

Appendix 4D

Half-Year Report For the half-year ended 31 December 2014

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

Current period: 1 July 2014 to 31 December 2014

Prior corresponding period: 1 July 2013 to 31 December 2013

2. Results for announcement to the market

	Key Information				\$A'000 Current period	\$A'000 Previous corresponding period
2.1	Revenues from ordinary activities	Up	756%	To	\$38,121	\$4,452
2.2	Profit from ordinary activities after tax attributable to members	Up	23%	To	\$1,959	\$1,596
2.3	Net profit for the period attributable to members	Up	23%	To	\$1,959	\$1,596

2.4 Dividends

The Board has resolved not to pay an interim dividend in respect of the half-year ended 31 December 2014 and no final dividend was paid for the year ended 30 June 2014.

2.5 Record date for determining entitlement to dividends

Not applicable

2.6 Brief explanation of the figures reported above

The net profit after tax attributable to members of the parent entity for the six months ended 31 December 2014 was \$2.0 million compared to a net profit after tax of \$1.6 million in the prior corresponding period.

The half year result includes the following material items:

- \$3.1 million of recurring fee income and cost recoveries generated from Folkestone's funds management platform;
- \$1.1 million of trust distributions received from Folkestone's unitholding in the Folkestone Education Trust (ASX:FET);
- \$0.9 million share of development profits from Folkestone's 50% interest in the Officer project joint venture; and
- \$0.5 million net contribution from the completion of the Stage 1 development, sale of land to Aldi and reversal of impairment on the stage 2 land being developed in joint venture with Wilmac Properties at the Millers Junction project at Altona North.

The increase in revenue from the prior corresponding period is as a result of the settlement of the Stage 1 development and Aldi site at the Millers Junction project at Millers Road, Altona North.

Please refer to the attached Half-Year Report for further information.

3. Net tangible asset backing per ordinary security

Security	Current period	Previous corresponding period
Ordinary shares	14.5c	11.4c

Shares on issue at reporting date	Current period	Previous corresponding period
Ordinary shares	735,043,807	521,758,762

Folkestone Limited successfully completed a \$42 million Equity Raising in December 2014 which included the following components:

- Allotment of 78,756,571 shares at 20.0 cents per share by way of a share placement to institutional investors on 4 December 2014;
- Allotment of 64,863,781 shares at 20.0 cents per share on 4 December 2014 as part of the institutional component of the pro-rata 1 for 4.00 entitlement offer; and
- Allotment of 66,379,648 shares at 20.0 cents per share on 19 December 2014 as part of the retail component of the pro-rata 1 for 4.00 entitlement offer.

4. Control gained or lost over entities in the period

	Ownership Interest	Date of gain of control
Folkestone Truganina Development Fund	100%	4 August 2014
Folkestone Hornsby Development Fund	100%	15 December 2014

5. Dividend details

Not applicable

6. Dividend or distribution reinvestment plan details

Not applicable

7. Details of associates and joint venture entities

Name	Ownership interest %	
	Current period	Previous corresponding Period
330 Princes Highway Pty Ltd	50%	50%
Noone St Clifton Hill Pty Ltd	50%	50%
Toga West Ryde Developments Pty Ltd	50%	50%
ID-FLK Dohertys Road Pty Ltd	80%	0%
ID-FLK Bayview Road Pty Ltd	50%	0%
Wilmac-FLK Millers Road Pty Ltd	51%	0%
Folkestone Lyon Hornsby Pty Ltd	50%	0%
Greenvalley Asset Property Trust	25%	25%

8. Applicable accounting standards for foreign entities

Not applicable



Folkestone

9. Statement if accounts are subject to modified opinion, emphasis of matter or other matter paragraph

The half-year report has been subject to review, and is not subject to review with a modified opinion, emphasis of matter or other matter paragraph.



Folkestone

**HALF YEAR
FINANCIAL REPORT**
31 DECEMBER 2014

**A Specialist
Funds Manager and Developer
Providing Real Estate
Wealth Solutions**

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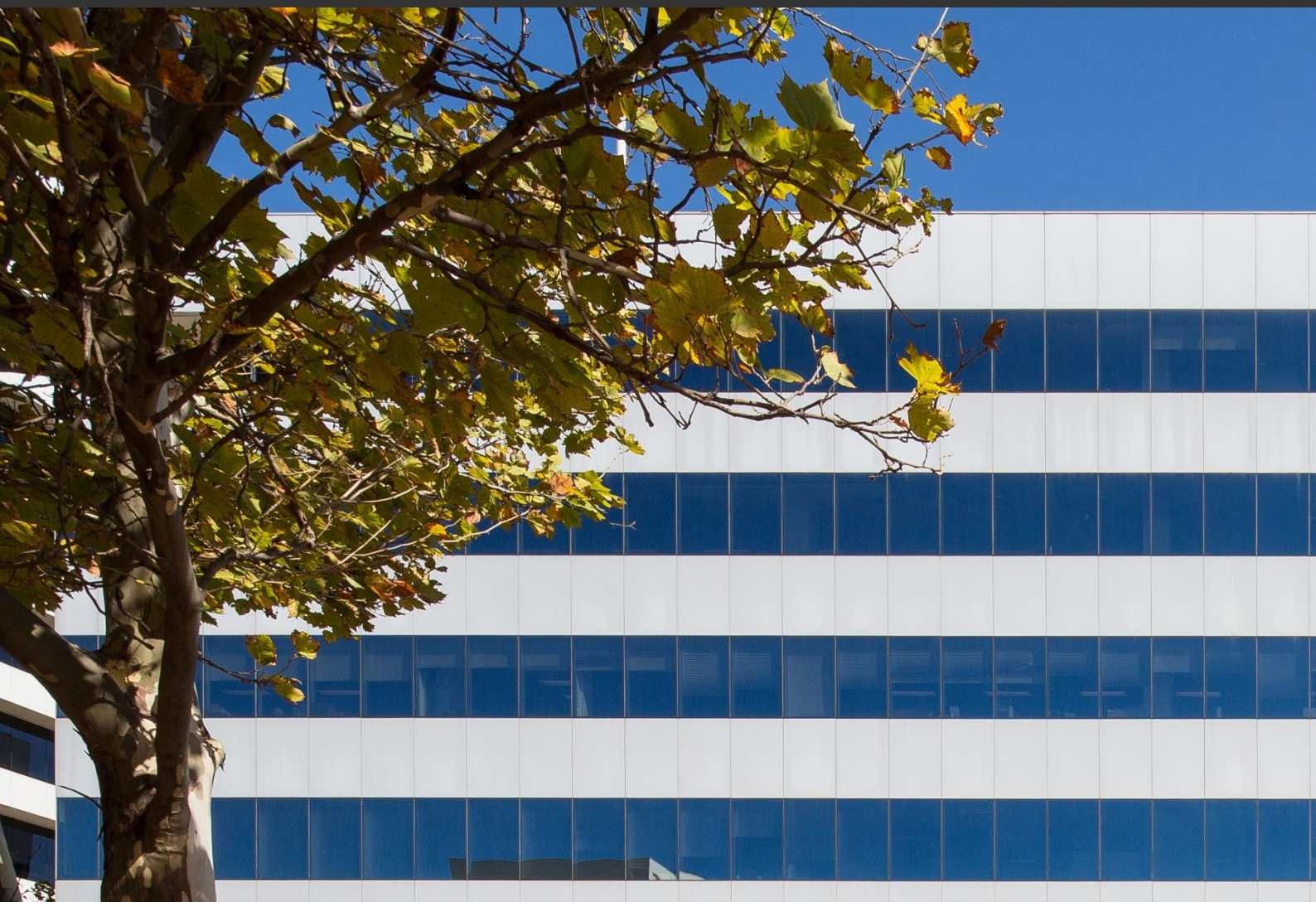
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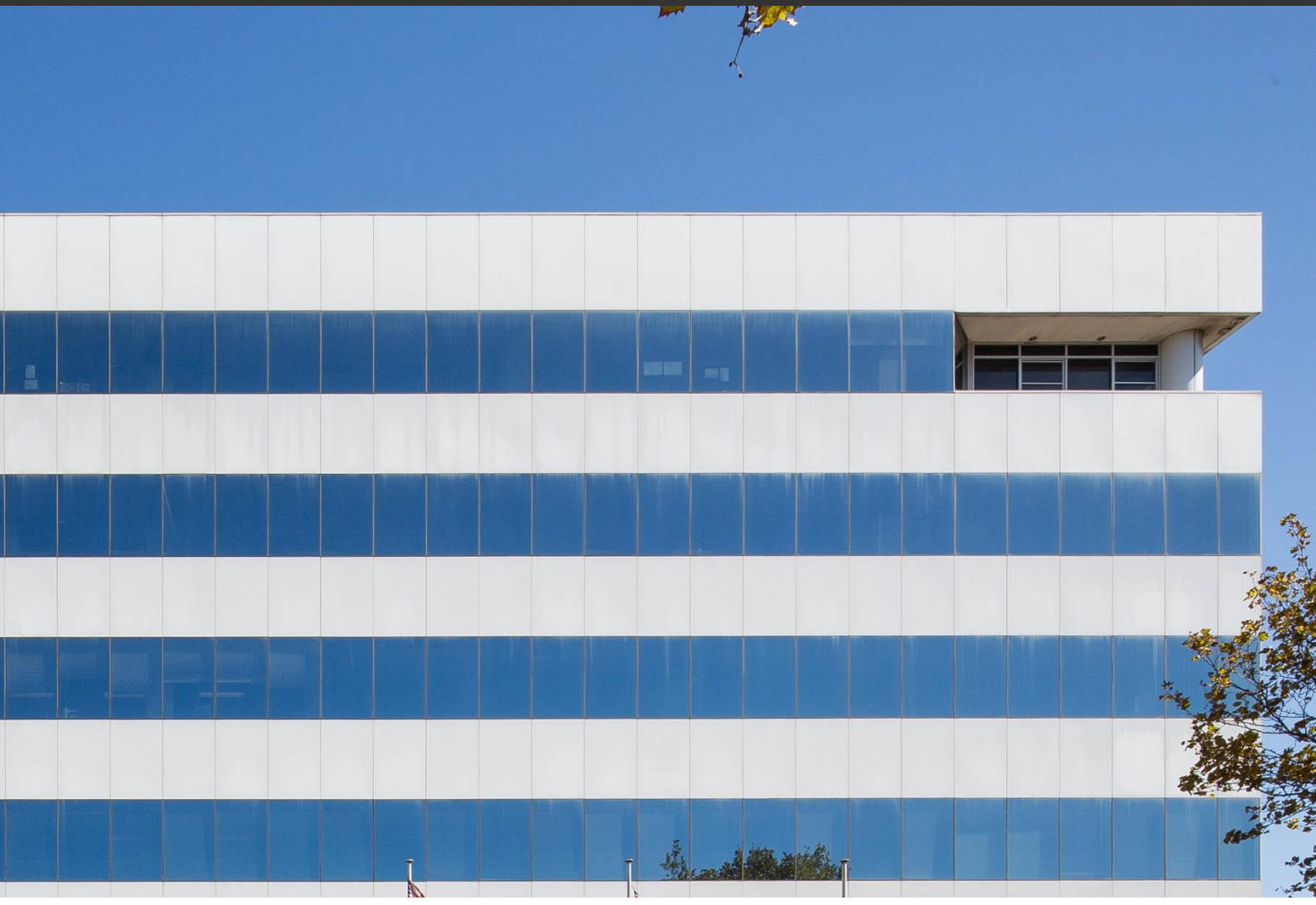
FINANCIAL SUMMARY

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Profit/(Loss) from continuing operations before income tax expense/credit	1,531	1,171	177	756	(10,173)
Income tax benefit/(expense)	379	74	(144)	-	-
Profit/(Loss) from discontinuing operations	-	-	-	(45)	14
Profit/(Loss) attributable to non-controlling interests	(49)	(351)	-	-	(1)
Profit/(Loss) attributed to member of the parent entity	1,959	1,596	33	711	(10,160)
Basic earnings per ordinary share (cents)	0.40	0.40	0.01	0.19	(10.19)
NAV per share at 31 December (cents)	16.4	14.0	12.2	12.4	16.8
NTA per share at 31 December (cents)	14.5	11.4	8.8	12.1	16.8
ASX closing price at 31 December (cents)	21.0	18.5	12.0	8.0	12.0



COMPANY HIGHLIGHTS

- NET PROFIT AFTER TAX ATTRIBUTABLE TO FOLKESTONE OF \$2.0 MILLION, UP 22.7% ON PCP
- GROWTH IN FUNDS UNDER MANAGEMENT TO \$870 MILLION
- SECURED A STRATEGIC HOLDING IN FOLKESTONE EDUCATION TRUST
- FOLKESTONE SOCIAL INFRASTRUCTURE TRUST UNITHOLDERS APPROVED MERGER WITH FOLKESTONE EDUCATION TRUST
- LAUNCHED ONE UNLISTED REAL ESTATE DEVELOPMENT FUND
- ENTERED INTO JV TO OPTION A KEY DEVELOPMENT SITE IN NORTH-WEST SYDNEY
- EXPANDED ITS RESIDENTIAL LAND EXPOSURE IN MELBOURNE
- COMPLETED DEVELOPMENT OF STAGE 1 OF MILLERS JUNCTION AND ENTERED INTO JV FOR STAGE 2
- SUCCESSFULLY RAISED \$42 MILLION FROM A CAPITAL RAISING



DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 half year ended 31 December 2014 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The Directors of Folkestone Limited during the half year and to the date of this report comprise:

- Garry R Sladden (B.Bus, CPA, FINSA)
- Mark W Bailie (B.Com,CA)
- Gregory J Paramor AO (FAPI, FAICD, FRICS)
- K Ross Strang (LLB (HONS), MAICD)

FINANCIAL RESULTS

The net profit after tax attributable to members of the parent entity for the six months ended 31 December 2014 was \$2.0 million compared to a net profit after tax of \$1.6 million in the prior corresponding period.

The net profit after tax for the consolidated group was \$1.9 million. The consolidated group includes the Folkestone West Ryde Development Fund ("Fund") even though Folkestone only owns 50% of the units in the Fund. The consolidated group's net profit after tax includes a net loss of \$0.1 million from the Fund relating to fund administration costs. 50% of the loss from the Fund (\$0.05 million) is attributable to the other unitholders in the Fund. Therefore, Folkestone's net profit after tax is \$2.0 million after adjusting for 50% of the Fund loss.

The half year result includes the following material items:

- \$3.1 million of recurring fee income and cost recoveries generated from the Company's funds management platform;
- \$1.1 million of trust distributions received from Folkestone's unitholding in the Folkestone Education Trust (ASX:FET);
- \$0.9 million share of development profits from Folkestone's 50% interest in the Officer project joint venture; and
- \$0.5 million net contribution from the completion of the Stage 1 development, sale of land to Aldi and reversal of impairment on the stage 2 land being developed in joint venture with Wilmac Properties at the Millers Junction project at Altona North.

Last year's half year result included the following material items:

- \$2.4 million of recurring fee income and cost recoveries generated from the Company's funds management platform;
- \$0.8 million acquisition fee generated from the successful completion of the equity raising for the Folkestone Real Estate Income Fund at Altona North;
- \$0.3 million one off disposal fee in relation to the sale of 100% of the units in the Folkestone Childcare Fund to the Folkestone Education Trust;
- \$0.6 million in preferred equity interest income and project fees associated with Folkestone's direct real estate investments; and
- \$0.2 million of development profits from Folkestone's 50% interest in the Officer project joint venture.

ASSET BACKING

Folkestone's net asset value (NAV) was 16.4 cents per share at 31 December 2014, up from 14.4 cents per share at 30 June 2014. Net tangible asset (NTA) backing was 14.5 cents per share at 31 December 2014 compared with 11.7 cents per share at 30 June 2014. During the reporting period, Folkestone successfully completed a \$42.0 million capital raising which contributed to the 2.8 cents increase in NTA per share from 30 June 2014.

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

FINANCIAL & CASH POSITION

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.

During the reporting period, the Company secured a \$20 million facility from ANZ Bank to assist with the acquisition of units in the Folkestone Education Trust (ASX: FET). The facility is for a term of three years expiring in December 2017 and was fully drawn as at 31 December 2014.

The finance facility with the Bank of Melbourne in respect of the Millers Junction project at Altona North was repaid to \$4.0 million during the current reporting period following completion of Stage 1 of the project. The facility limit has been reduced from \$25.4 million to \$4.1 million and expires on 26 June 2015. The Company has provided Bank of Melbourne with an unlimited guarantee and indemnity in respect of this project facility.

The St George Bank finance facility for the Karratha project has been increased to \$9.7 million during the current reporting period and now includes a facility for the development of Stage 1b. The expiry date of the facility is now 29 August 2015. Folkestone has a 25% interest in the project, however there is no recourse to Folkestone in respect of this project facility.

In respect of the Potters Grove land subdivision project at Officer, the Bank of Melbourne has provided the joint venture with a \$8.4 million facility for completion of the balance of the project with an expiry date of 31 July 2015. The balance drawn on the facility as at 31 December 2014 was \$3.2 million. The Company has provided Bank of Melbourne with a guarantee and indemnity limited to \$2 million plus costs in respect of this project facility.

In respect of the residential project at West Ryde in which the Folkestone West Ryde Development Fund has a 50% interest in the joint venture and Folkestone holds 50% of the units in the Fund, the Commonwealth Bank has provided the joint venture with a \$85.9 million facility for the development of the project with an expiry date of 31 January 2016. The balance drawn on the facility as at 31 December 2014 was \$52.1 million. There is no recourse to Folkestone in respect of this project facility.

EQUITY RAISING

On 24 November 2014, Folkestone announced a \$42 million equity raising at 20.0 cents per share to take advantage of a number of new development opportunities for its balance sheet and funds management platform and to increase its unitholding in FET.

The equity raising comprised:

- a \$15.8 million placement to existing and new institutional investors; and
- a 1.0 for 4.00 non-renounceable entitlement offer to existing eligible shareholders to raise \$26.2 million.

On 26 November 2014 Folkestone announced the successful completion of the \$15.8 million placement and \$13.0 million of the accelerated institutional component of the entitlement offer. The \$13.2 million retail component of the entitlement offer was successfully completed on 19 December 2014. Both components of the equity raising received strong support from existing shareholders and new institutional investors. A total of 210,000,000 new shares were issued as part of the equity raising which increased Folkestone's shares on issue to 735,043,807 shares.

FUNDS MANAGEMENT

Folkestone's funds management division (FFM) is a specialist real estate funds manager for private clients and select institutional investors. Folkestone has increased its funds under management from \$813 million to \$870 million at 17 February 2015 with the launch of the Folkestone Truganina Development Fund together with further growth in existing funds under management. During the reporting period, unitholders of the ASX listed Folkestone Social Infrastructure Trust (ASX:FST) approved a merger with the ASX listed FET which was implemented on 6 January 2015.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Folkestone Real Estate Income Fund at Altona North

The Folkestone Real Estate Income Fund at Altona North was established in December 2013 and was the third in the real estate income funds series. The Fund entered into an agreement to acquire a 21,639 square metre large format retail centre (Centre) anchored by Bunnings and includes Officeworks, JB Hi-Fi Home, Repco, PETstock and petVET. The Centre was developed by Folkestone on behalf of the Fund and was completed in September 2014. The Fund acquired the Centre for \$30.4 million (excluding transaction costs) and the final payment was made to Folkestone in November 2014.

Folkestone Real Estate Income Fund at Oxley

The Folkestone Real Estate Income Fund at Oxley acquired a 7,095 square metre neighbourhood retail centre in Oxley, Brisbane in April 2014. Folkestone underwrote the Fund Offer of \$20.55 million, with the final proceeds raised from investors in September 2014, at which time, the last of Folkestone's underwriting units were redeemed.

Folkestone Truganina Development Fund

The Folkestone Truganina Development Fund is undertaking, in a 80-20 joint venture with ID_Land, the development of a 52.5 hectare residential master planned community in Truganina, one of Melbourne's fastest growing areas. The project, known as Elements, comprises the creation of approximately 690 residential lots and a 3.1ha town centre on land at Dohertys Road, Truganina. The land is being acquired on deferred terms with the final land payment due in October 2016. The project was launched in November 2014 and as at 31 December 2014, the joint venture had secured pre-sales of 75 lots (60 contracted and 15 deposits), which represents 10% of the total lots. Construction of lots is forecast to commence in the March 2015 quarter.

As at the reporting date, the Company owned 100% of the units in the Fund, however was in the process of raising \$14.6 million in third party capital for the Fund. Folkestone intends to co-invest 20% in the Fund - \$3.65 million. As at 18 February 2015, a total of \$11.6 million has been committed from investors and the remaining \$3.0 million is forecast to be raised from third party investors during the March 2015 quarter. The Fund has a forecast equity IRR of 18% per annum (pre-tax, net of fees) on drawn equity and a forecast return on equity of 77% (pre-tax, net of fees).

Folkestone Education Trust

The ASX Listed Folkestone Education Trust (ASX:FET) continued to deliver on its stated strategy of owning a quality portfolio of early learning centres with an active period of acquisitions, developments and the disposal of a number of smaller centres.

Folkestone continued to acquire a strategic stake in FET and as at 31 December 2014 held 15.1% of FET units on issue. Following the implementation of the merger between FET and FST on 6 January 2015, Folkestone's unitholding is now 12.8% of the units on issue in FET (excluding units held in FET by the Folkestone Maxim A-REIT Securities Fund).

During the past six months:

- Folkestone Social Infrastructure Trust (ASX:FST) unitholders approved the merger with FET enhancing FET's position as Australia's largest early learning landlord, with 403 properties and gross assets of approximately \$612m ;
- acquired 2 centres and 5 development sites, taking the development pipeline to 14 properties with a total value of \$68m. Sites are now under construction in Sydney, Melbourne and Perth;
- settled the sale of 9 centres and contracted a further 5 centres for sale at attractive yields to partly fund new developments at higher yields, providing a positive yield arbitrage; and
- FET's Net Tangible Assets increased from \$1.50 to \$1.69 per unit (up 12.7%).

FET generated a total return of 25.0% in the six months and 39.7% in the year to December 2014 substantially outperforming the S&P/ASX 300 A-REIT Accumulation Index which returned 12.7% and 26.8% respectively.

DIRECT INVESTMENTS

During the six months to 31 December 2014, Folkestone continued to execute on the development strategies for its existing on-balance sheet investments and also announced a number of new investments.

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

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Millers Junction, Altona North

The Millers Junction, Altona North site was acquired in December 2007 and is a 13.9 hectare parcel of land, located approximately 13 kilometres from the Melbourne CBD and 2.5 kilometres from the Westgate Freeway and Western Ring Road.

In September 2014, Folkestone completed the development of Stage 1 of the project which had previously been pre-sold to a new unlisted fund – the Folkestone Real Estate Income Fund at Altona North. The final payment to Folkestone by the Fund for the development was made in November 2014. Stage 1 comprised a 21,639 square metre large format retail centre anchored by Bunnings and includes Officeworks, together with JB Hi-Fi Home, Repco, PETstock and petVET.

In September 2014, the Company announced it had entered into a 50-50 joint venture with Wilmac Properties to develop Stage 2 of the site. The joint venture will develop approximately 60 strata style office/warehouse mews on the 2.6 hectare site with an anticipated end value of approximately \$30.0 million. Wilmac Properties will manage delivery of the Stage 2 Project.

In December 2014 Folkestone settled the sale of 8,063 square metres of land to Aldi Stores for a 1,600 square metre supermarket which adjoins the Stage 1 development.

Folkestone is currently master planning a further 4.4 hectares of land, known as Stage 3, on the northern side of Cabots Drive.

Potters Grove, Officer

Potters Grove, Officer is a 14.1 hectare site located in the Cardinia Shire, in south-east Melbourne. Potters Grove is a 50-50 joint venture between Folkestone and ID_Land.

As at 31 December 2014, 157 lots had been settled and 59 of these were settled during the current reporting period. A further 58 lots have been contracted for sale but are yet to settle. Development of Stage 3b (28 lots) commenced during the reporting period and as at 31 December 2014, works had been completed. Development of Stage 4 (46 lots) and Stage 5 (36 lots) also commenced during the current reporting period and are forecast to be completed by the June quarter 2015 and September quarter 2015 respectively.

As at 18 February 2015, the total number of lots settled across the entire project was 158 lots (66% of the total lots to be developed) and a further 62 lots (26% of the total) had been contracted for sale but not yet settled. There are a further 20 lots to be sold to complete the project.

Northside, Officer

In August 2014, the Company announced that it has acquired, in a 50-50 joint venture with ID Land, a call option over 8 hectares of land in Officer, south-east Melbourne.

The land is located on the northern side of the Princes Highway in Officer, diagonally opposite Folkestone and ID Land's current 236 lot residential land sub-division project known as Potters Grove. The zoned site has been purchased on deferred terms with development planning currently underway. The project comprises approximately 140 lots with an estimated end value of \$28 million. Development is expected to commence in the first half of FY16 following completion of the Potters Grove project.

Lyon Group Joint Venture

In December 2014, the Company announced that it has entered into a 50-50 joint venture with the Lyon Group Australia, a leading Sydney developer, to develop a strategically located, mixed use site opposite a key train station in Sydney's north-west. Folkestone has agreed to contribute circa \$2.2 million in a series of payments to the joint venture to fund option agreements over two commercial buildings. Under the agreement the JV will seek to consolidate a number of adjoining land parcels to unlock a significant mixed-use development opportunity in this key location.

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

The Ranges, Karratha

The Ranges is located 1.5 kilometres from Karratha's CBD. Folkestone holds a 25% interest in the project.

Stage 1 of The Ranges comprises 2.2 hectares with a "Tourism" zoning and DA approval for 108 single level, one bedroom villas with pool and BBQ facilities. The first 41 dwellings in Stage 1a opened for occupation in December 2012. The opening of The Ranges has provided much needed high quality accommodation for business travellers to Karratha.

During the current reporting period, the joint venture secured a finance facility for the development of Stage 1b (32 lots). Construction of Stage 1b commenced in November 2014 with forecast completion in the June 2015 quarter and all lots within Stage 1b have been pre-committed. Folkestone has \$3.5 million in preferred equity loans to the joint venture in addition to its \$2.0 million equity investment.

OUTLOOK

The Australian economy is facing a number of head winds as we enter 2015 and is therefore expected to continue to grow below long term averages. Whilst consumer spending is improving and residential construction and prices are rising, consumer confidence remains weak. Business confidence and investment remains subdued.

Australian bond yields have fallen to historical lows. The RBA cut the cash rate by 25 basis points to 2.25% in February 2015. The financial markets are expecting the RBA to make further cuts to interest rates to stimulate economic growth. As a result, investors seeking yield will continue to reallocate from cash and term deposits into real estate. Demand for both residential and non-residential assets should continue and competition for both income and development assets will remain high. In such an environment, the price some investors pay for assets may overshoot the underlying fundamentals. Folkestone will continue to look for investments primarily through 'off-market' transactions that offer attractive risk-adjusted returns for its investors. We are cognisant that we do not "over pay" for assets in a market being driven by capital hunting for yield.

Folkestone will continue to expand its social infrastructure funds platform especially in the area of early learning where FET is the leading provider of early learning accommodation. On the development front, Folkestone will continue to undertake accretive, opportunistic development acquisitions for its on-balance sheet investments and to seed and/or co-invest in development funds.

Folkestone, with its strong balance sheet and access to third party capital is well placed to grow its funds under management across its listed and unlisted funds management platform and to selectively invest into higher return development assets and funds for its balance sheet.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

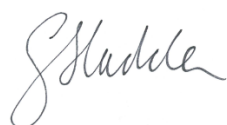
The economic entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' report have been rounded off to the nearest \$1,000.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 10 of the half year financial report.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Garry Sladden
Non-Executive Chairman



Greg Paramor
Director

Sydney, 18 February 2015

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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The Board of Directors
Folkestone Limited
Level 12, 15 William
MELBOURNE VIC 3000

18 February 2015

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.

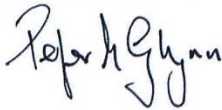
As lead audit partner for the review of the financial statements of Folkestone Limited for the half year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter Glynn
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

For the half year ended 31 December 2014

Consolidated Group Continuing operations	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue		38,121	4,452
Development expenses		(33,947)	-
Share of net gain of joint ventures		859	215
Changes in finished goods and work in progress		823	-
Employee benefits expense		(3,556)	(2,270)
Consultants expense		-	(209)
Depreciation and amortisation expense		(56)	(92)
Due diligence and acquisition costs		(38)	-
Rental expense on operating leases		(133)	(171)
Administration expenses		(496)	(749)
Finance costs		(46)	(5)
Profit before income tax		1,531	1,171
Income tax benefit		379	74
Profit after tax for the half year		1,910	1,245
Net profit after tax for the half year attributable to:			
Owners of the company		1,959	1,596
Non-controlling interests		(49)	(351)
Net profit after tax for the half year		1,910	1,245
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Changes in fair value of financial assets		3,027	-
Income tax relating to components of other comprehensive income		(908)	-
Total other comprehensive income net of tax		2,119	-
Total comprehensive income for the half year		4,029	1,245
Total comprehensive income for the half year attributable to:			
Owners of the parent		4,078	1,596
Non-controlling interests		(49)	(351)
Total comprehensive income net of tax for the half year		4,029	1,245
Earnings per share			
From continuing operations:			
Basic earnings per share (cents per share)		0.4	0.4
Diluted earnings per share (cents per share)		0.4	0.4

The above condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 15-19.

CONDENSED STATEMENT OF FINANCIAL POSITION

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

As at 31 December 2014

Consolidated Group	Notes	31 Dec 2014 \$'000	30 Jun 2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		30,186	27,177
Trade and other receivables		6,305	7,158
Inventories		11,431	38,219
Other current assets		476	542
Assets classified as held for sale		-	3,222
Total current assets		48,398	76,318
Non-current assets			
Trade and other receivables		1,220	-
Other financial assets	2	61,819	4,472
Shares in associated entities		1,908	1,908
Investment in joint ventures		27,546	19,577
Property, plant and equipment		148	160
Intangibles		11,389	11,389
Goodwill		1,433	1,433
Deferred tax asset		1,207	1,207
Total non-current assets		106,670	40,146
Total assets		155,068	116,464
LIABILITIES			
Current liabilities			
Trade and other payables		1,663	6,500
Short-term borrowings	3	4,033	26,112
Short-term provisions		351	326
Total current liabilities		6,047	32,938
Non-current liabilities			
Long-term borrowings	3	20,000	-
Long-term provisions		312	251
Total non-current liabilities		20,312	251
Total liabilities		26,359	33,189
Net assets		128,709	83,275
EQUITY			
Issued capital	4	124,677	83,911
Reserves		3,508	750
Accumulated losses		(7,751)	(9,710)
Parent interest		120,434	74,951
Non-controlling interest		8,275	8,324
Total equity		128,709	83,275

The above condensed statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 15-19.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

For the half year ended 31 December 2014

Consolidated Group	Issued Capital \$000	Accumulated losses \$000	Reserves \$000	Attributable to holders of the parent \$000	Non-controlling interest \$000	Total \$000
Balance at 1 July 2013	59,683	(12,862)	443	47,264	1	47,265
Profit/(loss) for the period	-	1,596	-	1,596	(351)	1,245
Total comprehensive income/ (loss)	-	1,596	-	1,596	(351)	1,245
Issue of new shares	24,993	-	-	24,993	-	24,993
Share issue costs	(1,093)	-	-	(1,093)	-	(1,093)
Tax effect on share issue costs	328	-	-	328	-	328
Issue of performance rights	-	-	18	18	-	18
Non-controlling interests arising on control of the Folkestone West Ryde Development Fund	-	-	-	-	4,350	4,350
Balance at 31 December 2013	83,911	(11,266)	461	73,106	4,000	77,106
Balance at 1 July 2014	83,911	(9,710)	750	74,951	8,324	83,275
Profit/(loss) for the period	-	1,959	-	1,959	(49)	1,910
Other comprehensive income net of tax	-	-	2,119	2,119	-	2,119
Total comprehensive income	-	1,959	2,119	4,078	(49)	4,029
Issue of new shares	42,000	-	-	42,000	-	42,000
Share issue costs	(1,763)	-	-	(1,763)	-	(1,763)
Tax effect on share issue costs	529	-	-	529	-	529
Issue of performance rights/share appreciation rights	-	-	639	639	-	639
Balance at 31 December 2014	124,677	(7,751)	3,508	120,434	8,275	128,709

The above condensed statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 15-19.

CONDENSED STATEMENT OF CASH FLOWS

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

For the half year ended 31 December 2014

Consolidated Group	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities			
Receipts from customers		41,026	3,573
Payments to suppliers and employees		(17,362)	(4,820)
Interest received		304	190
Finance costs		(46)	(4)
Interest and line fees capitalised to property developments included in inventory		(221)	(328)
Net cash from/(used in) operating activities		23,701	(1,389)
Cash flows from investing activities			
Purchase of property, plant and equipment		(44)	(6)
Payment for interest in joint ventures		(9,247)	(6,350)
Proceeds received from interests in joint ventures		2,138	450
Purchase of financial instruments		(54,320)	(4,132)
Redemption of underwriting units		3,222	-
Trust distribution received from investing activities		413	-
Net cash used in investing activities		(57,838)	(10,038)
Cash flows from financing activities			
Proceeds from borrowings		29,047	6,400
Repayment of borrowings		(32,097)	(2,115)
Funds returned from/(funds placed on) deposit used to secure bank guarantees		220	(5,630)
Loans advanced to associated entities		(1,217)	-
Repayment of loans by associated entity		956	450
Proceeds from non-controlling interests		-	4,350
Proceeds from issue of shares		42,000	24,993
Payment for share issue costs		(1,763)	(1,093)
Net cash provided by financing activities		37,146	27,355
Net Increase in cash and cash equivalents		3,009	15,928
Cash and cash equivalents at beginning of the period		27,177	12,989
Cash and cash equivalents at end of the period		30,186	28,917

The above condensed statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 15-19.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half year financial report is a financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have 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.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or revised Standards and Interpretations that are first effective in the current reporting period

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 their operations and effective for the current half year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the 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
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 2014-3 'Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-9 'Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Standards 2012-2014 Cycle'	1 January 2016	30 June 2017

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Disclosure Initiative (Amendments to IAS 1)	1 January 2016	30 June 2017
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The Directors have not yet determined whether the adoption of the above standards and interpretations will have a material impact to the financial statements.

NOTE 2: OTHER FINANCIAL ASSETS

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Units - Folkestone Education Trust	61,819	4,472
	61,819	4,472

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

This note provides information about how the Group determines fair values of various financial asset and financial liabilities.

The Group owns 31,064,750 units in the Folkestone Education Trust which is a listed real estate investment trust on the Australian Securities Exchange (ASX: FET). The units have been acquired in a number of tranches since December 2013 for total consideration of \$58,443,235 at an average acquisition price of \$1.88 per unit. The fair value hierarchy for this asset is level 1. The fair value of the units as at 31 December 2014 is \$61,818,852 which equates to \$1.99 per unit, where the valuation technique used was the quoted bid price of the units on the Australian Securities Exchange as at 31 December 2014. If the market price was 1% higher/lower, the carrying amount would increase/decrease by \$618,189. The Directors consider that the carrying amount of all other financial assets and financial liabilities in the financial statements approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 3: BORROWINGS

	Economic Entity	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Short Term Borrowings		
Secured liabilities		
Bills payable - Bank	4,033	12,902
Loan from Folkestone Real Estate Income Fund at Altona North	-	13,210
	4,033	26,112
Long Term Borrowings		
Cash advance facility	20,000	-
	20,000	-

Short-term Borrowings

During the current reporting period, the Bank of Melbourne bill facility in respect of the Millers Junction project at Altona North was paid down to \$4 million following completion of the Stage 1 development. The facility limit has been reduced to \$4.1 million and the facility has been extended to 26 June 2015. The loan from the Folkestone Real Estate Income Fund at Altona North was also fully repaid during the current reporting period following completion of the Stage 1 development.

Long-term Borrowings

During the reporting period, the Company secured a \$20 million facility from ANZ Bank to assist with the acquisition of units in the Folkestone Education Trust (ASX:FET). The facility is for a term of three years expiring in December 2017.

NOTE 4: ISSUED CAPITAL

	31 Dec 2014 Shares (thousands)	31 Dec 2014 \$'000	30 Jun 2014 Shares (thousands)	30 Jun 2014 \$'000
Opening balance of equity securities	521,758	83,911	370,286	59,683
Ordinary shares issued by placement	78,757	15,751	55,543	9,165
Ordinary shares issued by institutional and retail entitlement offer	131,243	26,249	95,929	15,828
Share issue costs	-	(1,763)	-	(1,093)
Tax effect of share issue costs	-	529	-	328
Issue of shares under employee share option plan	3,286	-	-	-
At reporting date	735,044	124,677	521,758	83,911

Folkestone Limited successfully completed a \$42 million Equity Raising in December 2014 which included the following components:

- Allotment of 78,756,571 shares at 20.0 cents per share by way of a share placement to institutional investors on 4 December 2014;
- Allotment of 64,863,781 shares at 20.0 cents per share on 4 December 2014 as part of the institutional component of the pro-rata 1 for 4.00 entitlement offer; and
- Allotment of 66,379,648 shares at 20.0 cents per share on 19 December 2014 as part of the retail component of the pro-rata 1 for 4.00 entitlement offer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 5: CONTINGENT LIABILITIES

Folkestone Limited has guaranteed the performance of certain controlled and related entities in relation to development activities.

These include:

- Millers Junction Altona North project - Folkestone Limited owns 100% of the share capital in Millers Road (Altona) Pty Ltd. Folkestone Limited has provided a guarantee in favour of Bank of Melbourne in relation to a loan facility for \$4.1 million (drawn to 31 December 2014: \$4.0 million) for the development of the Millers Junction Altona North project. The loan facility expires on 26 June 2015. As part of the security for the facility, Folkestone Limited has provided Bank of Melbourne with an unlimited guarantee and indemnity for the loan.
- Potters Grove, Officer Joint Venture - Folkestone Limited has a 50% interest in the development of Potters Grove, Officer and has provided a limited guarantee in favour of Bank of Melbourne in relation to a loan facility for \$8.4 million (drawn to 31 December 2014: \$3.2 million) for this development. The loan facility expires on 31 July 2015. 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.
- Elements, Truganina Joint Venture - As at 31 December 2014 Folkestone Limited owned 100% of the units in the Folkestone Truganina Development Fund (Fund) - The Fund holds an 80% interest in a joint venture with ID Dohertys Pty Ltd which is undertaking a residential land sub-division project In Truganina, Victoria. Folkestone Limited has provided the joint venture with a guarantee limited to \$7.0 million for the Fund's future equity commitments required for the project. Subsequent to the end of the reporting period, the maximum guarantee has reduced from \$7.0 million to \$3.8 million.

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

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.

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

NOTE 6: SEGMENT REPORTING

Business Segments

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

	Revenue 31 Dec 2014 \$000	Revenue 31 Dec 2013 \$000	Segment Profit 31 Dec 2014 \$000	Segment Profit 31 Dec 2013 \$000
Continuing operations				
Funds Management ¹	3,121	3,482	3,121	3,482
Property development ²	34,457	852	1,332	852
Investments - FET	1,098	82	1,098	82
	38,676	4,416	5,551	4,416
Other revenue	304	251	304	251
Administration costs			(4,324)	(3,496)
Profit before income tax			1,531	1,171
Income tax benefit (continuing and discontinued operations)			379	74
Consolidated segment revenue and profit for the period	38,980	4,667	1,910	1,245

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 6: SEGMENT REPORTING CONT.

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Segment assets		
Funds management ³	14,354	16,695
Property development ⁴	46,666	69,327
Investments - FET	61,819	4,472
Corporate / unallocated ⁵	32,229	25,970
	155,068	116,464
Segment liabilities		
Funds management	-	211
Property development	4,033	30,958
Investments - FET	20,000	-
Corporate / unallocated	2,326	2,020
	26,359	33,189

¹Funds management revenue and segment profit includes management fees and other fees generated from Folkestone's funds management platform.

²Property development revenue and segment profit includes amounts in relation to direct balance sheet investments, interests in joint ventures and associated entities and interest on preferred equity loans.

³Funds management segment assets include regulatory capital and goodwill allocated to the funds management cash generating unit.

⁴Property development segment assets includes amounts in relation to direct balance sheet investments, goodwill, interests in joint ventures and associated entities and preferred equity loans.

⁵Corporate/unallocated assets includes \$27.7 million of cash reserves.

NOTE 7: EVENTS AFTER BALANCE DATE

As at the reporting date, the Company owned 100% of the units in the Folkestone Truganina Development Fund (Fund), however was in the process of raising \$14.6 million in third party capital for the Fund. Folkestone intends to co-invest 20% in the Fund - \$3.65 million. As at 18 February 2015, a total of \$11.6 million has been committed from investors and the remaining \$3.0 million is forecast to be raised during the March 2015 quarter.

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Garry Sladden
Non-Executive Chairman



Greg Paramor
Director

Sydney, 18 February 2015



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Independent Auditor's Review Report to the members of Folkestone Limited

We have reviewed the accompanying half-year financial report of Folkestone Limited, which comprises the condensed statement of financial position as at 31 December 2014, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Folkestone Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, 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 Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

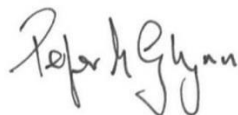
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Folkestone Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Peter Glynn
Partner
Chartered Accountants
Melbourne, 18 February 2015

DIRECTORS

Garry R Sladden
Non-Executive Chairman

Gregory J Paramor
Director

Mark W Baillie
Non-Executive Deputy Chairman

K Ross Strang
Non-Executive Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Scott N Martin

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AUDITOR

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STOCK EXCHANGE LISTING

Folkestone Limited shares are listed
on the Australian Securities
Exchange. The ASX code is FLK.

WEBSITE

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