

Folkestone Limited

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11 October 2007

Chairman's Address

Welcome to the 40th AGM of Folkestone Ltd and I do hope you will be able to stay for refreshments after the meeting and meet as many of the staff and directors as you are able to.

This time last year we outlined a refreshed strategy for the company and noted that with new management in place there was renewed enthusiasm to achieve sustainable growth and improved levels of performance. It is pleasing to note that considerable progress has been made in the repositioning of the company. Our record after tax profit \$4.3m certainly exceeded expectations, but it must be noted that the early sale of the industrial property in Altona, pulled expected 2008 and 2009 earnings into the year just finished. We judged it better to take the excellent price offered for this land up front. Opportunities like this arise occasionally but it is our normal expectation that land will be acquired for multi-year development. However it was also an acknowledgement by the market of the astuteness of this acquisition.

A result of the better than expected outcome for the year was a lift in the final dividend to 4 cents per share and the payment of a special dividend of 1.5 cents per share making a total return of 8.0 cents per share compared to 6.0 cents per share in the previous year.

During the year we continued to diversify our earnings stream by improving fee income, which is an important element in bringing greater stability to future reported earnings. Access Constructions put in another sound year and again demonstrated the underlying value and mutual synergies between the two companies. Folkestone is able to introduce opportunities to Access Constructions but in the very competitive environment in which they operate each job has to be won on its merits. The majority of work carried out by Access comes from their own direct marketing.

Folkestone has been able to secure significant interests in medium to longer term projects that will provide a strong future work book. The challenge of finding good projects is constantly before us, but the new management team is particularly busy assessing potential acquisitions and the number of opportunities referred for evaluation does stretch our current resources. Over the past year it has been particularly pleasing to see new joint venture partners participate in our projects and the very cooperative working arrangements with AMP Capital Investors, is appreciated.

While both equity and credit markets have been volatile in recent months following the collapse of sub prime mortgages in the United States, the outlook for the Victorian property market remains firm, despite an expectation of higher interest rates. Recognizing Folkestone's profit last year benefited from the pull through of profit expected in 2008 and 2009, the actual outcome for last year and the current year combined is expected to meet our original expectations. This means that in the absence of unforeseen circumstances the company expects to be able to maintain the current level of normal dividend payments. I now invite Oscar to address the meeting.



Alister Maitland
Chairman