



FOLKESTONE LIMITED

ANNUAL GENERAL MEETING

25 OCTOBER 2006

ADDRESS BY MR ALISTER MAITLAND, CHAIRMAN

On balance, 2006 was a difficult year that ended a little better than it started for Folkestone. The particularly bright spot was the performance of Access Constructions that produced a full year pre tax result of \$3.2m. As I noted in our Annual Report, while the revenue and profit figures for Access Constructions are recognised in the formal accounts, the true worth of our subsidiary is significantly understated as it is carried in the accounts at the original purchase price of \$2m, whereas on a conservative valuation it is worth around \$12m, making it a particularly valuable asset for shareholders.

Our new CEO, Mr Oscar Guglielmi will give a presentation shortly on the outlook for the company, but I first want to mention the continuing disappointment of the project at 530 Lonsdale Street, Melbourne, which has had a significant impact on Folkestone's performance. In the current half year, we have had to recognize that the fitout designed to attract tenants and add value to the building, has not been valued by the market and as such has had to be written off. What this means is that 530 Lonsdale Street, with the exception of a small area of the ground floor, is now behind us and we are keen to move forward without this project hanging over the company.

This is the last of the difficult projects to be dealt with and I will leave it to Oscar to outline the current state of our other projects and the prospects going forward. Following the departure of Allan Davison and the pending the arrival of Oscar the extra workload was carried by Simon Lowe, General Manager Development, who acted as Chief Executive Officer and by Scott Martin our new Chief Financial Officer and Company Secretary and I would like to thank them for their efforts during this time.

Shareholders will be aware that the board declared a final dividend of 3.5 cents, making a total dividend payment for the 2006 year of 6.0 cents fully franked. In the past five years, the Board has paid out over 80% of after tax profits in fully franked dividends.

At this point, it is very difficult to predict the future forecast dividend policy as it depends greatly on the timing of profits which as we have stated previously, are very difficult to accurately predict in our industry. Our current expectation is for current year earnings to be at a similar level to that of last year.

I will now hand over to Oscar to present his review of the past 12 months and his vision for Folkestone moving forward.

A handwritten signature in black ink that reads "Alister Maitland".

Alister Maitland

Chairman