 29 February 2012 during the current reporting period. Subsequent to the end of the half year, this facility was fully repaid on 5 January 2012 out of the settlement of the Stage 5 townhouses and apartments.

Folkestone Limited

Directors' Report

For the half-year ended 31 December 2011

- In respect of the project at Karratha, the joint venture has recently executed a facility offer with its lender for a construction facility for Stage 1a which expires on 28 February 2013.

SHARE BUYBACK

The share buyback was launched on 30 January 2012 consistent with the announcement made on 22 December 2011. The Company can buy back up to 9,969,923 shares without obtaining shareholder approval.

The Board is committed to actively managing Folkestone's capital and believes the buyback provides the opportunity to repurchase shares at attractive levels which will be value accretive to Folkestone shareholders.

The Board will continue to assess the merits of this capital management initiative given that the Company has in excess of \$20.0 million in cash on its balance sheet and no corporate debt. The Company reserves the right to suspend or terminate the share buyback program at any time and to buyback less than 9,969,923 shares.

REVIEW OF OPERATIONS

Donnybrook Road, Mickleham

Donnybrook Road, Mickleham was acquired in December 2006 and is a 320 hectare site in Melbourne's northern corridor adjacent to the Hume Highway, approximately 32 kilometres north of the Melbourne CBD.

The joint venture successfully secured a land rezoning in December 2008 from farmland to "Business 1 and 3" and the site is now suitable for industrial and employment uses and forms part of a designated future employment precinct within the Hume City Council Growth Area Plan.

Despite difficult market conditions, the joint venture successfully refinanced the senior debt facility for this property with Commonwealth Bank of Australia on 20 December 2011 for a three year term which expires on 20 December 2014.

The joint venture has determined a new masterplan for the site which has appeared in the recently exhibited Corridor Plan. A rezoning application has been submitted to Hume City Council detailing approximately 60 hectares of residential land. Should approval be forthcoming it is expected to significantly enhance Folkestone's 20.0 per cent share of this project.

Noone Street, Clifton Hill

Noone Street, Clifton Hill was acquired in June 2007 and is a 1.13 hectare parcel of land with a residential development approval. The development, known as The Terraces, Clifton Hill, originally comprised 103 dwellings prior to the sale of part of Stage 6 as a superlot.

The last remaining unsold townhouse was sold in November 2011. To date 66 of the 87 dwellings (76.0 per cent) have settled. The balance of 21 dwellings (24.0 per cent) are on track for completion and settlement as forecast in the first quarter of the 2012 calendar year. The senior debt facility, having recently been extended to 29 February 2012, was repaid in full on 5 January 2012. It is expected that cash proceeds to Folkestone from the project will be approximately \$9.0 million over the current financial year.

Millers Road, Altona North

Millers Road, Altona North was acquired in December 2007 and is a 13.9 hectare parcel of "Industrial 3" zoned land, located approximately 13 kilometres from the Melbourne CBD and 2.5 kilometres from the Westgate Freeway and Western Ring Road.

Folkestone Limited

Directors' Report

For the half-year ended 31 December 2011

After a strategic review of the site, agreement was reached with Folkestone's joint venture partner, AMP Capital Investors, to commence construction of an internal road and progress the subdivision process to significantly improve access to the land and provide a catalyst to attract tenant commitments.

Civil works have commenced to create up to three serviced super-lots and to provide significantly improved access to the site. As a result, tenant enquiry levels have increased with 88.0 per cent of Stage 1 space under negotiation with a range of leading bulky good businesses who wish to be located in Melbourne's western corridor.

The Ranges, Karratha

The Ranges is conveniently located 1.5 kilometres from Karratha's CBD. Folkestone's 25% interest in The Ranges is in joint venture with a consortium including real estate developers and investors who have extensive experience in developing and marketing real estate in Western Australia, including the North West of Western Australia. Karratha is the largest community in the Pilbara Region and is home to approximately 14,000 people. The Pilbara Region has a rapidly growing population due to a number of large scale natural resource projects in the region comprised mainly of mining and oil and gas operations. Continuing expansion of these operations, new projects and continued investment in infrastructure are expected to drive further economic and population growth in the Pilbara Region, which in turn will lead to increasing demand for permanent and short-term accommodation.

Stage 1 of The Ranges comprises 2.2 hectares with a "Tourism" zoning and DA approval for 108 single level, one bedroom villas with shared guest facilities, including a pool and BBQ area. The development will provide much needed short and long-term accommodation for visitors to Karratha.

As previously announced, the joint venture has sold all 41 dwellings in Stage 1a and an additional 13 dwellings from Stage 1b. A formal marketing campaign for the balance of 54 dwellings in Stage 1 is due to commence in mid 2012. Site preparation works have commenced, and the construction contract with a WA based group, whose principals have more than 25 years experience in residential and commercial construction in the Pilbara and Kimberley Regions of Western Australia, has been executed.

The joint venture has recently executed a facility offer with its lender for a construction facility for Stage 1a which expires on 28 February 2013.

PottersGrove, Princes Highway Officer

PottersGrove, Officer is a 14.1 hectare site located in the Cardinia Shire, ranked as the third fastest growing local government area in Australia in 2010. The Cardinia Urban Growth Area is in Melbourne's south-east growth corridor and was created when the State Government extended Melbourne's urban growth boundary.

PottersGrove, Officer is a 50/50 joint venture between Folkestone and Integrated Development, a Melbourne based property development company specialising in land subdivision and mixed-use development.

The joint venture received confirmation on 23 December 2011 of the ministerial approval for the rezoning of the site, and gazettal of the rezoning occurred on 12 January 2012. In accordance with the terms of the acquisition of the property by the joint venture, the settlement of the land will occur on 10 July 2012.

The contract of sale is now unconditional and as such Folkestone's 50% contribution to the acquisition of the land and associated liability is reflected in the Half Year Report. Forecast sales from the PottersGrove residential development are expected to commence settling in early 2013.

Folkestone Limited
Directors' Report
For the half-year ended 31 December 2011

OUTLOOK

Folkestone is actively looking for, and analysing, real estate and corporate opportunities and the creation of new funds in 2012 under the Company's rebranded real estate funds management business, Folkestone Funds Management.

Folkestone believes the significant upheaval in financial markets will create an increasing number of attractive opportunities in the residential and non-residential sectors during the next 12 months.

Folkestone expects to see continued volatility in local and international markets and continues to monitor the state of the domestic real estate markets closely.

Folkestone continues to be disciplined around its assessment of value and risk and is well placed to capitalise on any opportunities due to its liquid balance sheet and access to off balance sheet capital.

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

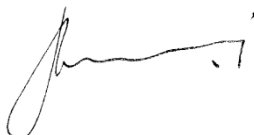
The auditor's independence declaration is included on page 5 of the half-year financial report.

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



Garry Sladden
Chairman



Greg Paramor
Director

Sydney
22 February 2012

The Board of Directors
Folkestone Limited
Level 9, 350 Collins St
MELBOURNE VIC 3000

22 February 2012

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 2011, 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



Craig Bryan
Partner
Chartered Accountants

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 condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 8 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Folkestone Limited's financial position as at 31 December 2011 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Folkestone Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 2011 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



Craig Bryan
Partner
Chartered Accountants
Melbourne, 22 February 2012

Folkestone Limited
Directors' Declaration
For the half-year ended 31 December 2011

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



Garry Sladden
Director



Greg Paramor
Director

Sydney
22 February 2012

Folkestone Limited
Condensed consolidated statement of comprehensive income
For the half-year ended 31 December 2011

	Note	Consolidated	
		Half-year ended 31 December 2011 \$000	Half-year ended 31 December 2010 \$000
<i>Continuing operations:</i>			
Revenue		9,978	6,148
Development expenses		(8,802)	(5,946)
Other revenue		763	342
Employee benefits expense		(1,290)	(539)
Impairment of inventories		-	(2,282)
Consultants expense		(62)	(186)
Depreciation and amortisation expense		(59)	(3)
Rental expense on operating leases		(45)	(16)
Other expenses		(515)	(295)
Share of net loss of associated entities		(7,222)	-
Reversal of impairment/(Impairment) of interest held in associated entities		8,015	(7,394)
Finance costs		(5)	(2)
Profit/(loss) before income tax		756	(10,173)
Income tax (expense)/credit		-	-
Profit/(loss) for the half-year from continuing operations		756	(10,173)
<i>Discontinued operations:</i>			
Profit/ (loss) from discontinued operations	2	(45)	14
Profit/(loss) for the half year		711	(10,159)
Total comprehensive income/(expense) for the half year		711	(10,159)
Attributable to:			
Non-controlling interests		-	1
Owners of the parent		711	(10,160)
		711	(10,159)

Earnings per share

From continuing and discontinued operations:

Basic earnings per share (cents per share)	0.19	(10.19)
Diluted earnings per share (cents per share)	0.14	(10.19)

From continuing operations:

Basic earnings per share (cents per share)	0.20	(10.21)
Diluted earnings per share (cents per share)	0.15	(10.21)

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 13 to 19.

Folkestone Limited
Condensed consolidated statement of financial position
as at 31 December 2011

	Note	Consolidated	
		31 December 2011 \$000	30 June 2011 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		24,531	27,276
Trade and other receivables		10,758	336
Inventories		11,338	16,597
Other current assets		494	663
TOTAL CURRENT ASSETS		47,121	44,872
NON-CURRENT ASSETS			
Shares in associated entities	6	11,553	6,998
Property, plant and equipment		424	434
Goodwill		1,225	1,225
TOTAL NON-CURRENT ASSETS		13,202	8,657
TOTAL ASSETS		60,323	53,529
CURRENT LIABILITIES			
Trade and other payables		6,623	1,445
Current tax liabilities		-	1
Short-term borrowings		7,425	6,568
Short-term provisions		47	54
TOTAL CURRENT LIABILITIES		14,095	8,068
NON-CURRENT LIABILITIES			
Long term provisions		59	40
TOTAL NON-CURRENT LIABILITIES		59	40
TOTAL LIABILITIES		14,154	8,108
NET ASSETS		46,169	45,421
EQUITY			
Issued capital	5	58,970	58,970
Reserves		406	369
Accumulated losses		(13,208)	(13,919)
Parent interest		46,168	45,420
Minority interest		1	1
TOTAL EQUITY		46,169	45,421

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 13 to 19.

Folkestone Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2011

	Issued Capital	Retained Earnings	Reserves	Attributable to holders of the parent	Minority Interest	Total
CONSOLIDATED	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2010	28,271	(1,698)	383	26,956	35	26,991
Loss for the period	-	(10,160)	-	(10,160)	1	(10,159)
Total comprehensive income	-	(10,160)	-	(10,160)	1	(10,159)
Balance at 31 December 2010	28,271	(11,858)	383	16,796	36	16,832
Balance at 1 July 2011	58,970	(13,919)	369	45,420	1	45,421
Profit for the period	-	711	-	711	-	711
Total comprehensive income	-	711	-	711	-	711
Issue of performance rights	-	-	37	37	-	37
Balance at 31 December 2011	58,970	(13,208)	406	46,168	1	46,169

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 13 to 19.

Folkestone Limited
Condensed consolidated cash flow statement
For the half-year ended 31 December 2011

	Consolidated	
	Half-year ended	Half-year ended
	31 December 2011	31 December 2010
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,641	5,975
Payments to suppliers and employees	(5,961)	(4,765)
Interest received	669	336
Finance costs	(5)	(2)
Interest and line fees capitalised to property developments included in inventory	(287)	(219)
Income tax paid	(1)	(3)
Net cash provided by/(used in) operating activities	<u>1,056</u>	<u>1,322</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(49)	-
Payment for investment in associate	(3,762)	(9,635)
Net cash used in investing activities	<u>(3,811)</u>	<u>(9,635)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,023	2,872
Repayment of borrowings	(2,166)	(8,038)
Advances of preferred equity loans	(847)	-
Net cash provided by/(used in) financing activities	<u>10</u>	<u>(5,166)</u>
Net (decrease)/ increase in cash held	<u>(2,745)</u>	<u>(13,479)</u>
Cash and cash equivalents at beginning of the period	<u>27,276</u>	<u>15,648</u>
Cash and cash equivalents at end of the period	<u>24,531</u>	<u>2,169</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 13 to 19.

Folkestone Limited

Notes to the condensed consolidated financial statements

For the half-year ended 31 December 2011

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 2011 annual financial report for the financial year ended 30 June 2011.

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

Folkestone Limited
Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2011

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012	30 June 2013
<i>AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	1 July 2012 with early adoption permitted	30 June 2013
<i>AASB 2011-3 ‘Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments’</i>	1 July 2012 with early adoption permitted	30 June 2013
<i>AASB 2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	1 July 2012	30 June 2013
<i>AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	30 June 2014
<i>AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2013	30 June 2014
<i>AASB 10 Consolidated Financial Statements</i>	1 January 2013	30 June 2014
<i>AASB 11 Joint Arrangements</i>	1 January 2013	30 June 2014
<i>AASB 12 Disclosure of Interests in Other Entities</i>	1 January 2013	30 June 2014
<i>AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13</i>	1 January 2013	30 June 2014
<i>AASB 127 Separate Financial Statements (2011)</i>	1 January 2013	30 June 2014
<i>AASB 128 Investments in Associates and Joint Ventures (2011)</i>	1 January 2013	30 June 2014
<i>AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards</i>	1 January 2013	30 June 2014
<i>AASB 2011-4 ‘Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements’</i>	1 July 2013	30 June 2014
<i>AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012	30 June 2013

Folkestone Limited
Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2011

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 results of the discontinued operations which are included in the statement of comprehensive income for the period ended 31 December 2011 are as follows:

	31 Dec 2011	31 Dec 2010
	\$000	\$000
Profit/(loss) from discontinued operations		
Revenue	-	47
Expenses	(45)	(33)
Profit/(loss) before tax	(45)	14
Income tax credit/(expense)	-	-
Net profit/(loss) from discontinued operations after income tax	(45)	14

Folkestone Limited
Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2011

NOTE 3: SEGMENT REPORTING

Business Segments

The economic entity's sole reportable segments under AASB 8 are Property Development and Funds Management.

In prior periods, the economic entity also operated a Construction division which was reported as a separate segment under AASB 8. That operation was discontinued with effect from 1 July 2009 (see Note 2).

	Revenue		Segment Profit	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	\$000	\$000	\$000	\$000
Continuing operations				
Property development	9,928	6,148	1,919	(9,474)
Funds management	50	-	50	-
	<u>9,978</u>	<u>6,148</u>	<u>1,969</u>	<u>(9,474)</u>
Other revenue			763	342
Administration costs			(1,976)	(1,041)
Profit/(loss before tax)			<u>756</u>	<u>(10,173)</u>
Discontinued operations				
Construction	-	47	-	47
	<u>-</u>	<u>47</u>	<u>-</u>	<u>47</u>
Administration costs			(45)	(33)
Profit/(loss) before income tax			<u>(45)</u>	<u>14</u>
Income tax benefit/(expense) (continuing and discontinued operations)			-	-
Consolidated segment revenue and profit for the period	<u>9,978</u>	<u>6,195</u>	<u>711</u>	<u>(10,159)</u>

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NOTE 4: RESULTS FOR THE PERIOD

The net profit after tax for the six months ending 31 December 2011 is \$0.7 million compared to a net loss after tax of \$10.2 million in the corresponding period in 2010.

The result includes the following material items:

- \$1.1 million in development profits from the Noone St Clifton Hill project; and
- A \$0.8 million reversal of prior period impairment writedowns made against the carrying value of Folkestone's 20% interest in the Donnybrook Road, Mickleham asset. This has been made with reference to the most recent external valuation of the asset prepared for the re-financing of the senior debt facility in December 2011. The \$0.8 million is reflected in the condensed consolidated statement of comprehensive income as an \$8 million reversal of a prior period impairment in associated entities and the recognition of the share of net losses of associated entities of \$7.2 million in the current period.

Last year's half year result included \$9.7 million of non-cash expenses relating to the impairment of the carrying values of interests in current development projects.

NOTE 5: ISSUED CAPITAL

	Half-year ended 31 December 2011		Half-year ended 31 December 2010	
	Shares	\$000	Shares	\$000
Opening balance of equity securities	370,836,124	58,970	99,438,228	28,271
Shares issued during the year				
- Issue of Performance Rights	-	-	261,000	-
At reporting date	370,836,124	58,970	99,699,228	28,271

NOTE 6: SHARES IN ASSOCIATED ENTITIES

Interests are held in the following associated entities

Name	Principal Activities	Ownership Interest		Carrying amount of investment	
		31 December 2011 %	30 June 2011 %	31 December 2011 \$000	30 June 2011 \$000
Unlisted:					
Folkestone Docklands Unit Trust	Property Development – Completed Project	80	80	10	10
Folkestone (Bayside) Pty Ltd	Property Development – Registered Owner of 135,225 & 285 Donnybrook Road Mickleham	20	20	9,981	5,421
Greenvalley Asset Property Trust	Property Development - Karratha	25	25	1,562	1,567
				11,553	6,998

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NOTE 6: SHARES IN ASSOCIATED ENTITIES (CONTINUED)

Movements during the period in equity accounted investment in associated entities

	31 December 2011	30 June 2011
	\$000	\$000
a. Movements during the period in equity accounted investment in associated entities		
Balance at beginning of the period	6,998	3,239
Add: Share of associated entity's profit after income tax	-	3
Capital issued	3,762	11,771
Reversal of provision made by consolidated entity for impairment of shares in associated entity	8,015	-
Less: Provision made by consolidated entity for impairment of shares in associated entity	-	(8,015)
Share of associated entity's loss after income tax*	(7,222)	-
Balance at end of the period	11,553	6,998

This balance comprises

Share of net assets in associated entities (b)	11,141	14,601
Provision made by consolidated entity for impairment of shares in associated entity	-	(8,015)
Consideration paid greater than reported carrying value of net assets	412	412
	11,553	6,998

* The share of associated entity's loss after income tax for the period ended 31 December 2011 includes an impairment charge of \$7.2 million against the Donnybrook Road, Mickleham asset.

b. The following is a summarised presentation of the consolidated entity's share of Aggregate Assets and Liabilities of Associates:

	31 December 2011	30 June 2011
	\$000	\$000
Current assets	18,520	24,685
Total assets	18,520	24,685
Current liabilities	7,379	10,084
Total liabilities	7,379	10,084
Net assets	11,141	14,601
(Loss)/profit after income tax of associates	(7,222)	3

Folkestone Limited

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NOTE 7: CONTINGENT LIABILITIES

- a) Folkestone Limited has guaranteed the performance of certain controlled and related entities in relation to development activities. These include:
- Noone St Clifton Hill Pty Ltd - Folkestone Limited owns 50% of the share capital in Noone St Clifton Hill Pty Ltd. Folkestone Limited had provided a guarantee in favour of Bank of Melbourne/St George Bank in relation to a loan facility for \$14.5 million (drawn to 31 December 2011: \$3.3 million) for the development of Noone Street, Clifton Hill. The loan facility was extended to 29 February 2012 during the current reporting period. As part of the security for the facility, Folkestone Limited had provided Bank of Melbourne/St George Bank with an unlimited guarantee and indemnity for 100% of the loan. Folkestone's joint venture partner, SPP No 2, had provided a limited undertaking of \$2.3 million to Folkestone Limited in respect of the guarantee and indemnity provided to Bank of Melbourne/St George Bank. Subsequent to the end of the half year, the loan was fully repaid on 5 January 2012 and as such the guarantee provided in favour of Bank of Melbourne/St George Bank and the undertaking provided by SPP No 2 to Folkestone are no longer valid.
 - Millers Road (Altona) Pty Ltd - Folkestone Limited owns 50% of the share capital in Millers Road (Altona) Pty Ltd. Folkestone Limited has provided a guarantee in favour of Bank of Melbourne/St George Bank in relation to a loan facility for \$8.3 million (drawn to 31 December 2011: \$8.3 million) for the development of 300 Millers Road, Altona. The loan facility expires on 30 November 2012. As part of the security for the facility, Folkestone Limited has provided Bank of Melbourne/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 \$4.5 million to Folkestone Limited in respect of the guarantee and indemnity provided to Bank of Melbourne/St George Bank.
 - Bertie Bridge Pty Ltd – Folkestone Limited owns 75% of the share capital in Bertie Bridge Pty Ltd. The development agreement between Folkestone Limited and Trust Company Australia Ltd was terminated on 29 January 2010 and in accordance with the Terms of the Deed of Termination Folkestone continues to provide ongoing indemnifications to Goodman, the joint venture partner in the development.

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.