

Folkestone Limited 42nd AGM

24 November 2009

Chairman's Address

Folkestone Limited

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The 2009 financial year was a most difficult year for property developers. It became clear that the illiquidity in credit markets and the slowing property sales in many sectors would limit the ability to take on new projects or accelerate development of existing sites.

Recognising this the company moved to conserve cash and concentrate on ensuring that each of its financial facilities are as certain as is possible in these market conditions.

Important steps along this path included us:

- Reworking the arrangements with our JV partner AMP Capital Investors' Select Property Portfolio Number 2 to ensure that the terms were appropriate to the current market and that the parties were aligned to get the best outcomes;
- We also secured funding for the Noone Street residential development to enable us to continue this project through to completion;
- We approached shareholders and raised \$8.2m to enable us to work through the three existing projects and realise value for shareholders through an orderly realisation programme; and
- Since year end we have secured a 12 month refinancing of a core piece of debt for the Millers Road development which runs through to November next year.

We would like to thank each of our financiers and partners including St George Bank, Capital Finance, AMP Capital Investors, and our shareholders for their support as we have restructured our balance sheet.

Management have worked through these processes effectively and the result is that the company is now positioned to execute its strategy to realise value for its projects to the benefit of shareholders. I would like to express the Board's thanks and support to management and recognition of its continued focus and effort.

In the presentation to shareholders as part of our recent capital raising we outlined the revised strategy for the company. The Managing Director, Oscar Guglielmi, will outline the progress along this path. The board remains committed to this strategy which emphasises:

- Realising value for the development assets in an orderly manner and return value to shareholders; and
- Continuing to evaluate corporate transactions or solutions which arise, where such a transaction can deliver additional value to shareholders when benchmarked against the returns that can be made by simply realising existing assets efficiently and distributing capital and returns to the existing owners.

In essence, our immediate task is to extract value out of the existing development projects and seek opportunities to expand the company consistent with our revised strategic operations.

The immediate outlook is uncertain and it is not expected that any dividends will be paid this financial year, but by late 2011 the Company should be in a position to return capital to shareholders and/or demonstrate a viable future with increased returns to shareholders.

In closing, it is with sadness that the Company notes the passing of David Gibbs. David was a previous Chairman of Folkestone Limited and was a strong supporter of the Company. Our thoughts are with his family.



Chairman Alister

Maitland

24/11/2009

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