

Folkestone

ASX ANNOUNCEMENT

30 January 2012

FOLKESTONE PROVIDES UN-AUDITED RESULT FOR HALF YEAR ENDED 31 DECEMBER 2011 AND CONFIRMS COMMENCEMENT OF BUYBACK

- **Unaudited after tax profit for the half year ended 31 December 2011 is expected to be between \$0.7m and \$0.8m**
- **Commencement of share buyback**
- **Victorian Ministerial approval received for rezoning of Officer residential development**
- **Construction contract signed and finance terms agreed for Stage 1a of the Karratha residential accommodation development**

Folkestone Limited (ASX: FLK) today announced its unaudited result for the half year ended 31 December 2011 and confirmed the commencement of the share buyback announced to the market on 22 December 2011.

UN-AUDITED RESULT FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Folkestone advises that its unaudited after tax profit for the half year ended 31 December 2011 is expected to be between \$0.7m and \$0.8m, compared with a loss of \$10.2m for the previous corresponding period.

The unaudited half year result includes:

- \$1.1m in development profits from the Noone Street Clifton Hill project.
- a \$0.8m reversal of prior period impairment writedowns made against the carrying value of Folkestone's 20% interest in the Donnybrook Road, Mickleham asset. This has been made with reference to the most recent external valuation of the asset prepared for the re-financing of the senior debt facility in December 2011; and
- no further impairment writedowns have been made against the Millers Road, Altona North development. Civil works on the project have commenced to create up to three serviced super-lots and to provide significantly improved access to the site. Folkestone's share of the development costs incurred during the current period (\$0.4m) have been capitalised.

Further details on the half year result will be provided in the Half Year Report which is scheduled to be released on 22 February 2012.

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COMMENCEMENT OF SHARE BUYBACK

Folkestone confirms that the share buyback commences on 30 January 2012 consistent with the announcement made on 22 December 2011. The buy-back is being managed by E L & C Baillieu Stockbroking Ltd.

The Board will continue to assess the merits of this capital management initiative and the amount of shares to be repurchased¹ as market conditions evolve and will keep the market informed of the buyback's progress.

REAL ESTATE PORTFOLIO UPDATE

Further to the real estate portfolio update provided on 22 December 2011, Folkestone confirms that its joint venture investment in the 14.1 hectare site in Officer, Victoria, received ministerial approval for the rezoning of the site on 23 December 2011. As part of the terms of the acquisition of the property by the joint venture, the settlement of the land will occur six months following formal gazettal of the land rezoning. Settlement is expected to occur in mid-2012 in line with previous forecasts.

The site to be known as 'PottersField' is strategically located within the Officer Precinct Structure Plan (OPSP). The Victorian Planning Minister, Mr Matthew Guy, commenting on the approval of the OPSP on 23 December 2011 said "the approval of this structure plan is an important step toward combating housing affordability issues. Officer is well serviced by freeway and suburban rail and will deliver a range of housing densities"² Despite the slow-down in the Melbourne residential market, the PottersField development is well-positioned to deliver affordable housing product in Melbourne's fast growing south-east corridor.

Folkestone's residential accommodation joint venture development in Karratha, Western Australia has now entered into a construction contract with a WA based group, whose principals have more than 25 years' experience in residential and commercial construction in the Pilbara and Kimberley regions of Western Australia. The joint venture has also agreed terms with its lender for a construction facility for Stage 1A and are awaiting the final documentation for execution now that all conditions precedent to the facility have been satisfied. All 41 dwellings in Stage 1a and 13 in Stage 1b have been pre-sold and a marketing campaign for the remaining 54 dwellings in Stage1 is due to commence by mid-2012.

Commenting on the year ahead, Greg Paramor, Folkestone's Managing Director said "Folkestone has commenced 2012 with an enhanced pipeline of opportunities which are being progressively assessed. The continued global financial and economic uncertainty will, we believe, generate a number of attractive real estate and funds management opportunities. "

¹ Folkestone reserves the right to suspend or terminate the share buyback program at any time and to buyback less than 9,969,923 shares

² Media Release – "2012 to start a brand new Officer, Minister for Planning, 23 December 2011"

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About Folkestone

Folkestone is an ASX listed real estate investment, development and funds management company. Folkestone's on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform offers funds to private clients, high net worth individuals and select institutional investors.

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