Folkestone

Appendix 4E

Preliminary final report

Period ending 30 June 2012

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

Current period: 1 July 2011 to 30 June 2012
Prior corresponding period: 1 July 2010 to 30 June 2011

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	107%	To	17,025	8,229
2.2(a)	Profit (loss) from continuing operations after tax attributable to members	Up	99%	To	(73)	(12,226)
2.2(b)	Profit (loss) from discontinuing operations after tax attributable to members	Down	867%	To	(46)	6
2.3	Net profit (loss) for the period attributable to members	Up	99%	To	(119)	(12,221)

2.4 **Dividends**
The Board has resolved not to pay a dividend in respect of the year ended 30 June 2012 and no final dividend was paid for the year ended 30 June 2011. 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 Group's net loss after tax for the year ended 30 June 2012 was $0.1 million compared to a net loss after tax of $12.2 million in the prior corresponding period. This represents basic earnings per share of 0.0 cents, compared with negative 7.5 cents previously.

The full year result includes the following material items:

- $1.4 million of development profits from the Noone Street Clifton Hill project which has been completed during the reporting period; and
- a $0.8 million net profit on the disposal of its 20% interest in the Donnybrook Road, Mickleham project which occurred on 29 June 2012.

Last year's result included $10.5 million of non-cash expenses relating to the impairment of the carrying values of interests in current development projects.

3. Statement of Comprehensive Income
Refer to the 2012 Financial Report

4. **Statement of Financial Position**
Refer to the 2012 Financial Report

5. **Statement of Cash Flows**
Refer to the 2012 Financial Report

6. **Dividend details**
Not Applicable

7. **Dividend or distribution reinvestment plan details**
Not applicable

8. **Statement of Changes in Equity**
Refer to the 2012 Financial Report

9. **Net tangible asset backing per ordinary security as at 30 June 2012**

Security	Current period	Previous corresponding period
Ordinary shares	11.9¢	12¢

During the current period, the company completed the following transactions:

(a) On 22 December 2011, Folkestone announced its intention to buy back up to 9,969,923 shares, being 10% of the minimum shares outstanding during the prior twelve months. During the period 550,000 shares were bought back at an average price of 8.2 cents per share.

Shares on issue at reporting date	Current period	Previous corresponding period
Ordinary shares	370,286,124	370,836,124

10. **Control gained or lost over entities in the financial year**

Name	Ownership interest %	
	Current period	Previous corresponding period
EREP Quakers Hill Pty Ltd	0%	100%

On 29 September 2011, EREP Quakers Hill Pty Ltd was de-registered

11. **Details of associates and joint venture entities**

Name	Ownership interest %	
	Current period	Previous corresponding period
Folkestone (Bayside) Pty Ltd	0%	20%
Folkestone Docklands Unit Trust	0%	50%
Greenvalley Asset Property Trust	25%	25%

Folkestone

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 2012 Financial 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.

Folkestone Limited
ABN 21 004 715 226

Directors Report & Financial Statements
30 June 2012

Contents

Folkestone Limited and its Controlled Entities
Directors Report
For the year ended 30 June 2012

The Directors present their report together with the financial report of Folkestone Limited ('the Company') and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2012 and the auditor's report thereon.

A. DIRECTORS

The following persons were Directors of Folkestone Limited during the whole of the year and up to the date of this report:

- Gregory J Paramor (FAPI, FAICD, FRICS)
- A Hugh Gurner *(*BA, FAICD*)*
- K Ross Strang (LLB (HONS), MAICD)
- Garry R Sladden (B.Bus, CPA, FINSA)

B. COMPANY SECRETARY

The following persons held the position of Company Secretary at the end of the financial year:

Scott N Martin (*BCom, CA)* was appointed as Company Secretary and Chief Financial Officer of Folkestone Ltd on 10 December 2005.

Jonathan W Sweeney *(B.Com, LLB, CFA, MAICD)* was appointed as joint Company Secretary on 12 May 2011.

C. REVIEW OF BOARD PERFORMANCE

No external review of the Board's performance was conducted during the year. Following an internal review of its performance, the Board is comfortable that the contributions of all directors is of a high level and adequate to discharge their duties.

D. ABOUT FOLKESTONE - PRINCIPAL ACTIVITIES

Folkestone is an ASX listed real estate investment, development and funds management company which listed on the ASX on 14 June 2000.

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

E. DIVIDENDS

There was no interim dividend paid during the year and the Board has resolved not to pay a final dividend in respect of the year ended 30 June 2012.

F. REVIEW OF OPERATIONS

FULL YEAR RESULT

The Group's net loss after tax for the year ended 30 June 2012 was $0.1 million compared to a net loss after tax of $12.2 million in the prior corresponding period. This represents basic earnings per share of 0.0 cents, compared with negative 7.5 cents previously.

The full year result includes the following material items:

- $1.4 million of development profits from the Noone Street Clifton Hill project which has been completed during the reporting period; and
- a $0.8 million net profit on the disposal of its 20% interest in the Donnybrook Road, Mickleham project which occurred on 29 June 2012.

Last year's result included $10.5 million of non-cash expenses relating to the impairment of the carrying values of interests in current development projects.

F. REVIEW OF OPERATIONS CONTINUED

FINANCIAL CONDITIONS

As at the date of this report, Folkestone and its associated entities are in full compliance with all of its debt facilities and have sufficient liquidity to fund all of its commitments.

The finance facility in respect of the project at 300 Millers Road, Altona North expires on 30 November 2012. The joint venture expects that the facility will be either extended or re-financed into a development facility for Stage 1 of the development.

During the reporting period, the finance facility for the Karratha project was extended to 28 February 2013 and includes funding to construct Stage 1a as projected.

In respect of the PottersGrove project at Officer, the Bank of Melbourne has provided the joint venture with a facility for land settlement and development of Stage 1 (55 lots) which was drawn on 10 July 2012 and expires on 10 July 2013 as projected.

Information in relation to cash flows from operations is contained in the Statement of Cash Flows on page 30 and the associated notes.

SHARE BUYBACK

The Company commenced a share buyback on 30 January 2012 which has recently been extended to 31 December 2012. The Company can buyback up to 9,969,923 shares without obtaining shareholder approval. To date, a total of 550,000 shares have been acquired under the terms of the share buyback at an average price of 8.2 cents per share. The Board is committed to actively managing Folkestone's capital and believes the buyback provides the opportunity to repurchase shares at attractive levels which will be value accretive to Folkestone shareholders.

The Board will continue to assess the merits of this capital management initiative and reserves the right to suspend or terminate the share buyback program at any time and to buyback less than 9,969,923 shares.

DIRECT INVESTMENTS

The following is a brief update on Folkestone's Direct Investments during the reporting period:

Donnybrook Rd, Mickleham

On 29 June 2012, the Company advised that the sale of its 20% interest in this project to its joint venture partner the AMP managed Select Property Portfolio Fund No:2 ("AMP") had been completed, returning $10.7 million in net cash proceeds to the Company and contributing $0.8 million net profit to the full year result.

Noone Street, Clifton Hill

Noone Street, Clifton Hill was acquired in June 2007 and is a 1.13 hectare parcel of land with residential development approval. The development is owned in a 50/50 joint venture with AMP.

All 87 dwellings have now been completed with 86 dwellings sold and settled. The remaining unsold apartment is currently being marketed for sale.

As at 30 June 2012, cash proceeds returned to Folkestone have totalled $8.7 million and the project contributed $1.4 million net profit to the full year result. A further $0.3 million of cash proceeds are forecast to be returned once the remaining apartment has been sold and the project closed.

F. REVIEW OF OPERATIONS CONTINUED

DIRECT INVESTMENTS CONTINUED

Millers Road, Altona North

Millers Road, Altona North was acquired in December 2007 and is a 13.9 hectare parcel of "Industrial 3" zoned land, located approximately 13 kilometres from the Melbourne CBD and 2.5 kilometres from the Westgate Freeway and Western Ring Road. It is held in a 50/50 joint venture with AMP.

During the reporting period, the joint venture funded the construction of an internal road and progressed the sub-division of the land into two serviced super-lots which significantly improves access to the site. The joint venture is examining a number of opportunities to develop the site. Negotiations are progressing with key tenants who wish to be located in Melbourne's western corridor. Tenant pre-commitment is a necessary condition to the joint venture commencing the first stage of the development.

Whilst already approved for bulky goods development, the joint venture has pursued a re-zoning of the site to Business 3 which was gazetted on 18 July 2012. The re-zoning provides greater flexibility in respect of development opportunities for the site. Additionally, recently proposed changes to the retail planning framework by the Victorian Government may benefit the site through the introduction of more competitive grocery format approval limits and smaller retail shops.

The Ranges, Karratha

The Ranges, Karratha is conveniently located 1.5 kilometres from Karratha's CBD. Folkestone's 25% interest in The Ranges is in joint venture with a consortium including real estate developers and investors who have extensive experience in developing and marketing real estate in Western Australia, including the North West of Western Australia. Karratha is the largest community in the Pilbara Region and is home to approximately 14,000 people. The Pilbara Region has a rapidly growing population due to a number of large scale natural resource projects in the region comprised mainly of mining, oil and gas operations. Karratha enjoys diversification of industry with expansion of existing operations, new projects and continued investment in infrastructure expected to drive further economic and population growth in the Pilbara Region. This is in turn anticipated to lead to increasing demand for permanent and short-term accommodation for business travellers to Karratha.

Stage 1 of The Ranges comprises 2.2 hectares with a "Tourism" zoning and DA approval for 108 single level, one bedroom villas with shared guest facilities, including a pool and BBQ area. The development will provide much needed short and long-term accommodation for visitors to Karratha.

As previously announced, the joint venture has sold all 41 dwellings in Stage 1a and 14 dwellings from Stage 1b. A formal marketing campaign for the balance of 53 dwellings in Stage 1 has commenced. A construction contract has been executed with a WA based construction company, whose principals have more than 25 years' experience in residential and commercial construction in the Pilbarra and Kimberley Regions of Western Australia. Site establishment works are complete with all 41 Stage 1a dwellings on site and currently being commissioned.

PottersGrove, Officer

PottersGrove, Officer is a 14.1 hectare site located in the Cardinia Shire. The Cardinia Urban Growth Area is in Melbourne's south-east growth corridor and was created when the State Government extended Melbourne's urban growth boundary. PottersGrove is a 50/50 joint venture between Folkestone and ID Land, a Melbourne based property development company specialising in land subdivision and mixed-use development.

The joint venture received confirmation on 23 December 2011 of the ministerial approval for the rezoning of the site, and gazettal of the rezoning occurred on 12 January 2012 with a planning permit issued on 28 February 2012. In accordance with the terms of the acquisition of the property by the joint venture, the settlement of the land occurred on 10 July 2012.

With 38% of Stage 1 (55 lots) now sold, construction is anticipated to commence in late 2012 with first settlements to commence in early 2013.

F. REVIEW OF OPERATIONS CONTINUED

Funds Management Division

Folkestone Funds Management (FFM) is a specialist real estate funds manager for private clients, high net worth and institutional investors.

FFM holds an Australian Financial Services Licence (AFSL: 340 990) which permits it to carry on a financial services business to provide certain general financial product advice and provide certain custodial and depository services to wholesale and retail clients. FFM has expanded its licence to enable it to operate real estate funds for both sophisticated and retail investors. This provides FFM with flexibility to raise equity and establish funds under a range of structures as well as enabling FFM to launch product into the broader retail investor market.

FFM is the trustee of the EREP Tivoli Development Fund (Tivoli Fund). The Tivoli Fund is developing a residential apartment project in West Melbourne in joint venture with a leading Melbourne residential developer, Urban Inc.

On 9 July 2012, Folkestone Limited and Austock Group Limited advised that they had reached agreement subject to a number of conditions for the purchase of all of Austock's shares in its subsidiary Austock Property Funds Management Pty Limited and related entities in the property funds management business ("Austock Property").

Austock Property manages four funds, the ASX listed Australian Education Trust and the Australian Social Infrastructure Fund and the unlisted Austock Childcare Fund and the wholesale unlisted CIB Fund. These funds have combined gross assets of approximately $555.0 million.

The transaction is subject to the approval of the shareholders of Austock Group Limited at a meeting which is scheduled to be held on 12 September 2012.

The consideration payable by Folkestone is $11 million (representing approximately 2% of Austock Property's funds under management) payable in two tranches as follows:

- Tranche 1
    - ❑ $7.150m (65%) in cash payable on 14 September 2012 subject to all conditions precedent being satisfied.
- Tranche 2
    - ❑ $3.850m (35%) in cash payable on 30 September 2013 unless accelerated.

As part of the transaction, all of Austock Property's 10 staff will be transferring with the business. The acquisition of Austock Property business is consistent with the Company's strategy to expand its funds management platform.

OUTLOOK

Folkestone has made good progress over the year in transforming its businesses by selling assets and reallocating resources to better performing opportunities. The acquisition of Austock's real estate funds management platform forms part of our stated strategy to expand Folkestone's real estate funds management business. Folkestone continues to examine opportunities to redeploy its cash balances.

Folkestone expects to see continued volatility in local and international markets and continues to monitor the state of domestic real estate markets closely.

G. EARNINGS PER SHARE

	Note	2012 Cents	2011 Cents
Basic earnings per share from continuing and discontinued operations	**8**	**(0.0)**	(7.5)
Diluted earnings per share from continuing and discontinued operations	**8**	**(0.0)**	(7.5)
Basic earnings per share from continuing operations	**8**	**(0.0)**	(7.5)
Diluted earnings per share from continuing operations	**8**	**(0.0)**	(7.5)

Earnings per share is calculated on the weighted average number of ordinary shares on issue during the period.

H. AFTER BALANCE DATE EVENTS

On 6 July 2012, Folkestone Limited and its joint venture partner signed a Facility Amendment Agreement in respect of the finance facility in respect of the project at 300 Millers Road, Altona North. The amendment reduces the facility limit from $8.3million to $8.1million and a corresponding reduction in the cash security deposit held by the Bank of Melbourne from $0.4million to $0.2million.

On 9 July 2012, Folkestone Limited and Austock Group Limited advised that they had reached agreement, subject to a number of conditions, for the sale of all of Austock's shares in its subsidiary Austock Property Funds Management Pty Ltd and related entities in the property funds management business. The transaction is subject to the approval of shareholders of Austock Group Limited at a meeting which is scheduled to be held on 12 September 2012.

On 10 July 2012, the PottersGrove joint venture completed the acquisition of the property. As part of this process, the joint venture entered into a finance facility with the Bank of Melbourne, which expires on 10 July 2013, to assist with land settlement and development of Stage 1 (55 lots).

I. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS:

Between the end of the financial year and the date of this report there has not been any item, transaction or event of a material and unusual nature that, in the opinion of the directors of the Company, is likely to significantly affect the operations, the results of those operations, or state of affairs of the consolidated entity, in future financial years which has not been previously disclosed.

Further information to those matters already disclosed on likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report where disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

J. ENVIRONMENTAL REGULATION

The consolidated entity complies with all relevant State and Commonwealth legislation and regulations regarding environmental matters. Regular board reporting on a project by project basis occurs in relation to development activities. Folkestone Ltd complies with all statutory obligations relevant to their activities. Systems and processes are in place to identify, resolve and monitor issues that may arise.

K. WORKPLACE HEALTH AND SAFETY REGULATIONS

The consolidated entity complies with all relevant legislation and regulations in respect of workplace health and safety matters and regularly reports to the relevant board. Systems and processes are in place to identify, resolve and monitor WH&S issues that may arise.

L. DIRECTOR PROFILES

Garry R Sladden
B.Bus, CPA, FINSA
Non-Executive Chairman
Garry was appointed as a Non-Executive Chairman of Folkestone in March 2011. Garry is a business and strategic adviser who has a diversified business background in the areas of real estate, private equity, business operations, banking and finance, having held the position of General Manager Operations at Consolidated Press Holdings for six years and more recently (2007) the role of Group Operations Executive for a real estate investment, development and funds management group. Garry is Chairman of Ashton Manufacturing Pty Limited, and a non-executive director of the Melanoma Institute of Australia.

Gregory J Paramor
FAPI, FAICD, FRICS
Managing Director
Greg was appointed as a Non-Executive Director of Folkestone Ltd in May 2010 and became Managing Director in April 2011 following the acquisition of Equity Real Estate Partners. Greg is a founding partner of Equity Real Estate Partners. Greg has been involved in the real estate and funds management industry for more than 35 years, and was the co-founder of Growth Equities Mutual, Paladin Australia and the James Fielding Group. Greg was the CEO of Mirvac between 2004 and 2008. Greg is a past president of the Property Council of Australia and past president of Investment Funds Association, a Fellow of the Australian Property Institute and The Royal Institute of Chartered Surveyors. Greg is a director of a number of not-for-profit organisations, including the Garvan Institute of Medical Research and the National Breast Cancer Foundation. Greg is also a board member of the Sydney Swans, a Director of Firstfolio Ltd and Chairman of LJ Hooker.

A Hugh Gurner
BA, FAICD
Non-Executive Director
Hugh was appointed as a Non-Executive Director in May 2010. Hugh has extensive experience in the property sector as an analyst and corporate adviser and has held board positions in a number of ASX listed and unlisted companies including executive and non-executive roles as a founding director of listed property funds management and venture capital companies.

K Ross Strang
LLB (HONS), MAICD
Non-Executive Director
Ross was appointed as a Non-Executive Director of Folkestone in March 2011. Ross is a consultant to Kemp Strang, a Sydney commercial law firm. Ross is one of Kemp Strang's founders and was a partner in the practice for over 30 years. Ross has extensive experience in commercial real estate, construction and securities matters on a broad front and is well known in legal, commercial and community circles. Ross is a member of the Australian Institute of Company Directors. Ross is also a director of the Millers Point Youth and Employment Partnership, which is a not for profit initiative aimed at providing employment and educational opportunities for inner city youth.

The Board has determined that all Non-Executive Directors are independent directors as at the date of this report for the purposes of ASX Best Practice Recommendations.

M. Remuneration Report

This report details the nature and amount of remuneration for each director of Folkestone Ltd and for key management personnel. Remuneration of directors and key management personnel is referred to as compensation as defined in AASB 124 'Related Party Disclosures'. Details of Directors shareholdings are disclosed in Note 6 to the financial statements on pages 46 to 49 of the Financial Report.

Remuneration Policy

Folkestone is committed to developing a Remuneration Policy designed to attract, retain and motivate appropriately qualified and experienced directors and executives. The objective of the Company's Remuneration Policy is to ensure that reward for performance is competitive and appropriate for the results achieved having regard to the size of the Company and to ensure that executive reward is aligned with the achievement of strategic objectives, outcomes and creation of value for shareholders.

The Board of Folkestone has established a Remuneration Committee comprised of the three non-executive directors of the Company. The Remuneration Committee operates under the charter as outlined in the Corporate Governance Statement which is contained on pages 18 to 22 of this report.

The Remuneration Committee reviews, monitors and recommends to the Board the remuneration for the Managing Director and senior executives and considers the appropriate mix of performance based remuneration and fixed remuneration to retain and attract appropriate executives.

The Managing Director and executives receive a superannuation guarantee contribution as required by legislation and do not receive any other retirement benefits. All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

Following the re-capitalisation of the Company in April 2011 which included the acquisition of EREP, the Company has gone through a period of consolidation and stabilisation of financial performance. Since this time, executive remuneration did not include any performance based remuneration component other than the performance rights that were issued to executives on 29 June 2011 as part of the approvals received from shareholders for the acquisition of EREP. Following this period of recapitalisation and stabilisation, the Company believes it is appropriate to review and set the performance based component of executive remuneration.

Key principles in developing the performance based remuneration structure and levels will include the creation of longer term Shareholder value, alignment with Shareholder interests, market competitiveness, recognition of individual performance and experience and divisional and group performance.

Service agreements and contract details
It is the company's policy that contracts of employment for certain executives be unlimited in term but capable of termination on three to six months' notice by the employee and 12 month's notice by the company. The company retains the right to terminate the contract immediately, by making payment in lieu of notice.

Relationship between the remuneration policy and company performance

The table set out below summarises information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2012, which is considered when setting the remuneration policy for the Group:

M. REMUNERATION REPORT CONTINUED

Relationship between the remuneration policy and company performance continued

	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Profit/(loss) from continuing operations before income tax (expense)/credit	**(73)**	(12,224)	(2,428)	(7,125)	5,128
Income tax (expense)/credit	**-**	(2)	(918)	1,543	(1,667)
Profit/(loss) from discontinued operations	**(46)**	6	(131)	1,709	-
(Profit)/loss attributable to minority equity interest	**-**	(1)	(18)	177	(333)
Profit /(loss) from ordinary activities attributable to members of the parent entity	**(119)**	(12,221)	(3,495)	(3,696)	3,128
Basic earnings per ordinary share (cents)	**(0.0)**	(7.5)	(4.8)	(11.8)	10.1
Dividend rate on fully paid shares (cents)	**-**	-	-	-	6.5
ASX Closing Price 30 June (cents)	**8.7**	10.5	12	30.5	70.5

a) During the past five years, Folkestone Limited has paid key management personnel a combination of fixed remuneration and performance based remuneration. Performance based remuneration has been paid based upon KPI's relevant to each key management personnel. As the Company has been in a loss position since 2009, the majority of remuneration paid to key management personnel during this period was fixed remuneration. Moving forward, there is a focus on attracting and retaining appropriately skilled personnel to enable the Group to achieve its goals and strategies and improve its financial performance.

b) During the past five years, there have been share based payments made to key management personnel in accordance with the achievement of pre set KPI's which have been summarised in prior period Annual Reports. The KPI's for these share based payments were established to increase profitability and therefore shareholder wealth. The last tranche of performance rights that vested under the terms of the previous Executive Bonus Scheme related to performance measured as at 30 June 2008 and the rights vested in July 2010.

c) As the table above indicates, the Company has been in a loss position since 2009. It is the focus of the current Board of Directors to recruit and retain management personnel essential to create profitable operations for the Group and to attract suitable executives to maximize profitability. Moving forward, Folkestone will offer key management personnel a combination of fixed remuneration and performance based remuneration based upon predetermined KPI's as outlined further below.

Executive Remuneration

The Company's policy is for the executive remuneration and reward framework to comprise two components:

i. Fixed Remuneration which includes base pay and other benefits and:
ii. Performance linked remuneration comprising:
   - Short-term incentives (STI); and
   - Long-term incentives (LTI).

M. Remuneration Report Continued

Executive Remuneration continued

The combination of these comprises the executive's total remuneration. No remuneration is received by any executive where they act on behalf of the Company in relation to joint venture, subsidiary or associated entity activities.

Following the re-capitalisation of the Company in April 2011, which included the acquisition of EREP, the Company has gone through a period of consolidation and stabilisation of financial performance. Since this time, executive remuneration did not include any performance based remuneration component other than the performance rights that were issued to executives on 29 June 2011 as part of the approvals received from shareholders for the acquisition of EREP. Following this period of recapitalisation and stabilisation, the Company believes it is appropriate to review and set the performance based component of executive remuneration.

i) Fixed Remuneration

Fixed remuneration consists of base remuneration, employer contributions to superannuation funds and employee benefits inclusive of any associated fringe benefits tax.

When setting fixed remuneration, data from external remuneration consultants may be reviewed to ensure the fixed remuneration is reflective of the market for a comparable role. Fixed remuneration for executives and other staff is reviewed annually to ensure that it is competitive with the market.

The Company does not operate its own superannuation fund and contributes to complying superannuation funds as directed by the employees in compliance with relevant legislation.

ii) Performance Linked Remuneration

Performance linked remuneration will include both short-term and long-term incentives and will be designed to reward the Managing Director, executives and other staff for meeting or exceeding performance targets set by the Board.

The performance targets will be determined by the Board and will be set on the basis that the Managing Director and executives remuneration will have a combination of short and long term incentives so that the Company can attract, retain and motivate appropriately qualified and experienced executives. Where performance targets are satisfied, success will be rewarded through the payment of a cash bonus (STI) and/or the grant of specified Performance Rights determined by the Board (LTI).

The proportion of salary that links with performance varies according to contractual arrangements. The proportion of remuneration paid to Directors and executives that was performance related for the current and prior financial year is summarised in the table on pages 12-13.

Short Term Incentives
Short term incentives ('STI') will generally be paid in cash and measured against the achievement of individual performance targets and group performance targets generally described in the annual budget of the Company or relevant division of the Company (as applicable to the executive's responsibilities).

Examples of performance targets which may be set for future periods include goals set to achieve defined:
- after tax profits;
- returns on shareholder funds;
- pre tax contributions (from divisions of the Company);
- profit measures of projects such as internal rate of return and margins;

Incentives set for the achievement of short term targets are unlikely to exceed the value of the base salary of the relevant executive in one year.

M. REMUNERATION REPORT CONTINUED

Long Term Incentives – Executive Incentive Performance Rights Plan
The Executive Incentive Performance Rights Plan ("Plan") is designed to:

- assist with the attraction and retention of directors, executives, managers and employees;
- continue to motivate and drive performance at both the individual and corporate level; and
- strengthen the alignment between employee and Shareholder interests.

Currently, only 2 executives have been granted performance rights under the Plan.

It is proposed that grants of Performance Rights will be made annually, following announcement of Folkestone's full-year audited results. Subject to any requisite Shareholder approval, the Board will have discretion to make grants at other times including on the commencement of employment by a person deemed by the Board to be eligible to participate in the Plan.

A summary of the Plan Rules is set out below.

Summary of the Plan Rules

Eligibility
Eligibility is restricted to those employees who the Board determines in its discretion are eligible and should be invited to participate in the Plan. Employees are defined in the Plan as a person who is in the full or part time employment of Folkestone or its subsidiaries (including Directors).

Securities offered under the Plan
Employees selected for participation in the Plan will be offered Performance Rights.

A Performance Right is the right to receive a Share. On the vesting date, if the performance hurdles and tenure conditions are satisfied in respect of a Performance Right, the Performance Right immediately vests and Folkestone must procure the issue or transfer of a Share either directly to the participant or their nominee. In either case, the Share will be subject to disposal conditions if in the relevant terms of any offer it is specified that such conditions will apply.

No monetary consideration will be payable by an employee for an award of Performance Rights, nor will any amount be payable by the holder in connection with the vesting of a Performance Right.

Performance Rights will not be quoted on the ASX or another financial market and will be subject to restrictions on transfer and hedging. Shares delivered on the vesting of Performance Rights will rank equally with those traded on the ASX at the time of issue.

Performance Rights will not entitle the holder to receive any dividends from Folkestone or exercise any voting rights in respect of Folkestone.

Performance Hurdles
Performance Rights will not vest and the holders of Performance Rights will not be entitled to Shares, unless the performance hurdles associated with those Performance Rights are satisfied or waived. The performance rights that were issued on 29 June 2011 have the following performance hurdles:

50% of the Rights will vest based on the achievement of compound annual growth in Total Shareholder Return over the performance period ranging from 10% - 15% per annum on a sliding scale with:

- full vesting where Total Shareholder Return is 15% per annum or above;
- 50% vesting where Total Shareholder Return is 10% per annum; and
- where Total Shareholder Return is between 10% and 15% per annum, the number of Performance Rights that will vest will be calculated on a straight line basis ; and

M. REMUNERATION REPORT CONTINUED

Long Term Incentives – Executive Incentive Performance Rights Plan continued

50% of the rights will vest based on the achievement of compound annual growth in Folkestone's Net Total Assets per share over the performance period ranging from 10% - 15% per annum on a sliding scale with:

- full vesting where the growth in Net Total Assets per share is 15% per annum or above;
- 50% vesting where the growth in Net Total Assets per share is 10% per annum; and
- where the growth in Net Total Assets per share is between 10% and 15% per annum, the number of Performance Rights that will vest will be calculated on a straight line basis.

The performance period for the performance rights issued on 29 June 2011 is 1 July 2011 to 30 June 2014.

The Board will determine the applicable performance hurdles prior to future Performance Rights being granted.

Early Vesting of Performance Rights

Performance Rights may vest or lapse earlier than the Vesting Date in certain circumstances. Where a participant ceases employment with Folkestone prior to the Expiry Date, the Performance Rights will normally lapse. However, the Board has the discretion to vest part or all of a participant's Performance Rights, including where:

- the participant's employment ceases due to death, retirement, total and permanent disablement or redundancy; or
- an event occurs in respect of Folkestone such as a change of control, receipt of a takeover bid, a court ordering the holding of a meeting in relation to a compromise or arrangement, a voluntary or compulsory winding up or Shares ceasing to be quoted on any exchange.

Early lapse of Performance Rights

Performance Rights, that have not vested, lapse on the earlier of:

- the Expiry Date specified in the invitation for the Performance Rights;
- the Board determining that a participant's Performance Rights should lapse where it is of the opinion the participant has committed an act of fraud, dishonesty or willful misconduct or is convicted of a criminal offence which may injure Folkestone's reputation or the participant leaves Folkestone and is not a good leaver (or is otherwise a bad leaver);
- the participant becoming bankrupt; or
- the participant ceasing to be an employee and the Board not making a determination that the Performance Rights vest or that the employee is to be treated as remaining employed for the purposes of assessing the vesting of the Performance Rights.

New issues and reorganisations of capital

In the event of any capital reorganisation by Folkestone (including bonus issues), the participant's Performance Rights, and the Shares allocated to the participant on vesting of the Performance Rights will be treated or adjusted, as set out in the Plan Rules. In general, it is intended that the participant will not receive any advantage or disadvantage from such an adjustment not received by holders of Shares.

Non-Executive Director Remuneration

The Board's policy is to remunerate non-executive directors at market rates for comparable companies and reflects their time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The Remuneration Committee undertook a review of the remuneration of non-executive directors during the current period and has elected not to make any changes to the current levels of remuneration which remain at the levels set in December 2007. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $400,000). Details of the Directors' interests in shares and rights over shares of the Company as at the date of this report are contained in Note 6 to the accounts on pages 46 to 49.

Folkestone Limited and its Controlled Entities
Directors Report
For the year ended 30 June 2012

M. Remuneration Report Continued

Details of Remuneration for the year ended 30 June 2012

Details of the nature and amount of each element of the remuneration of each Director of Folkestone Limited and each of the executives of the Company and the economic entity receiving the highest remuneration are set out in the following table.

		Short Term			*Post Employment Benefits*	*Share Based Payment*			*Proportion of remuneration performance related %*
		Salary & fees $	*STI cash bonus* $	*Non-monetary benefits* $	*Superannuation benefits* $	*Perf. Rights (A)*	*Termination Payments*	*Total* $	
Directors (Non-executive)									
GR Sladden Chairman (appointed 9 March 2011)	**2012**	**60,550**	**-**	**-**	**5,450**	**-**	**-**	**66,000**	**-**
	2011	18,667	-	-	1,680	-	-	20,347	-
AH Gurner (appointed 9 March 2011)	**2012**	**40,367**	**-**	**-**	**3,633**	**-**	**-**	**44,000**	**-**
	2011	40,367	-	-	3,633	-	-	44,000	-
KR Strang (appointed 9 March 2011)	**2012**	**-**	**-**	**-**	**44,000**	**-**	**-**	**44,000**	**-**
	2011	-	-	-	12,578	-	-	12,578	-
KH Dening (resigned 10 February 2011)	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	24,893	-	-	2,422	-	-	27,315	-
ATL Maitland (resigned 9 March 2011)	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	41,903	-	4,707	3,771	-	-	50,381	-
MW Parkinson (resigned 9 March 2011)	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	27,935	-	-	2,514	-	-	30,449	-
Directors (Executive)									
GJ Paramor	**2012**	**284,225**	**-**	**-**	**15,775**	**-**	**-**	**300,000**	**-**
	2011	101,475	-	-	6,524	-	-	107,999	-
O Guglielmi, CEO (resigned 6 December 2010)	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	136,354	-	-	25,098	-	75,000	236,452	-

M. REMUNERATION REPORT CONTINUED

		Short Term			*Post Employment Benefits*	*Share Based Payment*			
		Salary & fees $	*STI cash bonus* $(A)	*Non-monetary benefits* $	*Superannuation benefits* $	*Perf. Rights (B)*	*Termination Payments*	*Total* $	*Proportion of remuneration performance related %*
Executives									
B Dodwell, Head of Real Estate (appointed 1 April 2011)	**2012**	**260,539**	**-**	**-**	**39,461**	**-**	**-**	**300,000**	**-**
	2011	68,807	-	-	6,193	-	-	75,000	-
A Harrington, Head of Funds Management (appointed 1 April 2011)	**2012**	**284,225**	**-**	**-**	**15,775**	**36,793**	**-**	**336,793**	**11%**
	2011	71,200	-	-	3,800	-	-	75,000	-
SN Martin, CFO & Company Secretary	**2012**	**204,225**	**-**	**-**	**15,775**	**-**	**-**	**220,000**	**-**
	2011	200,743	25,000	-	15,199	-	-	240,942	**10%**
J Sweeney, Chief Operating Officer (appointed 1 April 2011)	**2012**	**282,585**	**-**	**-**	**15,775**	**36,793**	**-**	**335,153**	**11%**
	2011	71,200	-	-	3,800	-	-	75,000	-
Total compensation: key management personnel (consolidated)	**2012**	**1,416,716**	**-**	**-**	**155,644**	**73,586**	**-**	**1,645,946**	**4%**
	2011	803,544	25,000	4,707	87,212	-	75,000	995,463	3%

A *The accounting standards require that Performance Rights be valued at fair value on the grant date. The fair value of performance rights granted under the Executive Performance Rights Plan is calculated at the date of grant by an independent expert using an appropriate valuation model and allocated to each reporting period evenly over the period from grant date to vesting date. The Board has adopted the fair value calculation as the cost basis for issuing the Rights and for shares on vesting of any Rights awarded. The value disclosed above is the portion of the fair value of the performance rights allocated to this reporting date.*

M. Remuneration Report Continued

Performance Rights issued as part of Remuneration for the year ended 30 June 2012
There have been no performance rights issued as part of remuneration for the year ended 30 June 2012.

The following factors and assumptions were used in determining the fair value of rights on the grant date; which were granted on 29 June 2011:

Grant Date	*Expiry Date*	**Fair Value per Right*	*Exercise Price*	*Price of Shares on Grant Date*	*Estimated Volatility*	*Risk free interest rate*	*Dividend yield*
29 Jun 11	30 Jun 2014	$0.104	$0	$0.105	40%	4.71%	-
29 Jun 11	30 Jun 2014	$0.056	$0	$0.105	40%	4.71%	-

**The fair value of performance rights was calculated by an independent expert using an appropriate valuation model in accordance with applicable accounting standards.*

The Board's policy in respect of the accounting treatment of performance rights is to engage the services of an independent expert to calculate the fair value of performance rights at the date of grant using an appropriate valuation model. The Board has adopted the fair value calculation as the cost basis for issuing the rights and to shares on vesting of any rights awarded.

The fair value of performance rights granted for rights with market based performance criteria are measured using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the shares were granted including market based conditions which may impact the performance criteria. The amount recognised as an expense is amortised on a straight line basis over the life of the right even if the market based performance criteria are never met and the rights never vest, except where the employee forfeits their rights due to termination of employment.

The fair value of performance rights granted for rights with non-market based performance criteria are measured using the Binomial Option Pricing Methodology which is the generally accepted approach for valuing rights which may be exercised, once vested, at any time up until expiry. The amount recognised as an expense is amortised on a straight line basis over the life of the right. If the performance criteria associated with the right is not achieved, adjustments to the value of the expense are made so that the cumulative expense recognised over the vesting period reflects the number of instruments that actually vest.

M. Remuneration Report Continued

Performance rights over equity instruments granted as compensation

Details on performance rights over ordinary shares in the Company that have been granted as compensation and are yet to expire are set out in the following tables. The performance rights were provided at no cost to the recipients and have a nil exercise price.

Executive	*Granted during 2011*	*Grant date*	*Vested during 2011*	*Fair value per right at grant date*	*Expiry date*
G Paramor	-	-	-	-	-
B Dodwell	-	-	-	-	-
A Harrington	1,971,026	29 Jun 2011	-	$0.104	30 June 2014
	1,971,027	29 Jun 2011	-	$0.056	30 June 2014
S Martin	-	-	-	-	-
J Sweeney	1,971,026	29 Jun 2011	-	$0.104	30 June 2014
	1,971,027	29 Jun 2011	-	$0.056	30 June 2014

There were no performance rights granted during the 2012 financial year.

The above performance rights issued under the Executive Incentive Performance Rights Plan expire on the termination of the individual's employment and vest three years from grant date subject to performance criteria met.

Analysis of share-based payments granted as compensation

Details of the vesting profile of options/performance rights granted as compensation to Director's & Executives are detailed below:

	Performance Rights Granted						
	Number	*Date*	*% Vested in year*	*% Vested in total*	*% Forfeited in year*	*% Forfeited in total*	*Financial years to which grant vests*
Executives							
A Harrington	3,942,053	29 Jun 2011	-	-	-	-	30 Jun 2014
J Sweeney	3,942,053	29 Jun 2011	-	-	-	-	30 Jun 2014

M. Remuneration Report Continued

Analysis of movements in performance rights

The movement during the reporting period, by number and value, of options and performance rights over ordinary shares in the company held by each company director and each of the named executives is detailed below:

	Opening Balance (i)	*Granted in Year (ii) (iii)*	*Vested in Year (iv)*	*Lapsed in Year (v)*	*Closing Balance*
Executives					
A Harrington					
Number of Rights	3,942,053	-	-	-	3,942,053
Value of Rights $	315,365	-	-	-	315,365
J Sweeney					
Number of Rights	3,942,053	-	-	-	3,942,053
Value of Rights $	315,365	-	-	-	315,365
Total					
Number of Rights	7,884,106	-	-	-	7,884,106
Value of Rights	630,730	-	-	-	630,730

(i) Opening balance of performance rights were granted on 29 June 2011.
(ii) The number of performance rights is the number of performance rights granted during the reporting period.
(iii) The value of performance rights granted during the year is their fair value at grant date. There were no performance rights granted during the current year.
(iv) The value of performance rights vested during the year is calculated as the fair value at grant date of those rights vested during the period. There were no performance rights that vested during the current year.
(v) The value of the performance rights that lapsed during the year represents the benefit foregone and is calculated at the date the performance rights lapsed using their fair value at the grant date of these rights. There were no performance rights which lapsed during the current year.

No options have been issued or are on issue.

N. Meetings of Directors

The number of meetings of the company's Board of Directors and each Board Committee held during the year ended 30 June 2012 and the number of meetings attended by each director was as follows:

Meetings of Directors	**Full Meeting of Directors**	**Audit Committee**	**Remuneration Committee**
Number of meetings held	11	7	2
Number of meetings attended by:			
Garry R Sladden	11	7	2
Gregory J Paramor	11	*	*
A Hugh Gurner	10	7	2
K Ross Strang	11	7	2

* *Not a member of the relevant committee*

O. Indemnification of Officers and Auditors

During the financial year ended 30 June 2012, Folkestone Limited paid a premium of $37,328 plus GST (2011 - $20,491 plus GST) to insure each of the directors and executives of the company and related bodies corporate. The liabilities insured include legal costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as office bearers of entities in the economic entity. The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or of any related body corporate against a liability incurred as the auditor.

P. PROCEEDINGS ON BEHALF OF THE COMPANY
There are currently no proceedings on behalf of the Company.

Q. NON-AUDIT SERVICES
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the economic entity are important.

Details of the amounts paid to the auditor Deloitte Touche Tohmatsu for audit and non-audit services provided during the year are set out in Note 7 to the financial statements on pages 50-51.

The Board of Directors, in accordance with the advice from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services provided did not compromise the external auditor independence for the following reasons:

- all non-audit services are reviewed and approved by the a Audit and Risk Management Committee prior to commencement to ensure they do not impact the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and GoA's Professional Statement F1: Professional Independence.

R. AUDITOR'S INDEPENDENCE DECLARATION
The auditor's independence declaration for the year ended 30 June 2012 has been received and is found on page 23 of the Annual Report.

S. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS
The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to "rounding off" of amounts in the Directors' Report. Amounts, in accordance with that Class Order, in the financial report and Directors' Report have been rounded off to the nearest thousand dollars or in certain cases to the nearest dollar.

This report is made in accordance with a resolution of the directors in accordance with s.298(2) of the Corporations Act 2001.

Garry Sladden
Non-Executive Chairman

Greg Paramor
Director

Sydney
22 August 2012

Folkestone Limited and its Controlled Entities
Corporate Governance Statement
For the year ended 30 June 2012

Folkestone Limited (the Company) and the Board are committed to achieving and demonstrating high standards of corporate governance. The Company's Corporate Governance Statement has been prepared and is structured in accordance with the Australian Securities Exchange's (ASX) Corporate Governance Principles and Recommendations and the Company measures its corporate governance accordingly.

The Company's framework is largely consistent with the ASX's recommendations, exceeding them in some areas and, due to the size of the organisation, finding it not practical to meet some other requirements. The Company and its controlled entities together are referred to as the "Group" in this statement.

The relationship between the Board and senior management is critical to the Group's long term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed and resourced to achieve its strategic objectives.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the senior management of Folkestone. These delegations are reviewed on a regular basis.

The headings below are those mandated by the ASX. All these practices, unless otherwise stated, were in place for the entire year. Any departures from the requirements are noted in bold italics.

Lay Solid Foundations for Management and Oversight:

The business of Folkestone Limited is controlled by the Directors who may exercise all of the powers that the Company's Constitution, the Corporations Act 2001, the Australian Securities Exchange (ASX) or the ASX Listing Rules do not require to be exercised by the Company in General Meeting.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the senior management of Folkestone. These delegations are reviewed on a regular basis.

The Board Charter, which is summarised below, provides the details of the functions and responsibilities of the Board.

BOARD CHARTER

- Approving and monitoring financial and other reporting.
- Reviewing and approving corporate strategies, business plans and budgets.
- Ensuring that risk management and compliance systems are effective.
- Setting the Company's overall remuneration framework and assessing the performance of, and compensation for senior management.
- Enhancing and protecting the reputation of the Company.
- Reporting to shareholders.
- Approving and monitoring the progress of major capital expenditure, capital management investments and acquisitions.

The Company Secretary reports directly to the Board. Between meetings the Company Secretary is required to keep the Chairman fully informed.

The Constitution provides for a minimum of three and a maximum of ten Directors.

A Director is invited to join the Board by a formal letter which details the key terms of their appointment including remuneration and requires a written acceptance. The powers, duties, disclosure of Directors interests and trading policy governing dealing in the Company's securities are covered with the new Director during their induction.

At the Annual General Meeting, one third (by number) of the Directors, other than the Managing Director must retire by rotation. Retiring Directors may offer themselves for re-election to the Board at the Annual General Meeting. The Constitution provides that nominations can also be made by a shareholder by lodging a nomination, signed by the nominee, with the Company Secretary not less than 30 and not more than 40 business days before the Annual General Meeting.

The Board is responsible for the appointment of the Managing Director and ratifies the appointment of senior executives. Upon commencement with the Company, each senior executive is provided with a letter of appointment which outlines their duties and responsibilities. The Board reviews and evaluates the performance of the Managing Director and senior executives in line with their respective duties and responsibilities.

Structure the Board to Add Value:

The Board currently comprises three Non-Executive Directors (including a Non-Executive Chairman) and a Managing Director. The Board reviews the independence and skills of all non-executive Directors on a regular basis and makes a statement in the Annual Report in relation to these matters. Details of the Directors' backgrounds and experience are summarised in the Directors' Report in the Company's Annual Report and can also be found on the Company's website.

The Chair of the Company is an independent Director and the role of the Chair and Managing Director are not exercised by the same individual.

To assist in the execution of its responsibilities the Board has an Audit and Risk Management Committee and a Remuneration Committee.

The Board does not have a Nomination Committee due to the Company's size, however the Board has processes in place which raise the issues that would otherwise be considered by the Nomination Committee including review of succession plans, appointment, performance evaluation and re-election of Directors.

Folkestone has entered into a Deed of Access, Indemnity and Insurance with each Director entitling them to obtain independent advice at the Company's expense with the prior approval of the Chairman. This advice is to be made available to all Directors.

Directors and management are encouraged to participate in continuing education activities to enhance their skills and knowledge.

Directors are invited to join the Board on the basis of their experience and skills in relation to the Company's activities. The Board is fully appraised on an ongoing basis with the operations of the Company and all members are fully conversant with both the business of the Company and the environment in which it operates.

Measures of performance are regularly reviewed, including that of individual officers. Statements in relation to independence of each of the Directors are included with the Directors' Report each year.

Promote Ethical and Responsible Decision Making:

The Company requires high ethical standards and integrity in all its dealings. In particular Directors and senior management are expected to actively and fully comply with all Laws and Regulations. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the group. ***The Company does not have a Diversity Policy due to its size.***

Systems are in place to ensure the protection and proper use of the Company's assets. Systems and policies are in place covering the acquisition and use of assets and the incurring of expenses as well as reporting of unethical or unfair trading.

Policies and procedures are also in place to ensure that confidentiality of information is maintained and that actual and potential conflicts of interest are identified and managed.

Directors and senior management are made aware of their obligation to comply with the Law in regard to trading in the Company's shares so as not to take advantage of information or position, or opportunities arising from these, for personal gain. The Company's Share Trading Policy is reviewed at least annually and the last review was undertaken in December 2011.

SHARE TRADING POLICY

Under Folkestone's share trading policy Directors and Employees:

- Must not purchase or sell securities in Folkestone when they are in possession of price sensitive "inside" information relating to Folkestone, which is not generally available to the market.
- Are prohibited from trading in Folkestone securities from 30 June until the announcement of full year results, from 31 December until the announcement of the half year results and the 30 day period prior to the Annual General Meeting ("Prohibited Periods");
- May only commence trading in Folkestone's securities one full business day after the announcement of the half-year results and full year results and the Annual General Meeting; or other ASX announcement which would be likely to materially affect the market price of the securities provided always that the Directors and Employees are not in possession of price sensitive "inside" information at the time of trading.
- May in exceptional circumstances be given clearance to trade during a Prohibited Period. The determination on whether to give clearance for trading during a Prohibited Period is to be made by the Board. Clearance will generally only be given in cases of clear financial hardship.

Safeguard Integrity in Financial Reporting:

The Company ensures the truthful and factual presentation of its financial position through systems of authorisation, reporting and review.

The Board has established an Audit and Risk Management Committee, comprised solely of Non-Executive Directors. The Chair of the Audit and Risk Management Committee is required to be a different person to the Chair of the Company. Details of the members of the Audit and Risk Management Committee and meetings held during the year are disclosed in the Directors' Report.

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

The responsibilities of the Audit and Risk Management Committee include:

- Reviewing the financial reports and integrity and processes associated with their preparation.
- Monitoring compliance with internal management and financial control systems.
- Reviewing the scope of activities, performance and remuneration of the external auditors.
- Ensuring that any deficiencies identified in processes are subject to prompt remedial action by management.
- Monitoring compliance with the Corporations Act, ASX and related reporting requirements.
- Identifying the risks inherent in the Company's business activities and establishing policies and procedures to monitor these risks.

External Auditors are appointed by shareholders and the Board takes steps to ensure that there are no actual or potential conflicts of interest in any additional work they are requested to do. In general, such additional work is confined to advice on taxation matters and in providing accounting advice in the normal course of business.

The Board regularly review the Auditor's Independence and receives an Independence Declaration which is included in the Annual and Half Year Reports.

Make Timely and Balanced Disclosure:

The Company promotes timely and balanced disclosure of all material matters to ensure a fully informed market. The Company's systems ensure that all such matters are brought to the Board's attention promptly. Where there is legal restraint or where immediate disclosure would compromise the Company's interests, the Directors may limit the extent of the disclosure. Where appropriate, the Directors may seek external advice to ensure that announcements do not omit any material information.

All information released to the ASX is posted on the Company's website shortly thereafter. Any information provided to analysts during briefings or presentations to shareholders or the Annual General Meeting is also released to the ASX and displayed on the Company's website.

Respect the Rights of Shareholders:

The Board ensures that shareholders are fully informed of major developments affecting the Company's affairs and encourages full participation by shareholders at General Meetings and in the election of Directors.

All announcements to the ASX are posted on the Company's website (www.folkestone.com.au) which also contains up to date information on all projects, annual reports, news and other corporate information.

The External Auditor attends the Annual General Meeting and shareholders are invited to address questions to the Audit Partner.

Recognise and Manage Risk:

The Board identifies and establishes processes to manage the significant operating, financial and regulatory risks through the formal adoption of a medium term Strategic Plan , annual business plans and budgets.
Given the small size of the Group and the inability to fully separate accounting roles between employees, the Board has the ability to request an independent review of its accounting systems and processes by an accounting organisation not aligned to the Auditor. This independent review coupled with the comprehensive nature of the monthly reporting systems assists in the Company's risk minimisation process.

The Company's Audit and Risk Management Committee has formulated a Risk Management Plan that formalises the current culture and processes of the Company which is focused on the identification and management of risk through regular Board reporting and exception reporting in between.

The Managing Director and Chief Financial Officer provide a letter of representation to the Board in regard to both the half-year and annual accounts. In addition, both executives provide a statement advising compliance with ASX Principles 4 and 7, dealing with the integrity of the accounts and risk management. The representation includes a statement that the information from which the accounts are prepared is accurate, complete and truthful as well as being in accordance with all appropriate standards and regulations. They also acknowledge their role in the prevention and detection of fraud and error.

Remunerate Fairly and Responsibly:

REMUNERATION COMMITTEE CHARTER

The functions and responsibilities include:

- Reviewing the performance of the MD and/or CEO.
- Reviewing and recommending to the Board the remuneration packages of the MD, CEO and senior executives as well as the percentage remuneration change for the Group as a whole.
- Reviewing and recommending the Company's remuneration policy and structure to the Board.
- Reviewing and recommending appropriate non-executive Directors fees.

The Board has established a Remuneration Committee comprised of the three non-executive Directors and chaired by the Company Chairman. Further details of the members of the Remuneration Committee and of meetings held are included in the Directors' Report. Executive remuneration and other terms of employment are reviewed annually having regard to performance goals set at the start of the year, relevant comparative information and independent advice.

Senior management are remunerated on the basis of packages which comprise a base salary plus short term and long term performance bonuses. Salary sacrifice provisions apply within the limits allowed by taxation law. Overall packages are set at levels that are intended to retain and attract executives who are capable of managing the Group's operations. Details are fully disclosed in the remuneration report contained in the Directors Report.

The Company does not operate its own superannuation fund and contributions are made to complying funds on the instructions of Directors and employees and in compliance with the relevant legislation.

Fees for non-executive Directors are determined by the Remuneration Committee within the maximum limits approved by shareholders which is disclosed in full in the remuneration report contained in the Directors Report each year.

The Board has the power to approve loans to executives at commercial rates if the need arises. Any such loans would be fully disclosed in the remuneration report contained in the Directors Report and the financial statements of the Company. No such loans are currently outstanding.

The Company is currently reviewing its Executive Bonus Scheme and the details are fully disclosed in the Remuneration Report.

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The Board of Directors
Folkestone Limited
Level 9, 350 Collins St
MELBOURNE VIC 3000

22 August 2012

Dear Board Members,

Folkestone Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Folkestone Limited.

As lead audit partner for the audit of the financial statements of Folkestone Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Folkestone Ltd

Report on the Financial Report

We have audited the accompanying financial report of Folkestone Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 26 to 74.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Folkestone Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Folkestone Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 16 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Folkestone Ltd for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 22 August 2012

Folkestone Limited and its Controlled Entities
Financial Report
For the year ended 30 June 2012

FINANCIAL REPORT

CONTENTS **Page**

This Financial Report covers both Folkestone Ltd as an individual entity and the economic entity consisting of Folkestone Ltd and its controlled entities.

Folkestone Ltd is a company limited by shares incorporated and domiciled in Australia. Its registered office is:

Folkestone Limited
Level 9
350 Collins Street
Melbourne Vic 3000

A description of the nature of the economic entity's operations and its principal activities is included within the Directors' Report on pages 1 to 17.

Folkestone Limited and its Controlled Entities
Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	Economic Entity	
		2012	2011
		$000	$000
Continuing Operations			
Revenue	2	**17,025**	8,229
Development expenses		**(13,968)**	(7,187)
Employee benefits expense		**(2,555)**	(1,283)
Depreciation and amortisation expense		**(128)**	(41)
Changes in inventories of finished goods and work in progress		**-**	(2,526)
Consultants' expenses		**(91)**	(367)
Rental expense on operating leases		**(103)**	(57)
Impairment of interests held in associated entities	13	**-**	(8,015)
Gain on sale of interests in associated entities	13	**7**	-
Share of net gain of associated entities	13	**787**	-
Other expenses		**(1,032)**	(972)
Finance costs	3	**(15)**	(5)
Loss before income tax		**(73)**	(12,224)
Income tax expense	5	**-**	(2)
Loss for the year from continuing operations		**(73)**	(12,226)
Discontinued operations			
Profit /(loss)from discontinued operations	4	**(46)**	6
Loss for the year		**(119)**	(12,220)
Total comprehensive income		**(119)**	(12,220)
Attributable to			
Owners of the company		**(119)**	(12,221)
Non-controlling interests		**-**	1
		(119)	(12,220)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents per share)	8	**(0.0)**	(7.5)
Diluted earnings per share (cents per share)	8	**(0.0)**	(7.5)
From continuing operations:			
Basic earnings per share (cents per share)	8	**(0.0)**	(7.5)
Diluted earnings per share (cents per share)	8	**(0.0)**	(7.5)

The statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 31 to 73.

Folkestone Limited and its Controlled Entities
Statement of Financial Position
As at 30 June 2012

	Note	Economic Entity	
		2012	2011
ASSETS		**$000**	$000
CURRENT ASSETS			
Cash and cash equivalents	9	**34,988**	27,276
Trade and other receivables	10	**3,307**	336
Inventories	11	**8,394**	16,597
Other current assets	12	**632**	663
TOTAL CURRENT ASSETS		**47,321**	44,872
NON-CURRENT ASSETS			
Shares in associated entities	13	**1,553**	6,998
Property, plant and equipment	16	**374**	434
Goodwill	17	**1,225**	1,225
TOTAL NON-CURRENT ASSETS		**3,152**	8,657
TOTAL ASSETS		**50,473**	53,529
CURRENT LIABILITIES			
Trade and other payables	18	**894**	1,445
Current tax liabilities	20b	**-**	1
Short-term borrowings	19	**4,150**	6,568
Short-term provisions	21	**62**	54
TOTAL CURRENT LIABILITIES		**5,106**	8,068
NON-CURRENT LIABILITIES			
Long-term provisions	21	**72**	40
TOTAL NON-CURRENT LIABILITIES		**72**	40
TOTAL LIABILITIES		**5,178**	8,108
NET ASSETS		**45,295**	45,421
EQUITY			
Issued capital	22	**58,889**	58,970
Reserves	23	**443**	369
Accumulated losses		**(14,038)**	(13,919)
Parent interest		**45,294**	45,420
Non-controlling interest		**1**	1
TOTAL EQUITY		**45,295**	45,421

The statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 31 to 73.

Folkestone Limited and its Controlled Entities
Statement of Changes in Equity
For the year ended 30 June 2012

	Note	Issued Capital	Accumulated Losses	Reserves	Attributable to holders of the parent	Non-controlling Interest	Total
Economic Entity		**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at 1 July 2010		28,271	(1,698)	383	26,956	35	26,991
Loss for the year		-	(12,221)	-	(12,221)	1	(12,220)
Total comprehensive loss for the year		-	(12,221)	-	(12,221)	1	(12,220)
Issue of share capital – placement	22	25,000	-	-	25,000	-	25,000
Issue of share capital – acquisition of Equity Real Estate Partners Pty Ltd	22	1,000	-	-	1,000	-	1,000
Issue of share capital – prospectus	22	6,538	-	-	6,538	-	6,538
Share issue costs	22	(1,839)	-	-	(1,839)	-	(1,839)
Net forfeiture of performance rights	23	-	-	(14)	(14)	-	(14)
Dividends paid		-	-	-	-	(35)	(35)
Balance at 30 June 2011		58,970	(13,919)	369	45,420	1	45,421
Loss for the year		-	(119)	-	(119)	-	(119)
Total comprehensive loss for the year		-	(119)	-	(119)	-	(119)
Share buy back	22	(81)	-	-	(81)	-	(81)
Issue of performance rights	23	-	-	74	74	-	74
Balance at 30 June 2012		58,889	(14,038)	443	45,294	1	45,295

The statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 31 to 73.

Folkestone Limited and its Controlled Entities
Statement of Cash Flows
For the year ended 30 June 2012

	Note	Economic Entity	
		2012	2011
		$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**15,143**	7,313
Payments to suppliers and employees		**(9,689)**	(8,818)
Interest received - continuing operations	2	**1,264**	712
Interest received - discontinued operations		**-**	2
Finance costs - continuing operations	3	**(15)**	(5)
Interest and line fees capitalised to property developments included in inventory	3	**(310)**	(41)
Income tax refunded		**-**	11
Net cash provided by (used in) operating activities	27	**6,393**	(826)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(68)**	(81)
Proceeds from sale of property, plant and equipment		**-**	3
Loans advanced to associated entities		**(3,197)**	-
Repayment of loans by associated entities		**845**	-
Payment for investment in associated entity		**(3,762)**	(11,771)
Proceeds from sale of interest in associate entity		**10,000**	-
Payment for subsidiary, net of cash acquired		**-**	(241)
Net cash provided by / (used in) investing activities		**3,818**	(12,090)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**3,022**	4,219
Repayment of borrowings		**(5,440)**	(9,339)
Payment for share buyback	22	**(81)**	-
Proceeds from the issue of shares	22	**-**	31,538
Payment for share issue costs	22	**-**	(1,839)
Dividends paid to minority interests		**-**	(35)
Net cash (used in)/provided by financing activities		**(2,499)**	24,544
Net increase in cash and cash equivalents		**7,712**	11,628
Cash and cash equivalents at beginning of financial year		**27,276**	15,648
Cash and cash equivalents at end of financial year	9	**34,988**	27,276

The statement of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 31 to 73.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the consolidated financial statements of the group. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were approved by the Board on 22 August 2012 and were authorised for issue.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

In the application of the Group's accounting policies as described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of the Group's accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substances of the underlying transactions or other events are reported.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not affected the reporting results or financial position, but has resulted in changes to the Group's presentation of, or disclosure in the following areas:

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operation cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to AASB 7: 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-05 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 1048 'Interpretation of Standards' (revised) Effective: Periods ending 30 June 2012	AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the date of authorisation of the financial report, the following Standards and Interpretations listed below were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
ASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

Accounting Policies

a) **Principles of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

b) **Investments in Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

c) **Jointly controlled operations and assets**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

d) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

e) **Revenue**

Interest revenue is recognised on a proportional basis taking into account the effective interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

1. Land Sub-division
Revenue is recognised where there is a signed unconditional contract and the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the land;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.Project Development
Where construction of a property is not substantially complete at reporting date, revenue and profit on sales are not recognised until sale settlement. Where construction of the property has been achieved or is substantially complete (practical completion) and all risk and reward has been transferred to the customer, revenue and expenses are recognised where there is a signed unconditional contract of sale unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a project, the excess of total costs over revenue is recognised as an expense immediately.

All revenue is stated net of the amount of goods and services tax (GST).

f) **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Folkestone Ltd and its wholly owned entities have formed a tax-consolidated group and are therefore taxed as a single entity from the date. The head entity within the tax-consolidated group is Folkestone Limited. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

f) **Income Tax (Continued)**

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

g) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

h) **Financial instruments**

The Group holds non derivative financial instruments comprising trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non derivative financial instruments are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

i) **Inventories**

i) Developments in Progress

Developments in progress are stated at the aggregate of costs incurred to date. Costs include all costs directly related to specific projects. Developments in progress are valued at the lower of costs incurred and net realisable value.

Finance costs included in the cost of developments in progress are those costs that would have been avoided if the expenditure on the acquisition of the development of the land had not been made. Finance costs incurred while active development is interrupted for extended periods are recognised as expenses.

ii) Land Held for Resale

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, finance costs and holding costs until completion of the development. Any income received in relation to the property prior to its sale and being ready for use reduces the cost base of the asset.

Finance costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition of the development of the land had not been made. Finance costs incurred while active development is interrupted for extended periods are recognised as expenses.

j) **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

k) **Depreciation on plant and equipment**

Depreciation is charged in respect of office equipment, and is calculated on either the diminishing value method or the straight line method from the date of acquisition at various rates so as to write off the cost of these assets over their expected useful lives. The expected useful life of mechanical plant, equipment and moveable fittings is five to ten years.

l) **Finance Costs**

Financing costs exclude borrowing costs capitalised to qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

All other finance costs are recognised in the period in which they are incurred.

m) **Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

• deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
• liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
• assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

m) **Business Combinations (Continued)**

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

n) **Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

o) **Impairment of Assets**

i) Non financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

ii) Financial assets

Financial assets are assessed for indicators of impairment at each reporting date. The financial asset is considered to be impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. All impairment losses are expensed to the income statement.

p) **Employee Benefits**

i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are recognised and are measured at the amount expected to be paid when the liabilities are settled plus related on costs. The liability for annual leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

p) **Employee Benefits (Continued)**

ii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Profit Sharing and Bonus Plans

A liability of employee benefits in the form of profit sharing is recognised in other creditors when one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the financial report; or
- Past practice gives clear evidence of the amount of the obligation.

Liabilities for profit sharing are expected to be settled within 9 months after the end of the financial year and are measured at the amounts expected to be paid when they are settled.

iv) Superannuation

The Group effects contributions on behalf of directors and employees to superannuation funds in accordance with the Superannuation Guarantee Legislation and these are charged as expenses when incurred. Superannuation includes amounts required to comply with the Superannuation Guarantee Legislation and any salary sacrificed amounts.

v) Employee Benefit On-costs

Employee benefit on-costs, including payroll tax, workcover and other on-costs are recognised and included in sundry payables and accrued expenses and costs when the employee benefits to which they relate are recognised as liabilities.

vi) Performance Rights

The fair value of performance rights granted is recognised as an employee benefits expense with a corresponding increase in the employee performance rights reserve. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares at the end of the performance period and vesting period.

The fair value of performance rights granted for rights with market based performance criteria are measured using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is amortised on a straight line basis over the life of the right even if the market based performance criteria are never met and the rights never vest, except where the employee forfeits their rights due to termination of employment.

The fair value of performance rights granted for rights with non-market based performance criteria are measured using the Binomial Option Pricing Methodology which is the generally accepted approach for valuing rights which may be exercised, once vested, at any time up until expiry. The amount recognised as an expense is amortised on a straight line basis over the life of the right. If the performance criteria associated with the right is not achieved, adjustments to the value of the expense is made so that the cumulative expense recognised over the vesting period reflects the number of instruments that actually vest.

q) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

i) Rectification and warranties
A provision for rectification and warranties is recognised when the underlying products or services (including construction contracts) are sold or completed. The provision is based on historical rectification and warranty data, known claims and a weighting of all possible outcomes against their associated probabilities.

r) **Earnings per Share**

i) Basic Earnings per Share
Basic earnings per share is determined by dividing the net profit attributable to members of the company by the weighted average number of Ordinary Shares outstanding during the financial year, adjusted for bonus elements (if any) in Ordinary Shares issued during the year.

ii) Diluted Earnings per Share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential Ordinary Shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential Ordinary Shares.

s) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t) **Rounding of Amounts**

The economic entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1,000.

u) **Critical judgements in applying the entity's accounting policies**

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most effect on the amounts recognised in the financial statements:

i) Inventories

Note 11 sets out the category and value of inventory carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to develop and sell and the expected selling price. Any reassessment of cost to develop and sell or selling price in a particular year will affect the cost of goods sold.

ii) Shares in associated entities.

Note 13 sets out the value of shares in associated entities. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Shares in associated entities are assessed for indicators of impairment at each reporting date. All impairment losses are expensed to the income statement.

NOTE 2: REVENUE

	Note	Economic Entity 2012 $000	2011 $000
Revenue from continuing operations consists of the following items:			
- Revenue from land and property development activities		**15,327**	7,472
- Interest received	2a	**1,597**	712
- Management fees		**100**	33
- Other income		**1**	12
Total Revenue		**17,025**	8,229
a. Interest received from:			
- bank deposits		**1,264**	712
- preferred equity loans for development projects		**333**	-
Total interest revenue		**1,597**	712

NOTE 3: FINANCE COSTS

	2012 $000	2011 $000
Finance costs from continuing operations consist of the following items:		
- Interest and line fees on bills payable	**438**	695
- Financial institution charges	**15**	5
Total Finance Costs	**453**	700
Less:		
Interest and line fees capitalised to property developments included in inventory	**(310)**	(41)
Interest and line fees expense included within development expenses	**(128)**	(306)
Interest and line fees included within changes in inventories of finished goods and work in progress	**-**	(348)
	15	5

The weighted average capitalisation rate (including margins) on funds borrowed at balance date is 6.10% (2011: 7.07%)

NOTE 4: DISCONTINUED OPERATIONS

Sale of Access Constructions

As disclosed in the 2009 Annual Report, Folkestone has exited its equity investment in the Access Constructions business. This was executed by way of a Management Buy Out signed on 19 August 2009 but with effect from 1 July 2009.

The results of the discontinued operations which are included in the statement of comprehensive income for the year ended 30 June 2012 are as follows:

	30 June 2012	30 June 2011
	$000	$000
(Loss)/profit from discontinued operations		
Revenue	-	47
Expenses	(46)	(41)
(Loss)/profit before tax	(46)	6
Income tax credit/(expense)	-	-
Net (loss)/profit from discontinued operations after income tax	(46)	6

NOTE 5: INCOME TAX EXPENSE

	Economic Entity	
	2012	2011
	$000	$000
Income tax recognised in profit or loss		
Current tax expense/(credit)	**-**	2
Deferred tax (benefit)/expense	**-**	-
Income tax expense/(credit)	**-**	2

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Economic Entity	
	2012	2011
	$000	$000
Loss from operations	**(73)**	(12,224)
Income tax calculated at 30%	**(22)**	(3,667)
Add/(Subtract):		
- Entertainment	**3**	-
- Current year tax losses not recognised as deferred tax assets	**31**	467
- Temporary differences not recognised as deferred tax assets	**(2,200)**	3,159
- Other assessable income	**-**	43
- Other non-allowable expenses	**2,188**	-
Income tax attributable to entity	**-**	2

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of economic entity key management personnel in office at any time during the financial year and the comparative period were:

Key Management Person	Position
GR Sladden	*Non-Executive Chairman (appointed 9 March 2011)*
GJ Paramor	*Managing Director*
AH Gurner	*Non-executive director*
KR Strang	*Non-executive director (appointed 9 March 2011)*
BP Dodwell	*Head of Real Estate (appointed 1 April 2011)*
AJ Harrington	*Head of Funds Management (appointed 1 April 2011)*
SN Martin	*CFO & Company Secretary*
JW Sweeney	*Chief Operating Officer (appointed 1 April 2011)*
ATL Maitland	*Chairman (resigned 9 March 2011)*
MW Parkinson	*Non-executive director (resigned 9 March 2011)*
KH Dening	*Non-executive director (resigned 10 February 2011)*
O Guglielmi	*Managing Director (resigned 6 December 2010)*

Information regarding individual directors and executives compensation is provided below:

The aggregate compensation made to directors and other members of key management personnel of the company and the group is set out below:

	Economic Entity	
	2012	2011
	$	$
Short-term employee benefits	**1,416,716**	908,251
Post-employment benefits	**155,644**	87,212
Share-based payment	**73,586**	-
	1,645,946	995,463

Long Term Incentives - Performance Rights

The Executive Incentive Performance Rights Plan ("Plan") is designed to:

- assist with the attraction and retention of directors, executives, senior managers and employees;
- continue to motivate and drive performance at both the individual and corporate level; and
- strengthen the alignment between employee and Shareholder interests.

A summary of the Plan Rules is set out in the Remuneration Report section of the Director's Report on pages 7 to 16.

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

Performance Rights issued as part of Remuneration for the year ended 30 June 2012

There has been no performance rights issued as part of remuneration for the year ended 30 June 2012.
The following factors and assumptions were used in determining the fair value of rights on the grant date; which were granted on 29 June 2011:

Grant Date	*Expiry Date*	**Fair Value per Right*	*Exercise Price*	*Price of Shares on Grant Date*	*Estimated Volatility*	*Risk free interest rate*	*Dividend yield*
29 Jun 11	30 Jun 2014	$0.104	$0	$0.105	40%	4.71%	-
29 Jun 11	30 Jun 2014	$0.056	$0	$0.105	40%	4.71%	-

**The fair value of performance rights was calculated by an independent expert using an appropriate valuation model in accordance with applicable accounting standards.*

The Board's policy in respect of the accounting treatment of performance rights is to engage the services of an independent expert to calculate the fair value of performance rights at the date of grant using an appropriate valuation model.

The Board has adopted the fair value calculation as the cost basis for issuing the rights and to shares on vesting of any rights awarded. Please refer to the accounting policy note on page 42 for further detail.

Performance rights over equity instruments granted as compensation

Details on performance rights over ordinary shares in the Company that have been granted as compensation and are yet to expire are set out in the following tables. The performance rights were provided at no cost to the recipients and have a nil exercise price.

Executive	*Granted during 2011*	*Grant date*	*Vested during 2011*	*Fair value per right at grant date*	*Expiry date*
G Paramor	-	-	-	-	-
B Dodwell	-	-	-	-	-
A Harrington	1,971,026	29 Jun 2011	-	$0.104	30 June 2014
	1,971,027	29 Jun 2011	-	$0.056	30 June 2014
S Martin	-	-	-	-	-
J Sweeney	1,971,026	29 Jun 2011	-	$0.104	30 June 2014
	1,971,027	29 Jun 2011	-	$0.056	30 June 2014

There were no performance rights granted during the 2012 financial year.

The above performance rights issued under the Executive Incentive Performance Rights Plan expire on the termination of the individual's employment and vest three years from grant date subject to performance criteria met.

Analysis of share-based payments granted as compensation

Details of the vesting profile of options/performance rights granted as compensation to Director's & Executives are detailed below:

	Performance Rights Granted						
	Number	*Date*	*% Vested in year*	*% Vested in total*	*% Forfeited in year*	*% Forfeited in total*	*Financial years to which grant vests*
Executives							
A Harrington	3,942,053	29 Jun 2011	-	-	-	-	30 Jun 2014
J Sweeney	3,942,053	29 Jun 2011	-	-	-	-	30 Jun 2014

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

Analysis of movements in performance rights

The movement during the reporting period, by number and value, of options and performance rights over ordinary shares in the company held by each company director and each of the named executives is detailed below:

	Opening Balance (i)	*Granted in Year (ii) (iii)*	*Vested in Year (iv)*	*Lapsed in Year (v)*	*Closing Balance*
Executives					
A Harrington					
Number of Rights	3,942,053	-	-	-	3,942,053
Value of Rights $	315,365	-	-	-	315,365
J Sweeney					
Number of Rights	3,942,053	-	-	-	3,942,053
Value of Rights $	315,365	-	-	-	315,365
Total					
Number of Rights	7,884,106	-	-	-	7,884,106
Value of Rights	630,730	-	-	-	630,730

(i) *Opening balance of performance rights were granted on 29 June 2011.*

(ii) *The number of performance rights is the number of performance rights granted during the reporting period.*

(iii) *The value of performance rights granted during the year is their fair value at grant date. There were no performance rights granted during the current year.*

(iv) *The value of performance rights vested during the year is calculated as the fair value at grant date of those rights vested during the period. There were no performance rights that vested during the current year.*

(v) *The value of the performance rights that lapsed during the year represents the benefit foregone and is calculated at the date the performance rights lapsed using their fair value at the grant date of these rights. There were no performance rights which lapsed during the current year.*

No options have been issued or are on issue.

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

Number of Shares held by Key Management Personnel

2012	**Balance 1.7.2011**	**Received as Compensation**	**Performance Rights Exercised**	**Net Change Other***	**Balance 30.6.2012**
GR Sladden (appointed 9 March2011)	416,667	-	-	-	416,667
GJ Paramor	42,230,204	-	-	(880,000)	41,350,204
AH Gurner	1,000,000	-	-	-	1,000,000
KR Strang (appointed 9 March2011)	-	-	-	-	-
BP Dodwell (appointed 1 April 2011)	489,035	-	-	-	489,035
AJ Harrington (appointed 1 April 2011)	2,916,666	-	-	440,000	3,356,666
SN Martin	560,698	-	-	-	560,698
JW Sweeney (appointed 1 April 2011)	3,332,666	-	-	440,000	3,772,666
Total	50,945,936	-	-	-	50,945,936

* Net Change Other refers to shares purchased or sold during the financial year.

2011	**Balance 1.7.2010**	**Received as Compensation**	**Performance Rights Exercised**	**Net Change Other***	**Balance 30.6.2011**
GR Sladden (appointed 9 March2011)	-	-	-	416,667	416,667
GJ Paramor (appointed 4 May 2010)	4,730,205	-	-	37,499,999	42,230,204
AH Gurner (appointed 4 May 2010)	1,000,000	-	-	-	1,000,000
KR Strang (appointed 9 March2011)	-	-	-	-	-
BP Dodwell (appointed 1 April 2010)	-	-	-	489,035	489,035
AJ Harrington (appointed 1 April 2010)	-	-	-	2,916,666	2,916,666
SN Martin	465,698	-	95,000	-	560,698
JW Sweeney (appointed 1 April 2010)	-	-	-	3,332,666	3,332,666
*ATL Maitland (resigned 9 March 2011)^*	971,580	-	-	-	971,580
*MW Parkinson (resigned 9 March 2011)^*	59,190	-	-	-	59,190
*KH Dening (resigned 10 February 2011)^*	107,151	-	-	-	107,151
*O Guglielmi (resigned 6 December 2011)^*	1,879,776	-	152,000	-	2,031,776
Total	9,213,600	-	247,000	44,655,033	54,115,633

* Net Change Other refers to shares purchased or sold during the financial year.

^ For prior year the closing balance reflects the shares held as at the date of departure.

NOTE 7: AUDITORS' REMUNERATION

	Economic Entity	
	2012	2011
	$	$
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	**86,795**	89,763
- taxation services	**-**	16,732
- due diligence	**55,000**	27,000

The auditor of Folkestone Ltd is Deloitte Touche Tohmatsu

NOTE 8: EARNINGS PER SHARE

	Economic Entity	
	2012 $000	**2011 $000**
Basic earnings per share		
From continuing operations	**(0.0)**	(7.5)
From discontinued operations	**(0.0)**	(0.0)
Total basic earnings per share	**(0.0)**	(7.5)
Diluted earnings per share		
From continuing operations	**(0.0)**	(7.5)
From discontinued operations	**(0.0)**	(0.0)
Total diluted earnings per share	**(0.0)**	(7.5)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2012 $000	2011 $000
Loss attributable to members of the parent entity	**(119)**	(12,221)
Earnings used in the calculation of basic EPS	**(119)**	(12,221)
(Profit)/loss for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	**46**	(6)
Earnings used in the calculation of basic earnings per share from continuing operations	**(73)**	(12,227)

	2012 No.	2011 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	**370,696,599**	162,060,516

NOTE 8: EARNINGS PER SHARE CONTINUED

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2012 $000	2011 $000
Loss attributable to members of the parent entity	**(119)**	(12,221)
Earnings used in the calculation of diluted EPS	**(119)**	(12,221)
(Profit)/loss for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	**46**	(6)
Earnings used in the calculation of diluted earnings per share from continuing operations	**(73)**	(12,227)

	2012 No.	2011 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	**370,696,599**	162,060,516

There are 3,942,053 employee performance rights which have been issued for no consideration. These are not dilutive in a loss making position.

NOTE 9: CASH AND CASH EQUIVALENTS

	Economic Entity	
	2012	2011
	$000	$000
Cash at bank and in hand	**34,988**	27,276
	34,988	27,276

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	**34,988**	27,276
	34,988	27,276

NOTE 10: TRADE AND OTHER RECEIVABLES

	Economic Entity	
CURRENT	**2012**	2011
	$000	$000
Trade receivables	**73**	219
Other receivables	**3,234**	117
	3,307	336

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not has not recognised an allowance for doubtful receivables because there has not been significant change in credit quality and the amounts are considered recoverable. No collateral is held over these balances.

Trade Receivables
Ageing of past due but not impaired

	Economic Entity	
	2012	2011
	$000	$000
Not past due	**7**	209
Past due 0-30 days	**28**	2
Past due 31-120 days	**34**	-
Past 120 days	**4**	8
	73	219

NOTE 11: INVENTORIES

	Economic Entity	
	2012	2011
	$000	$000
CURRENT		
Land and property developments in progress	**8,394**	**16,597**
	8,394	**16,597**

NOTE 12: OTHER CURRENT ASSETS

	Economic Entity	
	2012	2011
	$000	$000
Prepayments	**101**	-
Other assets	**531**	663
	632	663

NOTE 13: INVESTMENTS IN ASSOCIATED ENTITIES

Interests are held in the following associated entities

Name	Principal Activities	Country of Incorporation	Equity Held	Ownership Interest		Carrying amount of investment	
				2012	2011	**2012**	2011
				%	%	**$000**	$000
Unlisted:							
Folkestone Docklands Unit Trust(1)	Property Development	Australia	B Class Units	**0**	80	**0**	10
Folkestone (Bayside) Pty Ltd(2)	Property Development	Australia	Ordinary shares	**0**	20	**0**	5,421
Greenvalley Asset Property Trust(3)	Property Development	Australia	Units	**25**	25	**1,553**	1,567
						1,553	6,998

(1) On 22 May 2012, the trust was terminated and all of the assets have been realised.

(2) On 29 June 2012, Folkestone sold its shares in the entity to its Joint Venture partner.

(3) The Ranges Holdings Karratha Pty Ltd, a wholly owned subsidiary of Folkestone Ltd, owns 6 of the 24 units on issue. The units were acquired on 3 June 2011. The Ranges Holdings Karratha Pty Ltd holds 50% of the voting control.

NOTE 13: INVESTMENTS IN ASSOCIATED ENTITIES CONTINUED

	Economic Entity	
	2012 **$000**	2011 $000
This balance comprises		
Share of net assets in associated entities (a)	**1,141**	14,601
Impairment of interests held in associated entities	**-**	(8,015)
Consideration paid greater than reported carrying value of net assets	**412**	412
	1,553	6,998

a. Summarised Presentation of the economic entity's share of Aggregate Assets, Liabilities and Performance of Associates

	2012 $000	2011 $000
Current assets	**4,012**	24,685
Total assets	**4,012**	24,685
Current liabilities	**2,871**	10,084
Non-current liabilities	**-**	-
Total liabilities	**2,871**	10,084
Net assets	**1,141**	14,601
Revenues		
Gain on sale of interests in associated entities	**7**	-
Share of net gain of associated entities	**787**	-
Total Revenues	**794**	-

Ownership interest in Greenvalley Asset Property Trust was 25% of issued units. The reporting date of Greenvalley Asset Property Trust is 30 June 2012. This reporting date coincides with Folkestone Limited.

NOTE 14: JOINTLY CONTROLLED OPERATIONS

The Group's interest, as a joint venturer, in assets employed in jointly controlled operations is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories.

	Economic Entity	
	2012	2011
	$000	$000
i) A controlled entity, Folkestone No:4 Pty Ltd has a 50% interest with the Select Property Portfolio Fund No:2 Ltd, in the development of a site at 169 Noone Street, Clifton Hill.		
The economic entity's share of assets employed in the jointly controlled operations is:		
CURRENT ASSETS		
Cash at bank and on hand	**221**	214
Inventories – developments in progress	**170**	10,310
Other current assets	**14**	8
Total current assets	**405**	10,532
Share of total assets of jointly controlled operations	**405**	10,532
Net interest in jointly controlled operations	**352**	7,548

ii) A controlled entity, Folkestone No:7 Pty Ltd has a 50% interest with the Select Property Portfolio Fund No:2 Ltd, in the development of a site in Millers Road, Altona North.

The economic entity's share of assets employed in the jointly controlled operations is:	**2012**	2011
	$000	$000
CURRENT ASSETS		
Cash at bank and on hand	**27**	29
Inventories – developments in progress	**7,759**	6,225
Other current assets	**362**	200
Total current assets	**8,148**	6,454
Share of total assets of jointly controlled operations	**8,148**	6,454
Net interest in jointly controlled operations	**3,926**	2,300

iii) A controlled entity, Folkestone No:10 Pty Ltd has a 50% interest with I.D Land in the development of a site in Princes Highway, Officer.

The economic entity's share of assets employed in the jointly controlled operations is:	**2012**	2011
	$000	$000
CURRENT ASSETS		
Inventories - developments in progress	**465**	63
Other current assets	**250**	250
Total current assets	**715**	313
Share of total assets of jointly controlled operations	**715**	313
Net interest in jointly controlled operations	**715**	313

NOTE 15: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

	Country of Incorporation	**Percentage Owned (%)***	
		2012	2011
Parent Entity:			
Folkestone Limited	Australia		
Subsidiaries of Folkestone Limited:			
Folkestone Freeholds Pty Ltd	Australia	100	100
Folkestone Developments Pty Ltd	Australia	100	100
Folkestone Project Management Pty Ltd	Australia	100	100
Fenchurch Pty Ltd	Australia	100	100
Folkestone (EMT) Pty Ltd	Australia	100	100
Folkestone East Melbourne Trust	Australia	100	100
Ceres House Pty Ltd	Australia	100	100
Lionel Road (Vic) Pty Ltd	Australia	100	100
Folkestone (PMD) Pty Ltd	Australia	100	100
Bertie Bridge Pty Ltd	Australia	75	75
Sorrento (VIC) Pty Ltd	Australia	100	100
Folkestone No. 1 Pty Ltd	Australia	100	100
Folkestone No. 2 Pty Ltd	Australia	100	100
Folkestone No. 3 Pty Ltd	Australia	100	100
Folkestone No. 4 Pty Ltd	Australia	100	100
Folkestone No: 5 Pty Ltd	Australia	100	100
Folkestone No: 6 Pty Ltd	Australia	100	100
Folkestone No: 7 Pty Ltd	Australia	100	100
Folkestone No: 8 Pty Ltd	Australia	100	100
Folkestone No: 9 Pty Ltd	Australia	100	100
Folkestone No: 10 Pty Ltd	Australia	100	100
Equity Real Estate Partners Pty Ltd	Australia	100	100
Folkestone Funds Management Ltd (formerly Equity Real Estate Funds Management Pty Ltd).	Australia	100	100
Equity Real Estate Services Pty Ltd	Australia	100	100
EREP Quakers Hill Pty Ltd	Australia	-	100
The Ranges Holdings Karratha Pty Ltd	Australia	100	100

** Percentage of voting power is in proportion to ownership*

b. De-registration of controlled entities in 2012.

EREP Quakers Hill Pty Ltd was de-registered on 29 September 2011.

Folkestone Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2012

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

	Note	Economic Entity	
		2012	2011
		$000	$000
PLANT AND EQUIPMENT			
Office equipment:			
At cost		**617**	547
Accumulated depreciation and impairment		**(243)**	(113)
Total Property, Plant and Equipment		**374**	434

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Economic Entity	
	2012	2011
	$000	$000
Carrying amount at the start of the year	**434**	18
Additions at cost	**68**	81
Additions through acquisitions	**-**	382
Disposals at cost	**-**	(89)
Accumulated depreciation eliminated on disposal	**-**	83
Depreciation expense	**(128)**	(41)
Carrying amount at the end of year	**374**	434

NOTE 17: GOODWILL

	Economic Entity	
	2012	2011
	$000	$000
Goodwill		
At cost	**1,225**	1,225
Total goodwill	**1,225**	1,225

Goodwill		
Balance at the beginning of year	**1,225**	-
Acquisitions through business combinations	**-**	1,225
Balance at the end of year	**1,225**	1,225

In accordance with the accounting standards, the carrying value of goodwill is assessed at least annually or whenever there is an indication that the goodwill may be impaired.

Goodwill relates to the acquisition of Equity Real Estate Partners Pty Ltd (EREP) which occurred on 1 April 2011. The acquisition of EREP has expanded Folkestone's business to include a funds management platform and has provided the company with:

- additional revenue streams and potential access to external sources of capital.
- an experienced management team with proven real estate and funds management experience: and
- an Australian Financial Services Licence (AFSL: 340 990) which permits it to carry on a financial services business to provide certain general financial product advice and provide certain custodial and depository services to wholesale and retail clients.

For the purposes of impairment testing, goodwill was allocated to the cash generating units of property development and funds management on a 50/50 basis. The analysis completed is based upon a value in use calculation of the forecast earnings of each cash-generating unit for the next three years using a discount factor of 21%. Based upon this analysis no impairment loss has been recognised in respect of goodwill for the year ended 30 June 2012.

NOTE 18: TRADE AND OTHER PAYABLES

	Note	Economic Entity	
		2012	2011
		$000	$000
Trade payables	a	**223**	683
Sundry payables and accrued expenses		**671**	762
		894	1,445

(a) Trade payables are non interest bearing liabilities. Trade creditor payments are generally processed 21 days from the end of the month of invoice.

NOTE 19: SHORT TERM BORROWINGS

		Economic Entity	
		2012	2011
		$000	$000
Secured liabilities			
Bills payable	19a,b,c	**4,150**	6,568
		4,150	6,568

a. The carrying amounts of current assets pledged as security are:

Bills payable are secured by freehold land and buildings (developments in progress) in Australia and a mortgage debenture over the assets of the borrowing entity. In some instances a guarantee is also provided by Folkestone Limited (Refer Note 25; Contingent Liabilities).	**7,759**	16,597
	7,759	16,597

b. Bills Payable

The prevailing interest rate at 30 June 2012 on bills drawn was 6.10% (2011: 6.97%-7.41%) including margins. The total bill facility available at 30 June 2012 was $4.150 m (2011: $11.375m) and subject to continuing compliance with the specific conditions of the facility for each project, the bill facilities may be drawn at any time and have an expiry in line with each specific project. Bill facilities are specific to each project and the total bill facility available represents the Group's share of these facilities. As new projects are secured, further bill facilities will be acquired.

c. Maturity and classification of bills payable

- The finance facility in respect of the project at 300 Millers Road, Altona North expires on 30 November 2012.
- The borrowings have been classified as current to align with the classification of inventory to which the borrowings relate and as at reporting date the finance facility was due to expire within 12 months.

NOTE 20: TAX

	Economic Entity	
	2012	2011
	$000	$000
a. Assets		
CURRENT		
Income tax	**-**	-
	-	-
b. Liabilities		
CURRENT		
Income Tax	**-**	1
	-	1
c. Unrecognised Deferred Tax Assets		
Deferred tax assets not recognised at reporting date		
Temporary Differences	**2,205**	**4,470**
	2,205	**4,470**

A deferred tax asset has not been recognised in respect of this item because it is not probable that future taxable profits will be available against which the consolidated entity can utilise the benefits.

NOTE 21: PROVISIONS

	Economic Entity	
	2012	2011
	$000	$000
Current		
Employee benefits		
Provision for annual leave	**62**	54
Total Current Provisions	**62**	54
Non-Current		
Employee benefits		
Provision for long service leave	**72**	40
Total Non-Current Provisions	**72**	40

NOTE 22: ISSUED CAPITAL

370,286,124 (2011: ***370,836,124***) fully paid ordinary shares of no par value	**58,889**	58,970
	58,889	58,970

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

NOTE 22: ISSUED CAPITAL CONTINUED

	2012		2011	
	Shares (thousand)	**$000**	Shares (thousand)	$000
Ordinary shares				
At the beginning of reporting period	**370,836**	**58,970**	99,438	28,271
Shares issued during the year				
- Exercise of Performance Rights	**-**	**-**	261	-
- Share placement (a)	**-**	**-**	208,334	25,000
Less: share issue costs	**-**	**-**	-	(1,190)
- Acquisition of Equity Real Estate Partners (b)	**-**	**-**	8,333	1,000
- Prospectus (c)	**-**	**-**	54,470	6,538
Less: share issue costs	**-**	**-**	-	(649)
- Share Buy Back (d)	**(550)**	**(45)**	-	-
Less: share buy back costs	**-**	**(36)**	-	-
At reporting date	**370,286**	**58,889**	370,836	58,970

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(a) On 31 March 2011, Folkestone completed a placement of 208,333,334 shares issued at an issue price of 12 cents per share to institutional and sophisticated investors in accordance with the shareholder approvals received at the 9 March 2011 General Meeting of Shareholders.

(b) On 31 March 2011, Folkestone issued 8,333,332 shares in consideration for the acquisition of Equity Real Estate Partners Pty Ltd in accordance with the shareholder approvals received at the 9 March 2011 General Meeting of Shareholders.

(c) On 10 May 2011, Folkestone issued 54,470,230 shares at an issue price of 12 cents per share pursuant to the prospectus dated 11 April 2011.

(d) On 22 December 2011, Folkestone announced its intention to buy back up to 9,969,923 shares, being 10% of the minimum shares outstanding during the prior twelve months. During the period 550,000 shares were bought back at an average price of 8.2 cents per share.

Franking Account

	Economic Entity	
	2012 $000	**2011 $000**
Balance of franking account at year end	**10,545**	10,545

NOTE 23: RESERVES

	Economic Entity	
	2012	2011
	$000	$000
At the beginning of the reporting period	**369**	383
- Net performance rights (forfeited)/granted	**74**	(14)
At the reporting date	**443**	369

The employee performance rights reserve records the amounts expensed in each year in respect of performance rights granted.

NOTE 24: CAPITAL AND LEASING COMMITMENTS

	Economic Entity	
	2012	2011
	$	$
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	**194**	172
- between 12 months and 5 years	**469**	663
	663	835

The Group has the following lease commitments:

1. Level 9, 350 Collins Street, Melbourne which expires on 1 June 2014. Rent is payable monthly in advance with 4% per annum fixed increases on the anniversary date.
2. Level 10, 60 Carrington St, Sydney which expires on 1 Feb 2016. Rent is payable monthly in advance with 4% per annum fixed increases on the anniversary date. The Group has sub-let approximately 37% of this office space to a sub-tenant.

b. Group's share of associated entities Capital Commitments		
- not later than 12 months	**7,305**	9,657
	7,305	9,657

The Group has the following capital commitments:

1. A controlled entity, Folkestone No. 10 Pty Ltd has a 50% interest with I.D Land in the development of a site in Princes Highway, Officer. Under the terms of the transaction, settlement of the land is scheduled to occur on 10 July 2012.
2. As part of the joint venture agreement for the Officer project, a controlled entity, Folkestone No. 10 Pty Ltd, has a loan agreement with ID Princess Highway Pty Ltd, the joint venture partner, for a maximum amount of $2.020m excluding capitalised interest. The undrawn balance of this loan at 30 June 2012 was $1.555m.
3. As part of Folkestone's investment in the Karratha project, a controlled entity, The Ranges Karratha Pty Ltd, has an Equity Investment Agreement with the Greenvalley Asset Trust for a maximum amount of $2m excluding capitalised interest. This loan has been fully drawn as at 30 June 2012.

NOTE 25: CONTINGENT LIABILITIES

a) Folkestone Limited has guaranteed the performance of certain controlled entities in relation to development agreements. These include:

- Millers Road (Altona) Pty Ltd - Folkestone Limited has a 50% interest in the development of land at 300 Millers Road, Altona North. Folkestone Limited has provided a guarantee in favour of Bank of Melbourne in relation to a loan facility for $8.3m (drawn to 30 June 2012: $8.3m) for this development. The loan facility runs to 30 November 2012. As part of the security for the facility, Folkestone Limited has provided Bank of Melbourne with an unlimited guarantee and indemnity for 100% of the loan. Folkestone's joint venture partner, SPP No 2, has provided a limited undertaking of $4.5m to Folkestone Limited in respect of the guarantee and indemnity provided to the Bank of Melbourne.

- 330 Princes Highway Pty Ltd - Folkestone Limited has a 50% interest in the development of 330 Princes Highway Officer. On 10 July 2012, Folkestone Limited provided a limited guarantee in favour of Bank of Melbourne in relation to a loan facility for $10.0m (drawn to 30 June 2012: Nil) for this development. The loan facility runs to 10 July 2013. As part of the security for the facility, Folkestone Limited has provided Bank of Melbourne with a guarantee and indemnity limited to $2.0m plus costs.

- Bertie Bridge Pty Ltd - Folkestone Limited owns 75% of the share capital in Bertie Bridge Pty Ltd. The development agreement between Folkestone Limited and Trust Company Ltd was terminated on 29 January 2010 and in accordance with the Terms of the Deed of Termination Folkestone continues to provide ongoing indemnifications to Goodman, the joint venture partner in the development.

Each of the above contingent liabilities have been reviewed to determine whether they meet the definition of a financial guarantee contract as defined under AASB 139. The company has determined that there is no value attributable to the financial guarantees disclosed in this note. In assessing the liability arising from the financial guarantee contracts, the following have been considered:

- probability of default under the terms of the facility agreement to which the financial guarantee contract relates
- past history of claims on financial guarantee contracts that the company has provided
- other securities that the bank holds in addition to the financial guarantee contracts
- value of primary asset securing the obligation to which the financial guarantee contract relates

No material losses are anticipated in respect of any of the above contingent liabilities.

Based upon these criteria, the director's have assessed that the liability arising from the financial guarantee contracts is $nil.

At the date of this report, the directors are not aware of any liability in relation to the guarantees mentioned above that has not been provided for in the financial statements.

NOTE 26: SEGMENT REPORTING

The economic entity's reportable segments under AASB 8 are Property Development and Funds Management.

In prior periods, the economic entity also operated a Construction division which was reported as a separate segment under AASB 8. That operation was discontinued with effect from 1 July 2009 (see Note 4).

	Segment Revenue		Segment Profit	
	30 June 2012	30 June 2011	**30 June 2012**	30 June 2011
	$000	$000	**$000**	$000
Continuing operations				
Property development	**15,660**	7,472	**2,489**	(10,256)
Funds management	**100**	33	**100**	33
	15,760	7,505	**2,589**	(10,223)
Other revenue			**1,265**	724
Administration costs			**(3,927)**	(2,725)
Loss before income tax			**(73)**	(12,224)
Discontinued operations				
Construction	**-**	45	**-**	45
	-	45	**-**	45
Administration costs			**(46)**	(39)
(Loss)/profit before income tax			**(46)**	6
Income tax (expense)/credit (continuing and discontinued operations)			**-**	(2)
Consolidated segment revenue and profit for the year	**15,760**	7,550	**(119)**	(12,220)

	30 June 2012	30 June 2011
Segment assets	**$000**	$000
Funds management	**331**	28
Property development	**13,626**	24,365
Unallocated	**36,516**	29,136
	50,473	53,529
Segment liabilities		
Funds management	**1**	3
Property development	**4,275**	7,137
Unallocated	**902**	968
	5,178	8,108

NOTE 27: NOTES TO THE CASH FLOW STATEMENT

	Economic Entity	
	2012	2011
	$000	$000
a. Reconciliation of profit for the period to net cash flows from operations		
Loss after income tax	**(119)**	(12,220)
Non-cash flows in profit		
Amortisation & depreciation	**128**	41
Expensing of performance rights	**74**	(14)
Accrued interest on preferred equity loans	**(333)**	-
Impairment of interest held in associated entities	**-**	8,015
Gain on sale of interests in associated entities	**(7)**	-
Share of net gain of associated entities	**(787)**	-
Movement in assets and liabilities		
Increase in trade and other receivables	**(286)**	(290)
Decrease/(Increase) in other operating assets	**31**	(612)
Decrease in inventories	**8,203**	4,420
Decrease in trade and other payables	**(551)**	(196)
(Increase)/decrease in income taxes receivable	**-**	13
Increase/(decrease) in provisions	**40**	17
Net cash provided by/(used in) operations	**6,393**	(826)

b. Credit Standby Arrangements with Banks		
Bank Loan Facilities	**4,150**	11,375
Amount utilised	**(4,150)**	(6,568)
	-	4,807

The major facilities are summarised as follows:

Bill facility

The prevailing interest rate at 30 June 2012 on bills drawn range was 6.10% (2011: 6.97%-7.41%) including margins. The total bill facility available at 30 June 2012 was $4.150m (2011: $11.375m) and subject to continuing compliance with the specific conditions of the facility for each project, the bill facilities may be drawn at any time and have an expiry in line with each specific project. Bill facilities are specific to each project and the total bill facility available represents the Group's share of these facilities. As new projects are secured, further bill facilities will be acquired.

The bill facility is expected to reduce as settlement of current projects takes place during the year but may increase with new projects.

c. Non-cash transactions

During the 2011 financial year, the Group entered into the following non-cash investing activity which is not reflected in the Statement of Cash Flows:

- On 1 April 2011 the Group acquired the share capital of Equity Real Estate Partners Pty Ltd, Equity Real Estate Services Pty Ltd, Equity Real Estate Funds Management Pty Ltd & Equity Real Estate Quakers Hills Pty Ltd. The consideration included the issue of 8,333,332 shares at a fair value of 12 cents per share.

NOTE 28: EVENTS AFTER BALANCE DATE

On 6 July 2012, Folkestone Limited and its joint venture partner signed a Facility Amendment Agreement in respect of the finance facility in respect of the project at 300 Millers Road, Altona North. The amendment reduces the facility limit from $8.3million to $8.1million and a corresponding reduction in the cash security deposit held by the Bank of Melbourne from $0.4million to $0.2million.

On 9 July 2012, Folkestone Limited and Austock Group Limited advised that they had reached agreement, subject to a number of conditions, for the sale of all of Austock's shares in its subsidiary Austock Property Funds Management Pty Ltd and related entities in the property funds management business. The transaction is subject to the approval of shareholders of Austock Group Limited at a meeting which is scheduled to be held on 12 September 2012.

On 10 July 2012, the PottersGrove joint venture completed the acquisition of the property. As part of this process, the joint venture entered into a finance facility with the Bank of Melbourne, which expires on 10 July 2013, to assist with land settlement and development of Stage 1 (55 lots).

NOTE 29: PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

	Parent Entity	
Financial position	**2012**	2011
	$000	$000
ASSETS		
Current assets	**41,524**	36,211
Non-current assets	**3,135**	10,110
Total assets	**44,659**	46,321
LIABILITIES		
Current liabilities	**3,851**	3,937
Non-current liabilities	**72**	32
Total liabilities	**3,923**	**3,969**
NET ASSETS	**40,736**	42,352
EQUITY		
Issued capital	**58,889**	58,970
Accumulated losses	**(18,596)**	(16,987)
Reserves	**443**	369
TOTAL EQUITY	**40,736**	42,352

NOTE 29: PARENT ENTITY INFORMATION CONTINUED

	Parent Entity	
Financial performance	**2012**	2011
	$000	$000
Loss for the year	**(1,608)**	(12,897)
Total comprehensive loss for the year	**(1,608)**	(12,897)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

	2012	2011
	$000	$000
Guarantee provided by the parent entity in relation to the debts of its subsidiaries (i)	**-**	-

Contingent liabilities of the parent entity

	2012	2011
	$000	$000
Contingent liabilities of the parent entity (i)	**-**	-

(i) Please refer to Note 25: Contingent liabilities for a summary of the guarantees and contingent liabilities that have been provided by the parent entity.

Each of these guarantees have been reviewed to determine whether they meet the definition of a financial guarantee contract as defined under AASB 139. The company has determined that there is no value attributable to the financial guarantees disclosed in this note. In assessing the liability arising from the financial guarantee contracts, the following have been considered:

- probability of default under the terms of the facility agreement to which the financial guarantee contract relates
- past history of claims on financial guarantee contracts that the company has provided
- other securities that the bank holds in addition to the financial guarantee contracts
- value of primary asset securing the obligation to which the financial guarantee contract relates

No material losses are anticipated in respect of any of the above contingent liabilities.

Based upon these criteria, the director's have assessed that the liability arising from the financial guarantee contracts is $nil.

At the date of this report, the directors are not aware of any liability in relation to the guarantees mentioned above that has not been provided for in the financial statements.

NOTE 30: RELATED PARTY TRANSACTIONS

Controlling Entity

The ultimate controlling entity is Folkestone Limited (incorporated in Victoria, Australia).

Wholly-owned Group

The wholly-owned group consists of Folkestone Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities are set out in Note 15.

Transactions between Folkestone Limited and other entities in the wholly-owned group during the years ended 30 June 2012 and 2011 consisted of:

a) loans advanced by Folkestone Limited;
b) loans repaid to Folkestone Limited;
c) the payment of dividends and distributions to Folkestone Limited; and
d) transactions between Folkestone Limited and its wholly-owned Australian controlled entities under the accounting tax funding agreement described in Note 1(b).

No interest has been charged on loans made by/to Folkestone Limited to/from its wholly owned subsidiaries and there are no fixed terms for the repayment of these loans as they are at call. Balances and transactions between the company and its subsidiaries which are related parties are eliminated on consolidation and are not disclosed in this note.

Other Related Parties

Other related parties include investment in associates as set out in Note 13 and interests in joint venture operations as set out in Note 14.

Transactions between Folkestone Limited and other related parties during the years ended 30 June 2012 and 2011 consisted of:

a) loans advanced by Folkestone Limited;
b) loans repaid to Folkestone Limited; and
c) the payment of arms length Project Management Fees to Folkestone Limited as per formal agreements with joint venture partners.

	Economic Entity		**Parent Entity**	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Income from joint ventures and associated entities				
Project management fees	**-**	86	**-**	86
Total amounts receivable from, and payable to, joint ventures and associated entities at balance date:-				
Current receivables:				
Loans	**-**	1	**-**	1
	-	1	**-**	1

NOTE 30: RELATED PARTY TRANSACTIONS CONTINUED

Transactions with Directors

1. On 9 March 2011, shareholders approved the acquisition of Equity Real Estate Partners, an entity associated with Mr Greg Paramor. Following the receipt of shareholder approval and the satisfaction of a number of conditions precedent, the acquisition was completed on 1 April 2011 for $258,286 in cash and the issue of 8,333,332 Folkestone shares at a deemed issue price of 12 cents per share.

Mr Paramor and his associates were excluded from the shareholder vote.

2. On 9 June 2011, Folkestone announced that it had acquired a 50% interest in a residential property project in Officer (Officer Transaction), Victoria for $383,490. The acquisition was from an entity associated with Mr Greg Paramor. This entity originally entered into contracts for a 50% interest in the Officer Transaction in February 2011 with the intention that this 50% interest would be offered to Folkestone to acquire at cost. The acquisition was only offered to Folkestone following the shareholders of Folkestone approving the acquisition of Equity Real Estate Partners and was subject to the approval of the independent non-executive directors of the Folkestone Board.

The Independent non-executive directors met to consider the Officer Transaction and determined that it was in the best interests of Folkestone to acquire the 50% interest and that the price to be paid by Folkestone to acquire the 50% interest in the Officer Transaction was at cost and was commensurate with current market conditions.

In accordance with the Company's related party transaction and conflicts of interest policy, Mr Greg Paramor was excluded from the discussions and subsequent approval of this acquisition by the independent non-executive directors.

3. Folkestone Limited has engaged Daniels Printing to provide a range of printing services (annual reports, shareholder updates, business cards, etc). The Managing Director, Mr Greg Paramor, is a co-owner of Daniels Printing. During the year, Daniels Printing provided services totalling $23,400 (2011: $14,920). The company regularly seeks alternate costings on a periodic basis to ensure the cost are commensurate with market conditions.

NOTE 31: FINANCIAL INSTRUMENTS

The Group holds non derivative financial instruments comprising trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The directors consider that the carrying amounts of financial assets and liabilities recorded in the financial statements approximate their fair values.

The company and the Group have exposure to the following risks from the use of financial instruments:

- credit risk
- market risk
- liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for developing and monitoring risk management plans.

Procedures are in place to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to budgets. Risk management plans and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In order to maintain or adjust the capital structure, the Board may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Gearing is a measure used to monitor levels of debt capital used by the Group to fund its operations. This ratio is calculated as net debt divided by total assets. The gearing ratios at year end were as follows:

NOTE 31: FINANCIAL INSTRUMENTS CONTINUED

	Economic Entity	
	2012 **$000**	2011 $000
Debt	**4,150**	6,568
Cash and Cash Equivalents	**(34,988)**	(27,276)
Net Debt	**(30,838)**	(20,708)
Equity (Parent interest)	**45,294**	45,420
Net debt to equity ratio	**-68%**	-46%

The above analysis does not take into account Folkestone's share of debt in respect of the Karratha project as this investment is disclosed on the face of the statement of financial position as an investment in an associated entity.

Allowing for Folkestone's share of this project's debt, the debt for the economic entity for the current year would increase to $5.4m (2011:$16.4m) and net debt would increase to $(29.5)m (2011: ($11.0)m), reflecting a net debt to equity ratio of -65% (2011: -24%). It should be noted that the Karratha debt facility is non-recourse to Folkestone.

The Group looks to fund each of their developments with a mix of debt and equity and ensures that each project is not over geared.

Debt is project specific and facilities are secured for a term that allows the development of the property. Where possible non-recourse or limited recourse borrowings are sought from financiers.

The Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year.

b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

The Group's maximum exposure to credit risk is based on the recorded amounts of our financial assets, net of any allowance for losses.

For further information regarding trade and other receivables refer to Note 10.

c) Market Risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The Group's activities expose it primarily to the financial risk of changes in market interest rates. Bills payable which have a variable interest rate attached give rise to cash flow interest rate risk.

NOTE 31: FINANCIAL INSTRUMENTS CONTINUED

The Group manages interest rate risk by:-

- Interest rate hedging where appropriate
- Securing loan facility terms of a medium to long term nature which match the anticipated development life cycle and cash flow profile of each project

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures risk from the previous period.

The company and the Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity Analysis

A 1% change in interest rates at the reporting date would not have a material impact on profit or loss or equity in the current period.

d) Liquidity Risk

Liquidity risk is the risk that Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, based on an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The contractual maturities of our financial liabilities are shown below. The amounts presented represent the future undiscounted principal and interest cash flows relating to the amounts drawn at reporting date. The amounts presented do not include the financial guarantee provided for the Millers Road, Altona North or Officer projects as disclosed in Note 25, as the company has reviewed and determined that there is no value attributable to the financial guarantees provided.

Economic Entity

	Weighted Average effective Interest rate %	Less than 3 months $000	3 months to 1 year $000	1 to 5 years $000
2012				
Non-interest bearing trade and other payables	-	894	-	-
Variable interest rate instruments	6.10%	63	4,192	-
		957	4,192	-
2011				
Non-interest bearing trade and other payables	-	1,283	-	-
Variable interest rate instruments	7.07%	116	7,037	-
		1,399	7,037	-

Directors’ Declaration

The directors of Folkestone Limited (‘the company’) declare that:

(a) the financial statements and notes set out on pages 27 to 73, are in accordance with the Corporations Act 2001, and:

(i) give a true and fair view of the financial position of the economic entity as at 30 June 2012 and of its performance for the financial year ended on that date; and

(ii) comply with Australian Accounting Standards and the Corporations Regulations 2001; and

(iii) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements.

(b) the Managing Director and Chief Financial Officer have declared that:

(iv) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

(v) the financial statements and notes for the financial year comply with the Accounting Standards; and

(vi) the financial statements and notes for the financial year give a true and fair view.

(c) in the directors’ opinion, there are reasonable grounds to believe that the company and the controlled entities identified in Note 15 will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to S.295(5) of the Corporations Act 2001

Garry Sladden
Non-Executive Chairman

Greg Paramor
Director

Sydney
22 August 2012