



Folkestone

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2016

A Specialist
Funds Manager And Developer
Providing Real Estate
Wealth Solutions

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FINANCIAL SUMMARY

Six months to 31 December 2016	2016 \$'000	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax expense/benefit	4,662	7,650	1,531
Income tax benefit/(expense)	(1,471)	(1,023)	379
Profit/(loss) attributable to non-controlling interests	1	3,618	(49)
Profit attributed to Folkestone	3,190	3,009	1,959
Basic earnings per ordinary share (cents) *	2.2	2.0	1.8
NAV per share at 31 December (cents) *	96.7	91.6	82.0
NTA per share at 31 December (cents) *	91.6	83.3	72.5
ASX closing price at 31 December (dollars) *	0.97	0.96	1.05

* 2014 numbers have been adjusted to reflect the impact of the 1:5 share consolidation completed during 2015.

COMPANY HIGHLIGHTS

- STATUTORY NET PROFIT AFTER TAX¹ OF \$3.2 MILLION, UP 6.0% ON HY16
- STATUTORY EARNINGS PER SHARE² OF 2.2 CENTS, UP 5.6% ON HY16
- NET ASSET VALUE (NAV) PER SHARE OF 96.7 CENTS, DOWN 2.3% FROM 30 JUNE 2016
- GEARING OF 8.7%, UP FROM 4.2% AT 30 JUNE 2016
- FUNDS UNDER MANAGEMENT OF \$1.18 BILLION, UP 12.6% IN HY17
- FIRST SENIORS LIVING FUND CLOSED OVERSUBSCRIBED
- STRONG SALES ACROSS ACTIVE DEVELOPMENT PROJECTS
- ACQUIRED A 50% INTEREST IN A CIRCA 142 ROOM HOTEL DEVELOPMENT IN GREEN SQUARE, SYDNEY

¹ Statutory net profit for the six months to 31 December 2016.

² Statutory earnings per share for the six months to 31 December 2016.

DIRECTORS' REPORT

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 2016 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 Baillie (B.Com,CA)
- Greg James Paramor AO (FAPI, FAICD, FRICS)
- Ross Strang (LLB (HONS), MAICD)

FINANCIAL RESULTS

The statutory net profit after tax (NPAT) attributable to Folkestone for the half year ended 31 December 2016 was \$3.2 million (HY16: \$3.0 million), a 6.0 per cent increase compared to the prior corresponding period. This represents statutory basic earnings per share (EPS) of 2.2 cents (HY16: 2.0 cents).

The normalised NPAT attributable to Folkestone for the half year ended 31 December 2016 was \$3.2 million (HY16: \$3.2 million), a 2.3 per cent increase compared to the prior corresponding period. This represents normalised EPS of 2.2 cents (HY16: 2.2 cents).

The half year result attributable to Folkestone includes the following material items (pre-tax):

- \$3.7 million of recurring fee income and cost recoveries generated from the Company's funds management platform;
- \$2.2 million of distributions received from Folkestone's unitholding in the Folkestone Education Trust (ASX:FET);
- a \$1.1 million profit contribution from Folkestone's 51 per cent interest in the Millers Junction Business project at Altona North; and
- a \$1.0 million profit contribution from Folkestone's 50 per cent interest in the Northside residential land project at Officer.

Last year's half year result included the following material items (pre-tax):

- \$3.2 million of recurring fee income and cost recoveries generated from the Company's funds management platform;
- \$2.1 million of distributions received from Folkestone's unitholding in the Folkestone Education Trust (ASX:FET);
- a \$0.5 million profit contribution from Folkestone's 50 per cent interest in the Potters Grove residential land project at Officer;
- a \$4.9 million profit contribution from the West Ryde project comprising a \$3.3 million share of development profits net of fund administration costs and a \$1.6 million performance fee payable by the Fund to Folkestone;
- a (\$1.2) million impairment provision against the Company's investment in the Karratha project; and
- (\$0.7) million in due diligence costs on new project opportunities.

ASSET BACKING

Folkestone's net asset value (NAV) was 96.7 cents per share at 31 December 2016, down from 98.9 cents per share at 30 June 2016. Net tangible asset (NTA) backing was 91.6 cents per share at 31 December 2016 compared with 93.6 cents per share at 30 June 2016. The primary reason for the decline in NAV and NTA per share in the current reporting period was a 4.9 per cent decline in the value of Folkestone's 12.3 per cent holding in FET, which as a listed entity, is marked to market at each reporting date.

FINANCIAL & CASH POSITION

As at the date of this report, Folkestone and its associated entities are in full compliance with all of their debt facilities and have sufficient liquidity to fund all of its commitments. The following is a high level summary of each facility:

- ANZ Corporate Facility - During the current reporting period, the corporate facility was extended for a further two years until December 2019. The new facility limit is \$25.0 million. The drawn balance on the facility at 31 December 2016 was \$12.5 million.
- Millers Junction, Altona North - The finance facility with the Bank of Melbourne in respect of the Millers Junction project at Altona North has been re-financed into two separate facilities for the remaining stages of the project. In respect of

the Millers Junction Business land which is being developed in joint venture with Wilmac Properties, the Bank of Melbourne has provided the joint venture with a \$5.6 million facility for the development of the project. The facility has an expiry date of August 2017 and was drawn to \$1.6 million as at 31 December 2016. Folkestone has provided the Bank of Melbourne with a guarantee and indemnity limited to \$2.0 million plus costs in respect of this facility. In relation to the Stage 3 land, Folkestone has a \$2.1 million facility secured by the Stage 3 land only. The Stage 3 facility was fully drawn at 31 December 2016 and has an expiry date of June 2017.

- Industria, Knoxfield. In respect of the Industria, Knoxfield project in which Folkestone has a 50 per cent interest, the Bank of Melbourne has provided the joint venture with a \$7.8 million facility for the development of the project. The facility has an expiry date of June 2017 and was drawn to \$5.5 million as at 31 December 2016. Folkestone has provided the Bank of Melbourne with a guarantee and indemnity limited to \$2.0 million plus costs in respect of this facility.
- Industria, Nunawading. In respect of the Industria, Nunawading project in which Folkestone has a 50 per cent interest, the Commonwealth Bank of Australia (CBA) has provided the joint venture with a \$3.7 million facility to assist with the acquisition of the land. The facility has an expiry date of September 2017 and was drawn to \$3.7 million as at 31 December 2016. Folkestone has provided CBA with a guarantee and indemnity limited to \$1.85 million plus costs in respect of the land facility.
- The Ranges, Karratha - The drawn balance on the St George Bank finance facility for the Karratha project at 31 December 2016 was \$2.6 million. The facility expires in February 2017 and negotiations are underway to extend the facility for a further period of 6 to 12 months. Folkestone has a 30 per cent interest in the project, however there is no recourse to Folkestone in respect of this project facility.
- Elements, Truganina - In respect of the Elements land sub-division project at Truganina in which the Folkestone Truganina Development Fund has an 80 per cent interest in the joint venture and Folkestone holds 18.76 per cent of the units in the Fund, the ANZ Bank has provided the joint venture with a \$26.2 million development facility (drawn to \$12.5 million at 31 December 2016) and a \$13.2 million land facility (drawn to \$13.2 million at 31 December 2016). The development facility expires in May 2018 and the land facility expires in August 2017. There is no recourse to Folkestone in respect of the development facility however, Folkestone Limited has provided the ANZ Bank with a guarantee and indemnity limited to \$10.6 million plus costs in respect of the land facility. The mezzanine loan provided by the Folkestone Truganina Development Fund, drawn to \$4.1 million at 30 June 2016, has been repaid from sales proceeds during the current period.
- Northside, Officer - In respect of the Northside residential land project at Officer in which Folkestone has a 50 per cent interest, the Bank of Melbourne has provided the joint venture with a \$5.6 million facility for this project with an expiry date of May 2017. The balance drawn on the facility as at 31 December 2016 was \$5.3 million. The Company has provided Bank of Melbourne with a guarantee and indemnity limited to \$2.0 million plus costs in respect of this project facility.
- Hornsby, New South Wales - In respect of the Hornsby residential project in north-west Sydney in which Folkestone has a 50 per cent interest, the Bank of Melbourne has provided a \$2.1 million facility to assist with the acquisition of a small mixed use retail and office property adjoining other properties under the control of the joint venture. The loan was fully drawn as at 31 December 2016 and has an expiry date of August 2017.

FUNDS MANAGEMENT

Folkestone's Funds Management division is a specialist real estate funds manager for private clients and select institutional investors. Folkestone increased its funds under management from \$1.1 billion to \$1.2 billion in HY17.

Total funds management revenue was \$7.5 million down 0.3 per cent on HY16 (HY16 was boosted by a \$1.6 million performance fee from the West Ryde Development Fund).

Key features of the HY17 result are:

- 20.6 per cent increase in recurring fee income and cost recoveries to \$3.7 million;
- 138.5 per cent increase in transaction fees to \$1.4 million inclusive of a \$0.6 million acquisition fee in respect of the Folkestone Seniors Living Fund No.1;
- 1.5 per cent increase in distributions from FLK's co-investment in the ASX listed Folkestone Education Trust to \$2.2 million; and
- No performance fees were generated in HY17.

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. As at 31 December 2016, FET owned 402 properties and had gross assets of approximately \$830 million.

As at 31 December 2016, Folkestone held 12.3 per cent of FET units on issue (excluding units held in FET by the

DIRECTORS' REPORT CONT.

Folkestone Maxim A-REIT Securities Fund and other private funds managed by Maxim), valued at \$77.9 million.

During the current reporting period, Folkestone generated \$1.6 million profit contribution before tax from its investment in FET comprising:

- \$3.4 million in fees and cost recoveries charged in accordance with FET's constitution;
- \$2.2 million in trust distributions received; and
- An unrealised loss of \$4.0 million on its unitholding in FET as at 31 December 2016 recognised as Other Comprehensive Income. The unrealised loss of \$4.0 million for the current reporting period (FET unit price fell from \$2.67 at 30 June 2016 to \$2.54 at 31 December 2016) partially offsets the cumulative unrealised gains of \$23.7 million on Folkestone's unitholding in FET which have been recognised in prior reporting periods. As at 31 December 2016, the total unrealised gain Folkestone has generated on its unitholding in FET is \$19.7 million.

Folkestone Truganina Development Fund

The Folkestone Truganina Development Fund is undertaking, in an 80/20 joint venture with ID_Land, the development of a circa 718 lot residential master planned community in Truganina, one of Melbourne's fastest growing suburbs. The joint venture has continued to see strong pre-sale activity with 590 sales at 31 December 2016, representing approximately 86 per cent of total lots and 1.7 times the number forecast in the feasibility.

As at 31 December 2016, Stages 1-6 and 8 of the project had been completed and a total of 178 lots had settled. The mezzanine loan provided by the Folkestone Truganina Development Fund, drawn to \$4.1m at 30 June 2016, has been fully repaid from sales proceeds during the current period. The joint venture settled the remaining land in December 2016 which was 100% debt funded.

Folkestone has co-invested \$3.7 million (18.76 per cent) in the Fund. Due to the acceleration of the project, the Fund's current forecast equity IRR has increased from 18 per cent to 21.5 per cent per annum (pre-tax, net of fees) on drawn equity.

Folkestone Seniors Living Fund No.1

In July 2016, Folkestone announced that it had established the Folkestone Seniors Living Fund No.1 to acquire Watermark Castle Cove, an award winning retirement living community on Sydney's lower north shore. The acquisition of Watermark Castle Cove comprised a 100 per cent interest in 50 existing independent living apartments (ILAs) and 8 ILAs that were under construction and are to be paid for on completion (including sale of ILAs). Also, the Fund acquired a 100 per cent interest in adjacent land for development of up to 21 ILAs on terms whereby part of the consideration is contingent on completion and sale of the ILAs and the development is undertaken in a 50/50 joint venture with the Watermark Partnership.

Folkestone underwrote \$19.7 million of the initial \$25.7 million Fund Offer by way of a short-term loan to the Fund with the capital raising closing oversubscribed in September 2016. Folkestone has co-invested \$2.5 million (10.0 per cent) in the Fund. The Fund has a target fund raising of up to \$60 million to enable it to acquire further assets consistent with the investment mandate of the Fund. The Fund has a target forecast equity IRR of 15.0 per cent per annum (pre-tax, net of fees) on drawn equity over the life of the Fund.

DIRECT INVESTMENTS

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

Folkestone's development division generated a net development profit of \$2.8 million up 8.1 per cent on HY16 (HY16 was boosted by a \$3.3 million share of development profits pre-tax, net of fund administration costs from the West Ryde Development Fund as Folkestone held a 50 per cent in the Fund).

Key features of the HY17 results are:

- Positive contribution in net development profits of \$2.1 million in HY17 from Millers Junction Business (via Folkestone's 51.0 per cent interest in the joint venture), Officer Northside (via Folkestone's 50.0 per cent interest in the joint venture) and Truganina (via Folkestone's 18.8 per cent interest in the Folkestone Truganina Development Fund);
- \$0.7 million in preferred equity interest in HY17, up 84.2 per cent on HY16 from five projects (Officer Northside, South Dural, Hornsby, Wollert and Green Square) and other sundry loans;
- Continued strong sales and settlements in respect of our residential land projects and enterprise park projects in Melbourne; and
- Completion of the Potter's Grove, Officer residential land subdivision project.

DIRECTORS' REPORT CONT.

Millers Junction Business, Altona North

In September 2014, the Company announced it had entered into a 50/50 joint venture with Wilmac Properties to develop 70 strata style office/warehouse units in Stage 2 of Millers Junction in Altona North. As at 31 December 2016, all but 3 of the 70 units had been pre-sold.

As at 31 December 2016, Stages 1-2 comprising 45 units had been completed of which 28 had settled with the remaining 17 units to be settled in the March 2017 quarter. Construction of the final 25 units in the project commenced in August 2016 and are forecast to be completed in the June 2017 quarter with settlements to follow shortly thereafter.

During the current reporting period, Folkestone recognised a \$1.1 million share of development profits in respect of this project. As at the reporting date, Folkestone's funds invested in this project were \$3.1 million.

Millers Junction Stage 3, Altona North

In May 2015, Folkestone announced it had entered into an option agreement with BWP Trust and Bunnings Group Limited to purchase the former Bunnings site adjacent to Millers Junction. Subject to planning approval, the 3.4 hectare parcel will be consolidated with Folkestone's existing Stage 3 land holding of 4.4 hectares to create a substantial development opportunity which will include traditional retail, large format retail and social infrastructure investments.

Folkestone's option agreement with BWP Trust and Bunnings Group Limited over a site adjacent to Millers Junction has expired but negotiations continue with both groups to secure a new option on more favourable terms. An application lodged by Folkestone to rezone the site and undertake a retail development to include a Woolworths supermarket remains active pending the option renegotiation. Should the acquisition of the adjoining BWP Trust site not proceed, there are alternative schemes ready for development of further strata style office/warehouse units on the existing Folkestone land as an extension of the successful Millers Junction Business project.

During the current reporting period, a further \$0.2 million part reversal of the prior period impairment of the Stage 3 land was recognised and a \$0.2 million rental expense in respect of the sub-lease payments to BGL was incurred. As at the reporting date, Folkestone has invested \$10.4 million in this project.

Industria, Knoxfield

In May 2015, Folkestone entered into a second 50/50 joint venture with Wilmac Properties to develop 88 strata office/warehouse/retail units in Knoxfield, Victoria with an anticipated end value of \$30 million.

As at 31 December 2016, 19 out of 20 units released to market in Stage 1 had been pre-sold with settlements scheduled in the June 2017 quarter. A further 12 units had been pre-sold in Stage 2 out of a total of 24 units released to market.

As at the reporting date, Folkestone has invested \$1.9 million in this project.

Industria, Nunawading

In May 2016, Folkestone entered into a third 50/50 joint venture with Wilmac Properties to develop an enterprise business park in Nunawading, Victoria with an anticipated end value of \$42.5 million.

The land was acquired on deferred terms and settlement of the land occurred in September 2016. Planning consent for the development was received in the December 2016 quarter, including a modification to the original design by allowing for a three storey office building with 9 strata office spaces in addition to 71 units and a café. Since launching Stage 1 to market in the current reporting period, a total of 24 of 45 units have been pre-sold plus the café and the proposed three storey office building. Construction of Stage 1 is forecast to commence in the March 2017 quarter.

As at the reporting date, Folkestone has invested \$2.8 million in this project.

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 to develop a 240 lot land sub-division.

During the current reporting period, the last remaining lot settled and as at the reporting date, Folkestone's remaining funds invested in this project was \$0.1 million.

Northside, Officer

In August 2014, Folkestone acquired, in a 50/50 joint venture with ID Land, Northside Officer to develop a 146 lot land sub-division diagonally opposite Folkestone and ID_Land's Potters Grove development. The zoned site was purchased on deferred terms. Settlement of the first tranche of land (3.6 hectares) took place in August 2015 and the remaining tranche (4.7 hectares) was settled in August 2016.

DIRECTORS' REPORT CONT.

All lots have been pre-sold with Stages 1-3 having reached practical completion as at 31 December 2016, at which time a total of 70 lots had settled. Stages 4 and 5 construction is forecast to commence in the March 2017 quarter with project completion anticipated to occur in late 2017.

During the current reporting period, Folkestone recognised a \$1.0 million share of development profits and \$0.1 million preferred equity interest income in respect of this project. As at the reporting date, Folkestone has invested \$1.7 million in this project.

Wollert, Victoria

In December 2015, Folkestone announced that it had entered into a fourth joint venture with ID_Land, to develop a 48 hectare residential master-planned community in Wollert in Melbourne's rapidly growing Northern Growth Corridor. Wollert is located in the City of Whittlesea, approximately 25 kilometres north of the Melbourne CBD and is ideally positioned between Craigieburn and Mernda.

The project is located within the Wollert Precinct Structure Plan (PSP) which received Government approval on 10 February 2017. The project will encompass more than 550 residential lots, with an on completion value of approximately \$137 million. The land is being acquired on a staged settlement basis with a series of payments required between December 2015 and 2019. Now that PSP approval has been obtained, Folkestone and ID_Land anticipates to sell down part of their investment in the project to third party investors into a Folkestone managed fund consistent with the process for the Folkestone Truganina Development Fund.

A total of 98 lots were released to market during the current reporting period, with contracts being conditional on PSP and local council approvals. A total of 65 lots had been pre-sold as at 31 December 2016.

During the current reporting period, Folkestone recognised \$0.1 million preferred equity interest income in respect of this project. As at the reporting date, Folkestone has invested \$3.9 million in this project.

Hornsby, New South Wales

In December 2014, the Company announced that it had 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 Hornsby railway station in Sydney's north-west. Following the settlement of a further property on 1 February 2017, the joint venture has now acquired two sites totalling 949 square metres which are currently under short term lease agreements whilst the JV progresses its master planning activities. In addition to the two land parcels acquired, the JV has contracted to acquire a further 348 square metre site adjoining its existing landholding with settlement due in June 2017. A further option agreement over a commercial building is in place (1,929 square metres) and due for settlement in the December 2017 quarter after which time the joint venture will have amalgamated a total landholding exceeding 3,200 square metres.

Master-planning activities will resume following the finalisation of the Greater Sydney Commission's Draft North District Plan and resolution of the State Government's proposed amalgamation of Hornsby and Ku-ring-gai councils.

During the current reporting period, Folkestone recognised \$0.1 million preferred equity interest income in respect of this project. As at the reporting date, Folkestone has \$5.5 million invested in this project.

South Dural, New South Wales

In October 2015, Folkestone announced that it had entered into a second 50/50 joint venture with the Lyon Group Australia, to acquire development rights over 60 hectares of land which is currently owned or under option by an entity associated with the Lyon Group in South Dural. South Dural is strategically located between the rapidly growing suburbs of Glenhaven and the established areas of Castle Hill and Cherrybrook in Sydney's north-west.

The joint venture has been appointed as Preferred Developer Proponent by the South Dural Residents and Ratepayers Group and is working with Hornsby Shire Council and the NSW State Government to have approximately 240 hectares (including the land over which it has development rights) rezoned.

During the current reporting period, Folkestone recognised \$0.2 million preferred equity interest income in respect of this project. As at the reporting date, Folkestone has invested \$7.6 million in this project.

Green Square, Alexandria, New South Wales

In November 2016, Folkestone announced that it had entered into a 50/50 joint venture with Furnished Property to develop a circa 142 room hotel at Green Square, Sydney. The site, at 18 O'Riordan Street, Alexandria, is located within the \$13 billion, 278 hectare Green Square Urban Regeneration Area ('GSURA') and is strategically located approximately 100 metres from the Green Square Train Station. The Sydney Airport Domestic and International Terminals are two and three

DIRECTORS' REPORT CONT.

stops respectively to the south with Central Station, one stop to the north. Green Square is one of the most significant urban transformation programs under construction in Australia, revitalising the industrial edge of Sydney's inner south into a vibrant global village.

Folkestone intends to launch the Folkestone Green Square Hotel Fund in the June 2017 quarter, to raise circa \$22.5 million of third party capital, which together with construction finance, will fund the development of the hotel on a fund-through basis reducing Folkestone and Furnished Property's funds employed to develop the hotel. The Fund will own the hotel long-term.

As at the reporting date, Folkestone has invested \$7.2 million in this project.

The Ranges, 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 pool and BBQ facilities. Stage 1a comprising 41 villas opened for trade in December 2012 and a further 32 villas in Stage 1b were completed in 2015. During HY17, the JV commenced the construction of a food and beverage facility which will complement the existing offer and make it more appealing to customers, particularly business travellers to the Pilbara.

As at the reporting date, Folkestone has invested \$3.5 million in this project.

OUTLOOK

Folkestone is well placed to continue to build sustainable growth across its funds management and development divisions.

Folkestone is on track to launch two new funds being the Folkestone Wollert Development Fund and the Folkestone Green Square Hotel Fund in the second half of FY17. In addition, Folkestone is in due diligence on a number of opportunities that will either be acquired on balance sheet and sold down at a later date to Folkestone funds or acquired directly by new funds established by Folkestone.

Folkestone's low gearing, its cash on hand and the recycling of capital from projects that are earmarked to be sold down to funds or are nearing completion provides the Group with significant flexibility to continue to execute on its strategy.

Folkestone will continue to look for investment opportunities across the residential, non-residential and social infrastructure sectors where the projects offer the potential for attractive risk-adjusted returns, can be acquired and/or developed using efficient capital structures (i.e. staged land payments or deferred settlement terms), and where appropriate, undertaken in joint venture with quality partners and held in Folkestone managed funds. Folkestone confirms that its current intention is to pay a fully franked dividend of 2.625 cents per share in respect of FY17, an increase of 5.0 per cent on the FY16 dividend assuming no material change in market conditions.

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 11 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
Sydney, 28 February 2017



Greg Paramor AO
Director

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 9671 7001
www.deloitte.com.au

28 February 2017

The Board of Directors
Folkestone Limited
Level 14, 557 Collins St
MELBOURNE VIC 3000

Dear Board Members

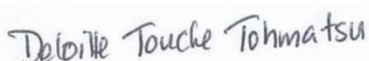
Folkestone Limited

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 2016, 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



Craig Bryan
Partner
Chartered Accountants

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

For the half year ended 31 December 2016

Consolidated Group Continuing Operations	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue	21,023	6,597
Development expenses	(12,821)	(40)
Reversal of impairment of finished goods and work in progress	237	694
Share of profits of associates and joint ventures	2,139	8,330
Impairment of interest held in associated entity	-	(400)
Impairment of preferred equity loan	-	(840)
Employee benefits expense	(3,950)	(3,803)
Depreciation and amortisation expense	(58)	(58)
Due diligence and acquisition costs	(110)	(673)
Rental expense on operating leases - developments	(237)	(816)
Rental expense on operating leases - corporate	(141)	(135)
Administration expenses	(1,187)	(1,013)
Finance costs	(302)	(324)
Changes in fair value of financial assets through profit and loss	24	154
Changes in fair value of derivative instruments through profit and loss	45	(23)
Profit before income tax	4,662	7,650
Income tax expense	(1,471)	(1,023)
Profit after tax for the half year	3,191	6,627
Net profit after tax for the half year attributable to:		
Owners of the company	3,190	3,009
Non-controlling interests	1	3,618
Net profit after tax for the half year	3,191	6,627
Other comprehensive income		
Items that may be re-classified subsequently to profit or loss:		
Changes in fair value of financial assets	(3,989)	5,076
Income tax (expense)/benefit relating to components of other comprehensive income	1,197	(1,523)
Total other comprehensive income net of tax	(2,792)	3,553
Total comprehensive income for the half year	399	10,180
Total comprehensive income for the half year attributable to:		
Owners of the parent	398	6,562
Non-controlling interests	1	3,618
Total comprehensive income net of tax for the half year	399	10,180
Earnings per share from continuing operations:		
Basic earnings per share (cents per share)	2.2	2.0
Diluted earnings per share (cents per share)	2.2	2.0

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 17-22.

CONDENSED STATEMENT OF FINANCIAL POSITION

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

For the half year ended 31 December 2016

Consolidated Group	Notes	31 Dec 2016 \$'000	30 Jun 2016 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		11,770	20,175
Trade and other receivables		7,284	6,966
Inventories		13,675	15,024
Investments in joint ventures		196	355
Other current assets		547	399
TOTAL CURRENT ASSETS		33,472	42,919
NON-CURRENT ASSETS			
Trade and other receivables		19,395	16,550
Other financial assets	2	78,073	82,038
Units in associated entities		6,730	4,247
Investment in joint ventures		17,285	7,408
Property, plant and equipment		583	457
Intangibles		11,389	11,389
Goodwill		1,433	1,433
TOTAL NON-CURRENT ASSETS		134,888	123,522
TOTAL ASSETS		168,360	166,441
CURRENT LIABILITIES			
Trade and other payables		1,515	2,391
Short-term borrowings	3	5,326	7,212
Employee benefit provisions		968	561
TOTAL CURRENT LIABILITIES		7,809	10,164
NON-CURRENT LIABILITIES			
Long-term borrowings	3	12,406	4,970
Derivative financial instruments	4	62	107
Employee benefit provisions		112	452
Deferred tax liability		5,257	4,983
TOTAL NON-CURRENT LIABILITIES		17,837	10,512
TOTAL LIABILITIES		25,646	20,676
NET ASSETS		142,714	145,765
EQUITY			
Issued capital		124,668	124,668
Reserves		15,749	18,301
Retained earnings		2,258	2,758
Parent interest		142,675	145,727
Non-controlling interest		39	38
TOTAL EQUITY		142,714	145,765

The above condensed statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 17-22.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

For the half year ended 31 December 2016

Consolidated Group	Issued Capital \$'000	Retained Earnings/ (Losses) \$'000	Reserves \$'000	Attributable to Holders of the Parent \$'000	Non-controlling Interest \$'000	Total \$'000
Balance at 1 July 2015	124,668	(2,693)	6,293	128,268	9,502	137,770
Profit/(loss) for the period	-	3,009		3,009	3,618	6,627
Other comprehensive income net of tax	-	-	3,553	3,553	-	3,553
Total comprehensive income/ (loss)	-	3,009	3,533	6,562	3,618	10,180
Distribution paid or provided for	-	-	-	-	(13,050)	(13,050)
Issue of performance rights/share appreciation rights	-	-	174	174	-	174
Balance at 31 December 2015	124,668	316	10,020	135,004	70	135,074
Balance at 1 July 2016	124,668	2,758	18,301	145,727	38	145,765
Profit for the period	-	3,190	-	3,190	1	3,191
Other comprehensive income net of tax	-	-	(2,792)	(2,792)	-	(2,792)
Total comprehensive income	-	3,190	(2,792)	398	1	399
Dividend paid or provided for	-	(3,690)	-	(3,690)	-	(3,690)
Issue of performance rights	-	-	240	240	-	240
Balance at 31 December 2016	124,668	2,258	15,749	142,675	39	142,714

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 17-22.

CONDENSED STATEMENT OF CASH FLOWS

FOLKESTONE LIMITED AND ITS CONTROLLED ENTITIES

For the half year ended 31 December 2016

Consolidated Group	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash flows from operating activities		
Receipts from customers	19,436	3,424
Payments to suppliers and employees	(22,018)	(7,181)
Interest received	74	278
Finance costs	(339)	(345)
Trust distributions received	2,117	1,697
Net cash used in from operating activities	(730)	(2,127)
Cash flows from investing activities		
Purchase of property, plant and equipment	(184)	(3)
Payment for interest in associates	(1,900)	-
Payment for interest in joint ventures	(8,488)	(4,011)
Proceeds received from interests in joint ventures	925	29,325
Net cash from/ (used in) investing activities	(9,647)	25,311
Cash flows from financing activities		
Proceeds from borrowings	17,500	5,210
Repayment of borrowings	(10,000)	(17,083)
Funds returned from/ (funds placed on) deposits to secure bank guarantees	(56)	19
Loans advanced to associated entities	(6,718)	(10,448)
Repayment of loans by associated entity	4,917	657
Distribution to non-controlling interests	-	(13,050)
Dividends paid to members of the parent entity	(3,671)	-
Net cash (used in)/ provided by financing activities	1,972	(34,695)
Net (decrease)/ increase in cash and cash equivalents	(8,405)	(11,511)
Cash and cash equivalents at beginning of the period	20,175	28,991
Cash and cash equivalents at end of the period	11,770	17,480

The above condensed statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 17-22.

NOTES TO THE FINANCIAL STATEMENTS

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 2016 annual financial report for the financial year ended 30 June 2016, 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 and revised ASBs affecting amounts reported and/or disclosures in the financial statements

In the current period, the Group has applied the following standards and amendments AASBs issued by the Australian Accounting Standards Board (the AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016, and therefore relevant for the current half year end:

- AASB 2014-3 'Amendments To Australian Accounting Standards – Accounting For Acquisitions Of Interests In Joint Operations'
- AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'
- AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'
- AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'
- AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONT.

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	31 December 2018
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	31 December 2018
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	31 December 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	31 December 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.

Standard/Interpretation	Effective for Annual Reporting Periods Beginning on or After	Expected to be Initially Applied in the Financial Year Ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	31 December 2019

The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined.

NOTES TO THE FINANCIAL STATEMENTS CONT.

NOTE 2: OTHER FINANCIAL ASSETS

	Economic Entity	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Units - Folkestone Education Trust	77,947	81,937
Listed Securities - Mason Stevens A-REIT Securities Portfolio Separately Managed Account	126	101
	78,073	82,038

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 the fair values of various financial asset and financial liabilities.

The Group owns 30,687,878 units in the Folkestone Education Trust (ASX:FET) which is a listed real estate investment trust on the Australian Securities Exchange. The units have been acquired in a number of tranches since December 2013 for a total consideration of \$58,208,976 at an average acquisition price of \$1.90 per unit. The fair value hierarchy for this asset is Level 1. The fair value assessed as at 31 December 2016 was \$77,947,210, where the valuation technique used was the quoted bid price of the units on the Australian Securities Exchange as at 31 December 2016. If the market price was 1 per cent higher/lower, the carrying amount would increase/decrease by \$779,472.

The Group owns listed securities held through the Mason Stevens A-REIT Securities Portfolio Separately Managed Account. The listed securities were acquired for a total consideration of \$115,297. The fair value hierarchy for this asset is Level 1. The fair value assessed as at 31 December 2016 was \$125,886 where the valuation technique used was the quoted bid price of the individual units on the Australian Securities Exchange at 31 December 2016. If the market price was 1 per cent higher/lower the carrying amount would increase/decrease by \$1,259.

NOTE 3: BORROWINGS

	Economic Entity	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Short term borrowings		
Bank loans - secured	2,086	2,068
Loans - other	3,240	5,144
	5,326	7,212
Long term borrowings		
Bank loans - secured	12,500	5,000
Less: unamortised up front transaction costs	(94)	(30)
	12,406	4,970

Short-term Borrowings

The Group has a debt facility with Bank of Melbourne in respect of the Stage 3 land at 302-330 Millers Road, Altona North.

The key commercial terms of the debt facility as at 31 December 2016 are as follows:

Facility Limit	\$2.1 million
Drawn Amount	\$2.1 million
Facility Maturity	June 2017

The Group also has an additional loan of \$3.24m from Wilmac-FLK Millers Road Pty Ltd. The loan is repayable from the sales proceeds of the Millers Junction Business project. During the current period, sales proceeds of \$1.9m were applied against the original loan amount of \$5.1m. The balance of sales proceeds required to repay the loan are expected to be received by 31 December 2017.

The loan is interest free and does not have a fixed term.

NOTES TO THE FINANCIAL STATEMENTS CONT.

NOTE 3: BORROWINGS CONT.

Long-term Borrowings

The Group has a debt facility with ANZ Bank.

The key commercial terms of the debt facility as at 31 December 2016 are as follows:

Facility Limit	\$25.0 million
Drawn Amount	\$12.5 million
Facility Maturity	December 2019

Hedging arrangements

The Group has the following interest rate swap in place:

Period	Hedged Amount \$'000	Hedged Rate (Inclusive of Margin)%
February 2015 - December 2017	10,000	4.22

NOTE 4: DERIVATIVE FINANCIAL INSTRUMENTS

	Economic Entity	
	31 Dec 2016 \$'000	30 Jun 16 \$'000
Derivative financial instruments - interest rate swap contracts	62	107
	62	107

The Group uses derivative financial instruments (comprising of interest rate swaps) to swap its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured to fair value.

Please refer to Note 3 for further information on these contracts.

NOTE 5: ISSUED CAPITAL

	Shares No '000	Shares \$'000
Balance at 1 July 2015	735,044	124,668
Issue of shares under employee share option plan	1,488	-
Share consolidation	(589,225)	-
Balance at 31 December 2015	147,307	124,668
Balance at 1 July 2016	147,307	124,668
Issue of shares under employee share option plan	299	-
Balance at 31 December 2016	147,606	124,688

During the prior reporting period, Folkestone Limited completed a consolidation of its capital through the conversion of every five shares into one share. Where the consolidation resulted in an entitlement to a fraction of a share the fraction was rounded up to the nearest whole number of shares.

NOTES TO THE FINANCIAL STATEMENTS CONT.

NOTE 6: CONTINGENT LIABILITIES

Folkestone Limited has guaranteed the performance of certain controlled entities in relation to development projects which it holds an interest in. These include:

- Wilmac - FLK Millers Road Pty Ltd - The Group has a 51 per cent interest in the development of the Millers Junction Business project located at 302-330 Millers Road, Altona North. The Bank of Melbourne has provided the joint venture with a \$5.6 million loan facility (drawn to 31 December 2016: \$1.6 million) for this development. The loan facility runs to August 2017. As part of the security for this facility, Folkestone Limited has provided Bank of Melbourne with a guarantee and indemnity limited to \$2.0 million plus costs.
- ID-FLK Bayview Road Pty Ltd - The Group has a 50 per cent interest in the development of the Northside, Officer project located at 15 Bayview Road, Officer. The Bank of Melbourne has provided the joint venture with a \$5.6 million loan facility (drawn to 31 December 2016: \$5.3 million) for this development. The loan facility runs to May 2017. As part of the security for this facility, Folkestone Limited has provided Bank of Melbourne with a guarantee and indemnity limited to \$2.0 million plus costs.
- Industria, Knoxfield - The Group has a 50 per cent interest in the development of the Industria project at Knoxfield. The Bank of Melbourne has provided the joint venture with a \$7.8 million loan facility (drawn to 31 December 2016: \$5.5 million) for this development. The loan facility runs to June 2017. As part of the security for this facility, Folkestone Limited has provided Bank of Melbourne with a guarantee and indemnity limited to \$2.0 million plus costs.
- Industria, Nunawading. The Group has a 50 per cent interest in the development of the Industria project at Nunawading. The Commonwealth Bank of Australia has provided the joint venture with a \$3.7 million loan facility (drawn to 31 December 2016: \$3.7 million) to assist with the acquisition of the land. The facility has an expiry date of September 2017. Folkestone has provided CBA with a guarantee and indemnity limited to \$1.85 million plus costs.
- Elements, Truganina. - The Group has an effective 18.76 per cent interest in the development of the Elements project at Truganina via a co-investment in the Folkestone Truganina Develop Fund. The ANZ Bank has provided the joint venture with a \$13.2 million land facility (drawn to 31 December 2016: \$13.2 million) for this development. The loan facility runs to 31 August 2017. Folkestone Limited has provided ANZ Bank with a guarantee and indemnity limited to \$10.6 million plus costs.

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.

NOTES TO THE FINANCIAL STATEMENTS CONT.

NOTE 7: SEGMENT REPORTING

Business Segments

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

	Revenue 31 Dec 2016 \$'000	Revenue 31 Dec 2015 \$'000	Segment Profit 31 Dec 2016 \$'000	Segment Profit 31 Dec 2015 \$'000
Continuing operations				
Funds management ¹	7,447	7,472	7,447	7,472
Property development ²	15,665	7,174	2,843	5,926
	23,112	14,646	10,290	13,398
Other revenue	74	281	74	281
Administration costs			(5,702)	(6,029)
Profit before income tax			4,662	7,650
Income tax (expense)/benefit			(1,471)	(1,023)
Consolidated segment revenue and profit for the period			3,191	6,627

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Segment assets		
Funds management ³	101,396	98,122
Property development ⁴	61,925	48,294
Corporate / unallocated ⁵	5,039	20,025
	168,360	166,441
Segment liabilities		
Funds management	-	-
Property development	5,326	7,212
Corporate / unallocated	20,320	13,464
	25,646	20,676

¹Funds management revenue and segment profit includes trust distributions, 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 \$3.6 million of cash reserves.

NOTE 8: EVENTS AFTER BALANCE DATE

There were no significant events after 31 December 2016.

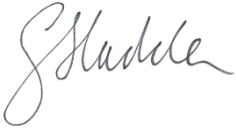
DIRECTORS' DECLARATION

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 AO
Director

Sydney, 28 February 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 9671 7001
www.deloitte.com.au

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 2016, 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 13 to 23.

Directors' Responsibility for the 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 2016 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.

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT CONT.

Deloitte.

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 2016 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

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants
Melbourne, 28 February 2017

RepcO

pet vet
Animal Hospital & Cattery

TRADING HOURS
Mon 8:00 - 5:30
Tue 8:00 - 5:30
Wed 8:00 - 5:30
Thur 8:00 - 5:30
Fri 8:00 - 5:30
Sat 8:00 - 5:00
Sun 9:00 - 5:00
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GIVE WAY TO PEDESTRIANS

ENTERTAINMENT
PLANT
ERS

Millers Junction Home, Altona North, Vic – An asset of the Folkestone Real Estate Income Fund at Altona North

DIRECTORS

Garry R Sladden
(Non-Executive Chairman)

Mark W Baillie
(Non-Executive Deputy Chairman)

Greg J Paramor AO
(Managing Director)

Ross Strang
(Non-Executive Director)

CHIEF FINANCIAL OFFICER & SECRETARY

Scott N Martin

REGISTERED OFFICE

Level 14
357 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

Boardroom Pty Limited
Level 12 Grosvenor Place
225 George Street
Sydney NSW 2000
T: 1300 737 760

AUDITOR

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

STOCK EXCHANGE LISTING

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

WEBSITE

www.folkestone.com.au