

Folkestone Trading Policy

Folkestone Limited

Adopted by the Board of Folkestone Limited on 20th December 2011

Folkestone

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FOLKESTONE TRADING POLICY

1. BACKGROUND AND OVERVIEW

- 1.1 This Folkestone Trading Policy has been prepared by Folkestone Limited ABN 21 004 715 226 and is relevant to both Folkestone Limited and its wholly owned subsidiaries' ("FLK or The Company")

The purpose of this policy is to regulate the Trading in Securities of Folkestone Limited (FLK), and other Securities, by Directors and staff and to provide guidance on how to avoid insider trading.

The Board of FLK takes the matter of the purchase and sale of Securities in FLK and other companies seriously and expects full compliance with this policy. Insider trading is both illegal and unethical.

This Policy applies to all Directors (executive and non-executive) and employees of FLK including all of its related bodies corporate as defined by the Corporations Act (Folkestone Group) and also may impact the family members, friends, associates, family companies and family trusts of these persons. The Policy may also extend to such other persons as specified from time to time by the Chairman.

In addition to setting out general principles in relation to Trading in Securities applicable to all Directors and employees of FLK, this Policy recognises that there are specific periods when Directors and Restricted Employees should not Trade in FLK Securities. This Policy also sets out procedures which apply to Trading in FLK Securities by Directors and Restricted Employees.

Any non-compliance with this Policy will be regarded as serious misconduct for which a Director may be removed or other employee summarily dismissed.

2. DEFINE TERMS

- 2.1 For the purposes of this Policy:

(a) "**Approving Officer**" means

- (i) for any employee or Director (except the Chairman of the Board), the Chairman of the Board; and
- (ii) for the Chairman of the Board, the Chairman of the Audit and Risk Management Committee.

(b) "**ASX**" means ASX Limited or, depending on context, the financial market that it operates.

(c) "**Board**" means the board of directors of FLK.

- (d) "**Chairman**" means the chairman of the Board from time to time.
- (e) "**Cleansing Statement**" means a statement issued by FLK to the ASX in relation to an offer for issue, or the issue, by FLK of securities.
- (f) "**Company Secretary**" means the Company Secretary of FLK.
- (g) "**Compliance Officer**" means the Compliance Officer of FLK.
- (h) "**Corporations Act**" means the Corporations Act 2001 (Cth).
- (i) "**Deal**" in Securities means to apply for, acquire or dispose of Securities, or enter into an agreement to do any of those things, and "Dealing" has a corresponding meaning.
- (j) "**Derivative**" has the meaning in section 761D of the Corporations Act and includes options, forward contracts, futures, warrants, swaps, caps and collars.
- (k) "**Directors**" means directors of any company in the Folkestone Group.
- (l) "**Exceptional Circumstances**" means, in relation to a Director or Restricted Employee:
 - (i) (**Severe financial hardship**): a pressing financial commitment that can only be satisfied by selling the relevant FLK Securities;
 - a. a tax liability of such a person would not normally constitute severe financial hardship unless the person has no other means of satisfying the liability. A tax liability relating to Securities received under an employee incentive scheme would also not normally constitute severe financial hardship or otherwise be considered an exceptional circumstance for the purpose of obtaining proper written clearance to sell or otherwise dispose of Securities during a Prohibited Period;
 - (ii) (**Court order**): a requirement to Trade in FLK Securities as a result of:
 - a. a court order;
 - b. court enforceable undertakings (e.g. as part of a bona fide family settlement); or
 - c. some other overriding legal or regulatory requirement; or
 - (iii) (**Other circumstances**): any other circumstances considered exceptional by the Approving Officer.
- (m) "**FLK Securities**" means Securities issued by FLK.
- (n) "**Folkestone Group**" means FLK and each of its subsidiaries.
- (o) To "**Procure**" another person to Deal in Securities includes inciting, inducing or encouraging a person to Deal or not Deal in Securities.
- (p) "**Prohibited Period**" means those periods as set out in paragraph 3.5.
- (q) "**Restricted Employees**" means:
 - (i) the Chief Financial Officer;

- (ii) the Company Secretary;
- (iii) the General Counsel;
- (iv) all managers down to and including Regional Managers; and
- (v) employees nominated by the Board as Restricted Employees (and who are notified accordingly),

whether employed by FLK or another member of the Folkestone Group.

- (r) "**Securities**" includes shares, options, rights, debentures (including convertible notes), interests in a managed investment scheme, Derivatives and other financial products covered by s1042A of the Corporations Act.
- (s) "**Trade**" means to Deal in Securities or Procure another person to Deal in Securities, and "**Trading**" has a corresponding meaning.

3. POLICY

General Restrictions on Trading – All Directors and all employees

3.1 General principles

Directors and employees must comply with the following general principles in relation to Trading in Securities:

- (a) Directors and employees must comply with the insider trading provisions of the Corporations Act at all times and must not Trade in Securities whilst in possession of inside information in respect of those in Securities (see section 9 of this Policy).
- (b) Directors and employees must not derive personal advantage from information which is not generally available and which has been obtained by reason of their connection with FLK.

3.2 Short term Trading - All Directors and employees

Directors and employees must not engage in short term Trading of FLK Securities.

In general, the acquisition of Securities with a view to resale within a 12 month period and the sale of Securities with a view to repurchase within a 12 month period would be considered to be transactions of a short term nature. However, the sale of shares in FLK immediately after they have been acquired through the conversion of a Security (e.g. exercise of an option) will not be regarded as short term Trading.

3.3 Securities of other companies

Directors and employees must not Trade in Securities of another company whilst in possession of inside information in respect of that company.

Restrictions on Trading outside of Prohibited Periods - Directors and Restricted Employees

- 3.4 Directors and Restricted Employees must seek prior written clearance before undertaking any Trading in FLK Securities.

This requirement applies to all Trading outside of a Prohibited Period and any Trading during a Prohibited Period which is subject to an exception under this Policy. (The procedures for seeking prior written clearance to Trade during a Prohibited Period are set out in paragraphs 3.6 to 3.8).

In order to seek clearance to Trade, Directors and Restricted Employees must submit a written request to the Approving Officer in the form set out in Annexure 1 to this Policy. The Approving Officer may request such information as considered appropriate in the circumstances.

Directors and Restricted Employees may only engage in the proposed Trading if prior written clearance is given by the Approving Officer. Any clearance for the Trading will be valid for 3 business days from the date it is given.

Restrictions on Trading during Prohibited Periods - Directors and Restricted Employees

- 3.5 Directors and Restricted Employees must not Trade in FLK Securities during the following Prohibited Periods:
- (a) 30 June until the business day following one full business day after the release of the full year results;
 - (b) 31 December until the business day following one full business day after the release of the half yearly results;
 - (c) 30 days prior to each Annual General Meeting; and
 - (d) any additional periods imposed by the Board from time to time.

- 3.6 Despite section 3.5 above, Trading may be permitted in Exceptional Circumstances.

A Director or Restricted Employee who is not in possession of inside information in relation to FLK may Trade in FLK Securities during a Prohibited Period if:

- (a) the Approving Officer determines that an Exceptional Circumstance applies to the Director or Restricted Employee; and
- (b) prior written clearance is granted by the Approving Officer in accordance with this Policy to permit the Director or Restricted Employee to Trade in FLK Securities during the Prohibited Period.

A Director or Restricted Employee seeking clearance to Trade during a Prohibited Period must satisfy the Approving Officer that Exceptional Circumstances exist and that the proposal to Trade in FLK Securities during a Prohibited Period is the only reasonable course

of action available. Directors and Restricted Employees must apply for clearance in accordance with paragraph 3.4 above.

However, even if prior written clearance is given, Directors and Restricted Employees must not Trade in FLK Securities if the person is in possession of any inside information.

- 3.7 In order to seek prior written clearance to Trade during a Prohibited Period due to Exceptional Circumstances, Directors and Restricted Employees must submit a written request to the Approving Officer. The Approving Officer may request such information as considered appropriate in the circumstances.

The Approving Officer's discretion will be exercised with caution. Directors and Restricted Employees should be aware that the Approving Officer may not provide the clearance to Trade, even if Exceptional Circumstances exist.

Directors and Restricted Employees may only engage in the proposed Trading if written clearance is given. Any prior written clearance given for Exceptional Circumstances trading will be valid for 7 days from the date it is given.

- 3.8 Other dealings may occur during a Prohibited Period

Despite section 3.5 above, during a Prohibited Period, Directors and Restricted Employees may Trade in FLK Securities in the circumstances described below, provided that the Director or Restricted Employee is not in possession of any inside information.

Please note that the Policy requirements with respect to prior written clearance and subsequent notification continue to apply to Trading under one of these exceptions. See paragraphs 3.4 and 4.

- (a) **(Transfers into a superannuation fund)** Transfers of FLK Securities already held into a superannuation fund or other saving scheme in which the Director or Restricted Employee is a beneficiary.
- (b) **(Investment in fund etc)** An investment in, or Trading in units of, a fund or other scheme (other than a scheme only investing in FLK Securities) where the assets of the fund or other scheme are invested at the discretion of a third party.
- (c) **(Director or Restricted Employee acting as trustee)** Where the Director or Restricted Employee is a trustee or a director of a corporate trustee, Trading in FLK Securities by that trust provided the Director or Restricted Employee is not a beneficiary of the trust and any decision to Trade during a Prohibited Period is taken by the other trustees or directors or beneficiaries or by the investment managers independently of the Director or Restricted Employee.
- (d) **(Accepting a takeover offer)** Undertakings to accept, or the acceptance of, a takeover offer, or participation in a scheme of arrangement.
- (e) **(Rights issue, security purchase plan, distribution reinvestment plan etc)** Trading under an offer or invitation made to all or most of FLK's security holders, such as a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and

an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board, (This extends to decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue).

- (f) **(Exercise of options or rights)** The exercise (but not the sale of Securities following exercise) of an option or a right under an employee incentive scheme. This exception applies to options and rights granted under an employee incentive scheme before this Policy takes effect.
- (g) **(Exercise of options or rights, or conversion of convertible security)** The exercise (but not the sale of Securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a Prohibited Period and FLK has been in an exceptionally long Prohibited Period or the entity has had a number of consecutive Prohibited Periods and the Director or Restricted Employee could not reasonably have been expected to exercise it at a time when free to do so. This exception applies to options and rights granted under an employee incentive scheme after this Policy takes effect.
- (h) **(Non Discretionary Trading)** Trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this Policy and where:
 - (i) the Restricted Employee did not enter into the plan or amend the plan during a Prohibited Period;
 - (ii) the trading plan does not permit the Restricted Employee to exercise any influence or discretion over how, when, or whether to trade; and
 - (iii) the trading plan may not be cancelled during a Prohibited Period other than in Exceptional Circumstances with the prior written approval of the Approving Officer.

4. NOTIFICATION REQUIREMENTS AFTER TRADE

- 4.1 Directors and Restricted Employees must provide the Company Secretary with subsequent written notification of all Trading in FLK Securities within two business days, regardless of whether prior written clearance has been given for that Trading. It is acknowledged that an e-mail is an acceptable form of written notification
- 4.2 Directors must provide sufficient details of all Trading to enable FLK to file a notice in accordance with the ASX Listing Rules within 5 business days of the Trade. FLK will also be obliged to notify ASX whether the Trading by a Director occurred during a Prohibited Period where prior written clearance was required and, if so, whether prior written clearance was provided.

5. HEDGING

- 5.1 Directors and Restricted Employees must not use, or allow to be used, any Derivatives or other products which operate to limit the economic risk of unvested FLK Securities.
- 5.2 Directors and Restricted Employees must not enter into any schemes of arrangements that protect the value of FLK Securities (hedging). Any Directors and Restricted Employees found in breach of this prohibition will forfeit the relevant FLK Securities.

6. MARGIN LOANS

- 6.1 No Director or Restricted Employee may enter into a margin loan or similar funding arrangement to acquire any FLK Securities, or grant lenders any rights over their FLK Securities.

7. BREACH POLICY

- 7.1 A breach of this Policy by any Director or Restricted Employee is serious and may lead to disciplinary action, including dismissal in serious cases. It may also be a breach of the law.

8. PENALTIES

- 8.1 A person who Trades in Securities while they possess inside information or communicates that information in the circumstances described in paragraph (c) below may be liable for both significant civil and criminal penalties.
- 8.2 Maximum penalties under the Corporations Act for a breach of the insider trading provisions found in Division 3 of Part 7.10 of that Act are:
 - (a) \$220,000 or imprisonment for 5 years, or both;
 - (b) \$1,100,000 in the case of a company, and
 - (c) unlimited civil liability.

9. WHAT IS INSIDER TRADING AND INSIDER INFORMATION?

9.1 Conduct prohibited by law

Under the Corporations Act, if a person possesses "inside information" in relation to Securities of FLK or any other company, the person must not:

- (a) Deal in those Securities; or
- (b) Procure another person to Deal in those Securities; or
- (c) directly or indirectly communicate the information, or cause the information to be communicated, to another person if the person knows, or ought reasonably to know, that the other person would, or would be likely to, Deal in those Securities in any way or Procure a third person to Deal in those Securities.

Importantly, given the broad definition of "Procure", a person who Deals in Securities through a trust or company while in possession of inside information may contravene the insider trading prohibitions and this Policy.

9.2 When a person possesses inside information

A person possesses inside information in relation to Securities of FLK or another company where:

- (a) the person possesses information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of the Securities; and
- (b) the person knows, or ought reasonably to know, that the information is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the Securities.

Directors and employees must assume that information is generally available only if it has been announced to ASX.

A reasonable person would be taken to expect information to have a material effect on the price or value of Securities if the information would, or would be likely to, influence persons who commonly acquire Securities in deciding whether or not to acquire or dispose of the Securities.

9.3 A person does not need to be an "insider"

A person can possess inside information in respect of a company, even if they are not associated in any way with that company. It is irrelevant how the inside information was obtained.

10. DISTRIBUTION POLICY

10.1 This policy must be distributed to all Directors and employees.

11. ASSISTANCE AND ADDITIONAL INFORMATION

11.1 Any Directors or Restricted Employees who are unsure about any information they may have in their possession, and whether they can use that information for dealing in units or Securities of an ASX listed entity, should contact the Company Secretary or Compliance Officer.

12. REVIEW

12.1 Directors and employees will be required to confirm half yearly that they have read and abided by this Policy.

12.2 A review of this Policy will be undertaken annually by the Compliance Officer and Company Secretary.

Folkestone

ANNEXURE A - "NOTICE OF INTENTION TO TRANSACT" FORM

Your Name:

Your Position:

Please provide details of any benefits that you will receive as a result of buying or selling the securities (other than normal investment benefits such as income distributions and increases in market value).

Please Tick:

Approval is Given for 3 business days to:

Buy

Sell

Name of Unit or Security to be Traded:

After (date): Until (date):

This approval ceases if any Inside Information comes to the attention of the person who has been given approval to deal, during the period of the approval. If that occurs, the Company Secretary must be advised immediately.

If you have any doubt about whether you have Inside Information or not, then you MUST NOT transact.

Your Signature: _____ **Date** _____

Approving Officer*: _____ **Date** _____

***Approving Officer** means:

- a) for a any employee or director (except the Chairman of the Board), the Chairman of the Board; and
- b) for the Chairman of the Board, the Chairman of the Audit and Risk Management Committee.

Once approved, a copy is to be provided to Compliance Officer.