

Folkestone Limited

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Folkestone Limited 41st AGM

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CHAIRMAN'S ADDRESS

In preparing the annual report for 2008 we recognised that the outlook for economic growth in Australia was uncertain and that the operation of some banks risk policies left a lot to be desired. However, the turmoil we saw in financial markets in the early months of the current financial year has turned out to be mild in comparison to the events of the last few weeks.

While not anticipating the full severity of the international financial markets collapse and its subsequent devastating impact on Australian markets, we were concerned with the direction the economy was taking and the likelihood that access to credit could become more difficult for many sectors, including households in the Australian economy. Accordingly we sought to maintain a conservative gearing and paid close attention to our cash flows. This prudent approach has helped us weather the current uncertainty and should allow the company to be in a position to take advantage of development opportunities when conditions improve.

We are not expecting any rapid turnaround in financial markets and are cognisant that property markets tend to lag financial markets in activity. Thus the year ahead is likely to see subdued activity and we are not expecting any significant improvement for another 12 to 18 months. Fortunately Folkestone has a number of longer term prospects in the pipeline and some others are due for completion in the next few months and/or should start as enquiries for our project at Altona are encouraging.

Access Constructions is at the pointy end of market activity and while the forward order book has been remarkably resilient we are expecting a contraction in activity as customers defer capital expenditure plans, or at least until the economic outlook becomes more positive.

In giving some guidance on our expectations for the current year I find this is the most difficult task in the past ten years. Conditions and outlook for the economy and financial markets are the most uncertain and subject to more violent swings than at any other time

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in my working life. In the annual report we noted that the company was well positioned to complete existing projects and maintain the current level of dividend. At this time we believe the company will maintain its interim dividend and the outlook for the final dividend, which we hope to maintain, will be clearer after the half year results are achieved. However, we have never been in such uncharted waters thus making the Chinese proverb "may you live interesting times" particularly pertinent.



Alister Maitland
CHAIRMAN

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