

# Distribution Policy

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Folkestone Funds Management

Adopted by the Board of Folkestone Funds Management Limited on 18 May 2015.  
Adopted by the Board of Folkestone Investment Management Limited on 18 May 2015.  
Adopted by the Board of Folkestone Real Estate Management Limited on 18 May 2015.  
Adopted by the Board of Folkestone Maxim Asset Management Limited on 18 May 2015



Folkestone

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**CONTROL INFORMATION**

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<b>File Location</b>	CompliSpace
<b>Next Review Date</b>	March 2015

Version	Review Date	Changes Made	Reviewer	Approver	Communication Date
2	24/03/15	Minor Drafting amendments	Scott Martin	Board	18 May 2015

## **DISTRIBUTION POLICY**

### **1. BACKGROUND AND OVERVIEW**

- 1.1 This Policy applies to Folkestone Limited's four AFSL entities, Folkestone Funds Management Limited ("FFML") AFSL 340990, Folkestone Investment Management Limited ("FIML") AFSL 281544, Folkestone Real Estate Management Limited ("FREML") AFSL 238506 and Folkestone Maxim Asset Management Limited ("Maxim") AFSL 238349 collectively ("FFM"). This policy is a joint policy and has been adopted by FFML, FIML, FREML and Maxim.
- 1.2 The FFM Distribution Policy ("Policy") has been designed to provide clear guidelines and procedures to be followed by FFM for income distributions made by trusts, funds or schemes (funds) managed by FFM.

### **2. DEFINITION OF DISTRIBUTION**

- 2.1 A distribution is a payment of a fund's income to unitholders. Distributions paid by a fund may comprise a blend of:
  - a) the rental income stream from the property portfolio;
  - b) distributions from indirect property investments and REIT securities, which may themselves be a mix of income, capital gains and tax credits;
  - c) interest income on any cash deposits or mortgage investments; and/or
  - d) if applicable, a return of capital.
- 2.2 A fund will typically distribute 100% of its net income in accordance with appropriate accounting standards and laws.
- 2.3 The distribution for a fund should be calculated in accordance with the Income Tax Assessment Act ("ITAA") and ATO guidelines and should be continuously updated to represent the current laws and regulations.

### **3. DISTRIBUTION GUIDANCE**

- 3.1 Where FFM provides a forecast of distributions for a particular fund in a PDS or other document (distribution guidance), a detailed review of the fund Constitution, together with an analysis of the income and taxable income projections will be required before the distribution guidance for a financial year can be determined by the fund.

Where applicable:

- a) the distribution guidance needs to be closely monitored throughout the year having regard to any change in economic or financial conditions; and
  - b) tax sign off is required before the distribution guidance in the PDS can be finalised.
- 3.2 Any distribution guidance provided to unitholders and/or the market, needs to be signed off by the respective AFS Licensee Board.

#### **4. DEFINITION OF INCOME OF THE FUND**

4.1 The income of the fund for each financial year will be determined in accordance with applicable terms of the Constitution of the fund.

##### 4.2 Distributable Income

- a) The distributable income of the fund for a financial year is usually defined in the fund's Constitution. It will typically be determined by reference to amounts that may be defined in the Constitution such as 'net income, 'net taxable income' and 'net accounting income' of the fund.
- b) Reference should be made to the definition in the fund Constitution, applicable accounting standards and regulations to ensure that the distributable income of the fund is distributed to unitholders in accordance with the Constitution rules.
- c) External consultation should be sought wherever clarification is required as to the definition and determination of distributable income under the relevant fund Constitution.

##### 4.3 Distribution to Unitholders

Subject to requirements of individual fund's Constitutions, as soon as practical after each income distribution date FFM will distribute all of the distributable income for that period to the unitholders on the register of unitholders immediately before the income distribution date.

Where any income of the fund carries a withholding taxation credit, imputation credit or rebate or foreign taxation credit or any similar credit or rebate, the benefit of those credits or rebates will be for the account of the unitholders in proportion to their respective unit holdings.

##### 4.4 Special distributions

Special distributions (from an increase in value of a Fund's asset(s) and subsequent sale) may be made by a Fund subject to the strategy and constitutional requirements of the Fund.

#### 4.5 Frequency of distributions

Distributions are paid at certain times during the year (annually, semi-annually, quarterly, monthly), as prescribed by the relevant funds source documents, usually the fund constitution, PDS or Information Memorandum.

### 5. ADMINISTRATIVE PROCESSES TO BE FOLLOWED IN RESPECT OF THE DISTRIBUTION PROCESS AND NOTICES

- 5.1 Boardroom Pty Limited (“Boardroom”) has been appointed to provide registry services, to the trusts, funds and schemes managed by FFM, with the exception of the Tivoli Development Fund, the Folkestone Maxim A-REIT Securities Fund and the Folkestone Maxim Income Fund.
- 5.2 Based on the distribution amount provided by FFM & signed off by the RE Board of the respective fund, Boardroom will calculate distributions on behalf of each fund, but this must be reviewed and signed off by FFM.
- 5.3 All distribution calculations, investor documentation (statements, letters, etc.) and bank instructions are to be signed off by the Fund Manager and the CFO or Compliance Officer.

### 6. ANNUAL TAX STATEMENTS

Subject to the requirements of the individual fund’s constitution, as soon as practical after the end of the financial year, FFM will send to unitholders an annual tax statement.

The annual tax statement needs to be signed off by the fund’s tax advisors.

### 7. DISCLOSURE GUIDELINES

- 7.1 If a fund is making or forecasts making distributions to members, FFM should disclose:
  - a) the source of the current distribution (eg from cash available for distribution, capital, unrealised revaluation gains);
  - b) the source of any forecast distribution;
  - c) whether the current or forecast distributions are sustainable over the next 12 months;
  - d) if the current or forecast distributions is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources;

- e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and
- f) the impact of, and any risks associated with, the payment of distributions from the fund from sources other than cash from operations (excluding borrowings) available for distribution.

## 8. DEVELOPMENT FUNDS

8.1 Guidance for the applicable procedures for development funds is as follow:

- a) FFM must determine the distribution it wishes to pay in respect of the financial year;
- b) distributions are at FFM's discretion (subject to external tax sign off and FFM Board approval for the respective development funds) and determined based on matters including:
  - i. the timing of settlements;
  - ii. future funding requirements;
  - iii. the availability of debt funding; and
  - iv. franking credits and timing of payments.
- c) the timing of distribution should maximise the unitholders IRR while leaving the fund in a position to be able to fund future projects and stages;
- d) franking rules dictate that the franking account must be in credit as at 30 June;
- e) distribution statements will be required to be prepared in accordance with the ITAA; and
- f) before a decision is made to pay a distribution, external tax sign off should be obtained particularly as to whether the fund is a public trading trust or another entity such as a company structure as this will impact the type and timing of distributions.

## 9. REVIEW

9.1 A review of this Policy will be undertaken annually by the Compliance Officer.

9.3 FFM may change this policy from time to time.