

Appendix 4E

Preliminary final report

Period ending 30 June 2015

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

Current period: 1 July 2014 to 30 June 2015
 Prior corresponding period: 1 July 2013 to 30 June 2014

2. Results for announcement to the market

| Key Information | | | | | \$A'000 Current Period | \$A'000 Previous corresponding period |
|-----------------|--|-----------|------|----|------------------------------|--|
| 2.1 | Revenues from continuing operations | Up | 397% | To | 45,952 | 9,248 |
| 2.2(a) | Profit from continuing operations after tax attributable to members | Up | 123% | To | 7,017 | 3,152 |
| 2.2(b) | Profit from discontinuing operations after tax attributable to members | No change | | | - | - |
| 2.3 | Net profit for the period attributable to members | Up | 123% | To | 7,017 | 3,152 |

2.4 Dividends

The Board has resolved not to pay a dividend in respect of the year ended 30 June 2015 and no final dividend was paid for the year ended 30 June 2014. No interim dividend was paid in respect of the current or prior period.

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 attributable to members of the parent entity for the year ended 30 June 2015 was \$7.0 million compared to a net profit after tax of \$3.2 million in the prior corresponding period, a 123 per cent increase over the period. This represents basic earnings per share of 1.1 cents, compared with 0.7 cents per share for the prior corresponding period.

The current year result includes the following material items:

- \$5.9 million of recurring fee income and cost recoveries generated from funds management;
- \$3.1 million in trust distributions from Folkestone's holding in the Folkestone Education Trust (ASX: FET);



- \$3.0 million share of development profits realised to date from the West Ryde development project, net of Fund administration costs (50 per cent of which is attributable to Folkestone);
- \$1.2 million in equity raising fees generated from the Potters Northside and Truganina projects;
- \$1.1 million share of development profits from Folkestone's 50 per cent interest in the Potters Grove Officer project joint venture;
- \$1.0 million in acquisition fees and due diligence fees generated from the successful establishment of the Folkestone Truganina Development Fund and acquisitions made by the Folkestone Education Trust ("FET");
- \$0.9 million net contribution from Folkestone's Altona North project based on the completion of the Stage 1 development, sale of land to ALDI, part reversal of the impairment of the Stage 2 land (\$0.8 million) being developed in joint venture with Wilmac Properties, part reversal of the impairment of the Stage 3 land (\$1.1 million) and expensing of the sub-lease payments in relation to the lease held over the land adjoining the Stage 3 land;
- \$0.2 million disposal fee generated from the sale of the Folkestone Social Infrastructure Fund's self-storage facility;
- (\$0.7) million impairment provision against the Company's investment in the Karratha project; and
- \$2.2 million net income tax benefit resulting from the re-recognition of \$13.6 million of carried forward tax losses (\$4.1 million tax-effected) which had previously been de-recognised in prior reporting periods.

The prior period result included the following material items:

- \$5.1 million of recurring fee income and cost recoveries generated from funds management;
- \$1.2 million in acquisition fees generated from the successful completion of the equity raisings for the Altona North and Oxley real estate income funds;
- \$0.3 million disposal fee in relation to the sale of units in the Folkestone Childcare Fund to FET;
- \$0.3 million in leasing fees generated from the successful negotiation of new leases for FET;
- \$1.1 million in preferred equity interest income associated with Folkestone's direct real estate investments; and
- \$0.9 million share of development profits from Folkestone's 50 per cent interest in the Officer Project joint venture.

The net profit after tax for the consolidated group in FY15 was \$8.2 million. The consolidated group includes Folkestone West Ryde Development Fund ("Fund") even though Folkestone only owns 50 per cent of the units in the Fund. The consolidated group's net profit after tax includes a net profit after tax contribution of \$2.4 million from the Fund relating to its share of development profits recognised during the period net of fund administration costs. 50 per cent of the profit after tax from the Fund (\$1.2 million) is attributable to the other unitholders in the Fund. Therefore, Folkestone's net profit after tax after adjusting for 50 per cent of the Fund's profit is \$7.0 million.

3. Statement of Comprehensive Income

Refer to the 2015 Annual Report

4. Statement of Financial Position

Refer to the 2015 Annual Report

5. Statement of Cash Flows

Refer to the 2015 Annual Report

6. Dividend details

Not Applicable.

7. Dividend or distribution reinvestment plan details

Not applicable.

8. Statement of Changes in Equity

Refer to the 2015 Annual Report

9. Net tangible asset backing per ordinary security as at 30 June 2015

| Security | Current period | Previous corresponding period |
|-----------------|----------------|-------------------------------|
| Ordinary shares | 15.5¢ | 11.7¢ |

| Shares on issue at reporting date | Current period | Previous corresponding period |
|-----------------------------------|----------------|-------------------------------|
| Ordinary shares | 735,043,807 | 521,758,762 |

Folkestone Limited successfully completed a \$42 million Equity Raising in December 2014 which included the following components:

- Allotment of 78,756,571 shares at 20.0 cents per share by way of a share placement to institutional investors on 4 December 2014;
- Allotment of 64,863,781 shares at 20.0 cents per share on 4 December 2014 as part of the institutional component of the pro-rata 1 for 4.00 entitlement offer; and
- Allotment of 66,379,648 shares at 20.0 cents per share on 19 December 2014 as part of the retail component of the pro-rata 1 for 4.00 entitlement offer.

10. Control gained or lost over entities in the period

| | Ownership Interest | Date of gain of control |
|-------------------------------------|--------------------|-------------------------|
| Folkestone Knoxfield Pty Ltd | 100% | 19 May 2015 |
| Folkestone South Dural Pty Ltd | 100% | 28 April 2015 |
| Millers Junction Fund | 100% | 1 April 2015 |
| Folkestone Hornsby Development Fund | 100% | 15 December 2014 |

11. Details of associates and joint venture entities

| Name | Ownership interest % | |
|---------------------------------------|----------------------|-------------------------------|
| | Current period | Previous corresponding Period |
| 330 Princes Highway Pty Ltd | 50% | 50% |
| Noone St Clifton Hill Pty Ltd | 50% | 50% |
| Toga West Ryde Developments Pty Ltd | 50% | 50% |
| ID-FLK Dohertys Road Pty Ltd | 80% | 0% |
| ID-FLK Bayview Road Pty Ltd | 50% | 0% |
| Wilmac-FLK Millers Road Pty Ltd | 51% | 0% |
| Folkestone Lyon Hornsby Pty Ltd | 50% | 0% |
| Wilmac-FLK Knoxfield Pty Ltd | 50% | 0% |
| Folkestone Truganina Development Fund | 18.76% | 0% |
| Greenvalley Asset Property Trust | 25% | 25% |

12. Other information

Refer to the commentary in section 2.6.

13. Foreign entities

Not applicable.

14. Commentary on results for the financial year

Refer to the 2015 Annual Report

15. Audited report

The report is based on audited accounts. The audit opinion is unqualified.

16. Statement if Financial Report is not yet audited and likely to contain an independent audit report that is modified opinion, emphasis of matter or other matter paragraph

Not applicable as the financial report is audited and is not subject to a modified opinion, emphasis of matter or other matter paragraph.

17. Statement if Financial Report is audited and subject to modified opinion, emphasis of matter or other matter paragraph

The financial report has been audited and is not subject to a modified opinion, emphasis of matter or other matter paragraph.