

ASX Code: KME

CODE OF PRACTICE BUYING AND SELLING SECURITIES

1.1 INTRODUCTION

The freedom of directors and certain employees of KIP MCGRATH EDUCATION CENTRES LIMITED ('KMEC') to deal in KMEC securities is restricted in a number of ways – by statute, by common law and by the requirements of the Listing Rules of the ASX. The purpose of this Code of Practice is to ensure that directors, certain employees and persons associated with them (within the meaning of that term in the Corporations Act 2001 (Cth)) do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have, especially in periods leading up to the announcement of results. Company directors, like other individuals, are prohibited from insider trading by the Corporations Act 2001 (Cth). Under that Law, it is a civil and criminal offence for an individual who has information as an insider to deal in securities whose price would be significantly affected if the information were made public. It is also an offence to encourage insider dealing and to disclose inside information with a view to others profiting from that information.

This Code sets out the policy and procedures relating to the dealing by any of the directors and senior management employees of the KMEC Group of Companies ('**Directors**') in the securities (shares, preference shares and options) of KMEC ('**Securities**'). The policy and procedures have been developed having regard to Australian law and best corporate governance practice. The purpose of the Code is to provide Directors and Officers with strict guidelines to be complied with in any proposed dealing in KMEC securities. Dealing includes subscriptions, redemptions, purchases, sales and any agreement to affect the same.

1.2 SUMMARY OF THE LAW

The Corporations Act 2001 (Cth) (Division 2A of Part 7.11) prohibits a person who is in possession of price sensitive information that is not generally available from:

- ◆ dealing (i.e. buying or selling) in securities (such as KMEC) or entering an agreement to deal in securities;

- ◆ procuring another person to deal in the securities or enter an agreement to deal in the securities ; or
- ◆ communicating the information to another person, or causing the information to be communicated to them, if they know (or ought reasonably to know) that that person is likely to deal in the securities or procure a third party to deal in the securities.

Information is price-sensitive if a reasonable person would expect it to have a material effect on either the price or value of the securities.

The prohibition directly affects Directors or Officers dealing in KMEC securities, either for personal gain or for the gain of any other person. However, a person does not need to be a director or employee of the KMEC Group of Companies to be guilty of insider trading in relation to KMEC securities. It also affects all companies of which they are directors; dealings by directors and employees through nominees, agents or other associates, (such as family members, family trusts and family companies) and any other person who is encouraged to deal in KMEC securities by a Director or Officer.

Penalties for breach of the prohibition include:

- ◆ in the case of a natural person, a penalty up to \$20,000 or imprisonment for 5 years or both;
- ◆ in the case of a body corporate, a penalty up to \$1,000,000; and
- ◆ for both a natural person and a body corporate, unlimited civil liability.

The prohibition does not apply to subscriptions for shares by directors or employees made under an employee share scheme, shares issued under a dividend reinvestment plan or any new issues in which all shareholders are entitled to participate.

1.3 POLICY

It is the policy of the KMEC that no Director or officer may deal in KMEC securities unless the procedures set out below have been strictly complied with.

1.4 DEFINITIONS

In this policy the following definitions, in addition to those contained in the Listing Rules, apply unless the context otherwise requires:

‘KMEC’ means **KIP MCGRATH EDUCATION CENTRES LIMITED (ABN 73 003 415 889)**.

‘closed period’ means any of the periods when a Director or Officer is prohibited from dealing as specified in section 1.6 of this Policy.

‘dealing’ includes any sale or purchase of, or agreement to sell or purchase, any securities and the grant, acceptance, acquisition, disposal, exercise or

discharge of an option (whether for the call, or put, or both) or other right or obligation, present or future, conditional or unconditional, to acquire or dispose of securities or any interest in securities.

'Director' means a director of KMEC or a subsidiary or related entity of KMEC.

'Officer' means an officer of KMEC or a subsidiary or related entity of KMEC.

'prohibited period' means any period to which section 1.6 of this policy applies.

'relevant employee' means any employee of KMEC or director or employee of a subsidiary or contractor undertaking who, because of his office or employment in KMEC or a subsidiary undertaking is likely to be in possession of unpublished price-sensitive information in relation to KMEC or a subsidiary undertaking.

'securities' means any securities issued by KMEC, including shares, preference shares and options.

'unpublished price sensitive information' means information which:

- ◆ relates to particular securities or to a particular issuer or to particular issuers of securities and not to securities generally or issuers of securities generally (and, for these purposes, information shall be treated as relating to an issuer of securities which is a company, not only where it is about the Company, but also where it may effect the Company's business prospects);
- ◆ is specific or precise;
- ◆ has not been made public; and
- ◆ if it were made public would be likely to have a significant effect on the price or value of any securities,

and it should be assumed, without prejudice to the generality of the above, that any information regarding transactions required to be notified to the Company Announcements Office of ASX in accordance with Listing Rules is price-sensitive.

1.5 DEALING

A Director or Officer must not deal in any securities of KMEC at any time when he/she is in possession of unpublished price-sensitive information in relation to KMEC or those securities, or otherwise where clearance to deal is not given under section 1.7 of this Policy.

In addition, and subject to the following clauses, it is not permissible for directors or employees to engage in frequent buying or selling of KMEC shares trying to take advantage of short-term fluctuations in share price.

1.6 DEALING IN CLOSED PERIODS

Subject to section 1.11, Under the Code, directors and senior executive employees are prohibited from dealing in the company's shares when in possession of unpublished price sensitive information regarding the company or during "closed periods". A closed period is the period from the full-year or half-year reporting date to the announcement date of the full-year or half-year results, and other periods declared by the Chairman.

Only in exceptional circumstances may the Chairman provide clearance for the director to deal in the Company's securities during a closed period.

1.7 CLEARANCE TO DEAL

A director must not deal in any securities of KMEC without advising the Chairman in advance and receiving clearance. In his own case, the Chairman must advise and receive clearance from the Chief Executive Officer. An Officer must not deal in any securities of KMEC without advising the Company Secretary in advance and receiving clearance. In his own case, the Company Secretary must advise and receive clearance from the Chairman. The notification and clearance procedures apply at all times, and are to be complied with for all parcels of securities proposed to be bought or sold or otherwise subject of a dealing.

It is important to note that any such clearance does not absolve the person proposing to deal of their obligation to comply with the law. It is a means of giving greater comfort; it is not a sanction.

1.8 CIRCUMSTANCES FOR REFUSAL

A Director must not be given clearance to deal in any securities of KMEC during a prohibited period. A 'prohibited period' means:

- ◆ any closed period;
- ◆ any period when there exists any matter which constitutes unpublished price-sensitive information in relation to KMEC securities (whether or not the Director has knowledge of such matter); or
- ◆ any period when the person responsible for the clearance otherwise has reason to believe that the proposed dealing is in breach of this Policy.

1.9 CLEARANCE RECORDS

A written record must be maintained by KMEC of the receipt of any advice received from a Director or Officer pursuant to section 1.7 of this Policy and of any clearance given. If requested by the person concerned, written confirmation from KMEC that such advice and clearance (if any) have been recorded must be given.

1.10 DEALING IN EXCEPTIONAL CIRCUMSTANCES

In exceptional circumstances clearance may be given for a Director to sell (but not to purchase) securities when he/she would otherwise be prohibited from doing so only because the proposed sale would fall within a closed period. Clearance may not, however, be given if the Chairman or designated Director is aware of any other reason why the Director would be prohibited from dealing by this Policy. An example of the type of circumstance which may be considered exceptional for these purposes would be a pressing financial commitment on the part of the Director that cannot otherwise be satisfied. The determination of whether circumstances are exceptional for this purpose must be made by the person responsible for the clearance.

1.11 DIRECTOR ACTING AS TRUSTEE

Where a Director is a sole trustee (other than a bare trustee), the provisions of this policy will apply as if he/she were dealing on his/her own account. Where a Director is a co-trustee (other than a bare trustee), he/she must advise his/her co-trustees that he/she is a Director of KMEC. If he/she is not a beneficiary, a dealing in KMEC securities undertaken by that trust will not be regarded as a dealing by the Director for the purposes of this Policy where the decision to deal is taken by other trustees acting independently of the Director or by investment managers on behalf of the trustees. The other trustees will be assumed to have acted independently of the Director for this purpose where they:

- ◆ have taken the decision to deal by a majority without consultation with, or other involvement of, the Director concerned; or
- ◆ if they have delegated the decision making to a committee of which the Director is not a member.

1.12 LIST OF DEALINGS

A list of dealings in the securities of KMEC since the date of the previous list should be advised to the board on a monthly basis at each board meeting where such dealings are:

- ◆ by or on behalf of a Director;
- ◆ by connected persons of a Director; or
- ◆ by investment managers on behalf of either a Director or an associate of a Director.

1.13 EXERCISE OF EMPLOYEE RIGHTS OR OPTIONS

The Chairman or other designated Director may allow the exercise of an option or right under an employees' share scheme, or the conversion of a convertible security, where the final date for the exercise of such option or right, or conversion of such security, falls during any prohibited period and the Director could not reasonably have been expected to exercise it at an earlier time when he/she was free to deal.

1.14 SALE OF RESULTING SHARES

Where an exercise or conversion is permitted pursuant to section 1.14 of this Policy, the Chairman or other designated Director may not, however, give clearance for the sale of securities acquired pursuant to such exercise or conversion.

1.15 GUIDANCE ON OTHER DEALINGS

For the avoidance of doubt, the following constitute dealings for the purposes of this Policy and are consequently subject to the provisions of this Policy:

- ◆ arrangements which involve a sale of securities with the intention of repurchasing an equal number of such securities soon afterwards;
- ◆ dealings between directors and/or relevant employees of KMEC;
- ◆ off market dealings; and
- ◆ transfers for no consideration by a director.

1.16 EXEMPT DEALINGS

For the avoidance of doubt, and notwithstanding the definition of a dealing contained in definition section of this Policy, the following dealings are not subject to the provisions of this Policy:

- ◆ undertakings or elections to take up entitlements under a rights issue or other (including an offer of securities in lieu of cash dividend);
- ◆ the take up of entitlements under a rights issue or other offer (including an offer of securities in lieu of a cash dividend);
- ◆ allowing entitlements to lapse under a rights issue or other offer (including an offer of shares in lieu of cash dividend);
- ◆ the sale of sufficient entitlements nil-paid to allow take up of the balance of the entitlements under a rights issue;
- ◆ undertakings to accept, or the acceptance of, a take-over offer; and
- ◆ a dealing by a Director with a related/associated person whose interest in the securities is to be treated by virtue of the Corporations Act as the Director's interest.

1.17 HEDGING IS PROHIBITED

Directors and relevant employees must not at any time:

- ◆ enter into transactions or arrangements in financial products which could have the effect of limiting the economic risk associated with holding securities of KMEC (whether received under an equity-based

remuneration scheme or otherwise and whether vested or unvested);
or

- ◆ deal in financial products over or in respect of securities of KMEC, except for the type of dealing permitted by law or under this policy.

1.17 RELEVANT EMPLOYEES

Relevant employees must comply with the terms of this Policy as though they were Directors. Any employees who are considering the purchase or sale of KMEC securities should advise the Company Secretary of their intention if they are in any way uncertain as to whether the timing of their intention to purchase or sell securities is appropriate.

1.18 ASX NOTIFICATION BY DIRECTORS

The Corporations Act 2001 (Cth) obliges any Director dealing in KMEC securities to notify the ASX within five days after that dealing. Directors may either notify the ASX directly of any dealings, or alternatively notify the Company Secretary in writing who will lodge the necessary notification with the ASX. If Directors elect to lodge the notification directly to the ASX, a copy is to be provided to the Company Secretary. The Company Secretary must circulate any notification received to other Directors at the next board meeting.