

Product Disclosure Statement

Product Issuer: HiFX Limited ("HiFX")

ARBN 106 779 953

Australian Financial Services Licence No. 240914

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This Product Disclosure Statement (PDS) was prepared by: HiFX Limited (HiFX) ARBN 106 779 953 Australian Financial Services Licence No. 240914 on 10 March 2006.

The information and any general advice in this Product Disclosure Statement (PDS) do not take into account your personal objectives, financial situation and needs. Before trading in HiFX Limited (HiFX) products referred to in this PDS you should read this PDS and be satisfied that any trading you undertake in relation to those products is appropriate in view of your objectives, financial situation and needs.

We recommend that you consult your financial adviser or obtain other independent advice before trading in HiFX products.

This PDS is to be used by Australian Clients of HiFX only.

Purpose of this PDS

The Purpose of this PDS is to provide you with sufficient information to make informed decisions in relation to the acquisition of HiFX's financial products, including the ability to compare a range of products, i.e. this PDS:

- a. aims to provide you with enough information to help you decide whether the product is appropriate and will meet your needs;
- b. explains the rights, terms, conditions and obligations attached to that product; and
- c. helps you to compare the product with others.

The PDS is an important document and we recommend you contact us should you have any questions arising from the PDS prior to entering into any transactions with HiFX.

Given that foreign exchange is a complex area of the financial markets we have provided a glossary at the end of this document to assist your greater understanding. When we use the terms 'we', 'us' or 'our' in this PDS the reference is to HiFX the issuer of the foreign exchange products. When we use the term "you" we mean you as the user of HiFX products. When we refer to "client" we mean you or another user of HiFX products as applicable.

If you have any questions in relation to this PDS, please do not hesitate to contact us through the contact details given on page 11 or on our toll free number **+61 (0) 2 8270 4500**.

About HiFX

HiFX is a company incorporated in New Zealand which is 85% owned by its UK parent company HiFX Plc, which was established in 1997, with the remaining 15% owned by management and staff. The parent company also provides foreign exchange dealing, advisory and market making services to clients buying or selling foreign currency for Commercial Purposes. HiFX was established in March 2001 and operates out of Auckland, New Zealand.

HiFX provides foreign exchange dealing, advisory and market making services directly to Australian clients and also via its Australian subsidiary HiFX Australia Pty Ltd ("HiFX Australia").

HiFX Australia Pty Ltd is primarily a sales and marketing office but also accepts instructions from clients which are passed on to HiFX for execution. Accordingly, HiFX Australia acts as an intermediary and "arranges" for clients to enter into HiFX foreign exchange products. Both HiFX and HiFX Australia are licensed by the Australian Securities and Investments Commission (ASIC) and each holds an Australian Financial Services Licence (AFS Licence).

Product Issuer's Details

HiFX is authorised by its AFS Licence to provide the following financial service:

- provide financial product advice;
- deal in a financial product; and
- make a market in a financial product.

HiFX provides financial service in the following financial products:

- deposit and payment products limited to basic deposit products;
- foreign exchange spot contracts;
- derivatives – foreign exchange forward contracts and Options; and
- interests in managed investment schemes excluding investor directed portfolio services.

What products does this PDS cover?

This is a PDS for foreign exchange products (currency) in same day, spot, forward and Option contracts provided by HiFX. Foreign exchange contracts are used to buy or sell one currency in exchange for another currency. These are over the counter ("OTC") products.

Our foreign exchange products include:

Same Day Contracts:

This means a foreign exchange contract where settlement will take place by the end of the working day.

Spot Contracts:

This means a foreign exchange contract where the Value Date (or settlement date) is two working days after the date of entering the transaction.

Forward Contracts:

This means a foreign exchange contract where the Value Date (or settlement date) is later than two working days after the date of entering the transaction. (Under the Corporations Act 2001, (Commonwealth of Australia) these products are also classified as 'derivatives'.)

All of these products can be traded in conjunction with orders (limit and stop loss orders) which are designed to either optimise your exposure to the market or limit your loss by instructing that trades be executed at pre-determined price levels. The operation of these order types should be discussed with your HiFX Representative. When trading HiFX products you should be aware of the risks and benefits (as set out on page 8 and 9).

Options

HiFX offers foreign exchange Option contracts to both its corporate clients (known as "Vanilla" Options) and to its private clients (known as "Exchange Rate Guarantee"). Even though the Terms and Conditions of these products are worded differently, both of these products are Option contracts and are described as such henceforth in this document. Option contracts give you, (the buyer or holder of the contract) the right, but not the obligation, to buy or sell a specified amount of currency at a predetermined exchange rate on a predetermined date in the future.

Introduction to foreign exchange products

A foreign exchange contract is an agreement between two parties to exchange one currency for another currency at an agreed exchange rate on a predetermined date (being the 'Value Date'), where the date may range from either the same day or be a forward date.

The rate of exchange is the price of one currency (the base currency) in terms of another (the terms currency), such as the price of the Australian dollar in terms of the US dollar. For example the exchange rate AUD/USD 0.75 means one Australian dollar is equal to, or can be exchanged for, 75 US cents.

Foreign exchange products are available in most currencies.

Purpose of HiFX foreign exchange products

The HiFX products (other than Option contracts) are contracts to buy and sell currency for physical delivery only. This means that you are buying or selling currency for a specific purchase or sale and not for speculative purposes.

HiFX specialises in providing foreign currency dealing services to both corporate and individual clients who need to buy or sell foreign currencies for a Commercial Purpose or take physical delivery of the currency purchased i.e. as part of their day-to-day business activities, thereby needing to settle foreign invoices (payments) and convert foreign receipts.

Foreign exchange is essentially about exchanging one currency for another. Companies that are dependent on overseas trade are exposed to currency risk.

Currency risk is the risk that arises from international business which may be adversely affected by fluctuations in exchange rates. HiFX offers its clients the facility to buy or sell foreign currency at market prices using 'same day' and 'spot' contracts and pre-determined prices using 'forward' contracts.

This facility enables clients to protect themselves against adverse currency swings.

How is the foreign exchange rate calculated?

HiFX Representatives cannot predict future exchange rates and our rate quotations are not a forecast of or other advice on where we believe foreign exchange rates will be at a future date. We calculate foreign exchange rates taking into consideration the current spot "inter bank" exchange rates and the amount of currency that you wish to buy or sell. The decision to transact at a particular rate will always be your decision.

Margin Obligations

Forward foreign exchange contracts will be subject to margin obligations. Initial Margin means the initial deposit (an up front payment) of funds required by HiFX to cover the risk to HiFX and as security for the client's obligations. Furthermore, Additional Margin may be payable in the event of adverse market movements.

Positions are monitored by HiFX on a Mark to Market basis to account for any market movements. If the value of the position moves against you then you may be required to "top up" the Initial Margin and, if so, you will be subject to a Margin Call i.e. to pay Additional Margin.

Initial Margin obligations will be as follows:

- In the case of forward contracts with a Value Date greater than 2 days and less than 6 months from the transaction date, the Initial Margin immediately payable is between 5% - 10 % of the face value of the contract.
- In the case of forward contracts with a Value Date of more than 6 months from the transaction date, the margin immediately payable is 10% of the face value of the contract.

You must be in a position to fund such requirements at all times or your position may be closed out with you being responsible for any loss arising from that, after application of any other margin deposited.

Costs of foreign exchange transactions

HiFX does not charge fees or commissions for you to enter into foreign exchange contracts and/or Option contracts.

HiFX earns its revenue from the spread between the wholesale price achieved by HiFX and your Trade price. The spread varies in accordance with the size of the transaction and the type of product i.e. upon you agreeing an exchange rate and confirming the amount of currency you require to sell or buy the total amount payable by you to HiFX will be based upon the agreed exchange rate. That is to say that the sold currency amount is determined by the exchange rate that we agree with you and the required amount of the purchased currency. The same applies for Option contracts with the Premium determined on a transaction by transaction basis.

As outlined, where you enter a forward foreign exchange contract you will be required to pay Initial Margin and may be required to pay Additional Margin in the event of adverse market movements. Such payments are not costs but are funds required by HiFX to cover the risk to HiFX and as security for the client's obligations.

The margin amounts are payable into the HiFX client trust account and are held, used and withdrawn in accordance with the requirements of the Corporations Act 2001, (Commonwealth of Australia) and our Terms and Conditions. Interest is payable on the funds held but the level of interest will be dependent on the amount and on the duration of time the funds are held. It is not a mandatory requirement for HiFX to pay interest on these funds and if it does not, HiFX will be entitled to the interest earned on the funds.

You will be required to pay, not later than one working day prior to the Value Date, in cleared funds, the balance of the sold currency into the HiFX client trust account nominated by HiFX.

The purchase price (amount paid) of the Option contract (Vanilla and/or Exchange Rate Guarantee) is called a Premium. Any loss is limited to the amount of the Premium paid. This amount is non-refundable and is determined based upon the Strike or Exercise Price (for private clients this is referred to as the guaranteed rate of exchange), the amount of the currency you require and the length of time to the Expiration Date of the Option.

No charge is levied by HiFX for single electronic transfers. An additional fee of between AUD \$10 to \$15 per transaction is levied by HiFX for multiple transfers. Recipient banks may also charge transactional costs for receipt of funds which are outside the control of HiFX.

HiFX uses its own funds to secure funding arrangements with its counter parties. If you are a corporate Client, HiFX may however, from time to time, pledge or withdraw funds deposited by you (the corporate Client) in order to secure further HiFX funding arrangements (as a result of Client transactions) with counter parties in the wholesale or other markets to enable HiFX to provide forward exchange facilities. You have no interest in or claim over the funds HiFX lodges with its counter parties that have been withdrawn from the client trust account to secure funding arrangements, nor in any contracts held with those counter parties.

An individual client balance may not be protected if there is a default in the dealings with HiFX's counter parties (HiFX's counter parties are all major financial institutions) or default by another client. To mitigate the risk of a client defaulting HiFX requires clients to lodge collateral as security for all forward exchange contracts and to provide additional margin (funds) in the event the position moves against the client. (refer to page 4)

Financial obligations

Any outstanding balance of the sold currency must be paid to the account nominated by HiFX not later than one working day before the Value Date (or settlement time) of the particular forward contract, or in the case of same day Trades, the time stipulated by HiFX.

With respect to Option contracts, the Premium must be paid, to the account nominated by HiFX, not later than one working day from the date the Option contract was purchased.

An Option contract involves the payment of a Premium from the buyer of the Option (i.e. you) to the seller of the Option (i.e. HiFX). Accordingly, In return for HiFX selling you an Option contract, you will be required to pay HiFX a non-refundable amount, which is the Premium. The seller of the Option (i.e. HiFX) determines the Premium. The Premium is usually payable one business day after the buyer and the seller enter into the Option contract.

HiFX calculates the Premium on a transaction-by-transaction basis and will advise you of the Premium to be paid for the Option before you enter into the transaction. HiFX will also confirm the amount of the Premium on a contract note which will be sent to you following your oral agreement to execute the transaction.

When calculating any Premium, HiFX takes into account several factors including:

- the amount, the term and the Strike Rate
- current market foreign exchange spot rates and the interest rates of the countries of the currencies involved
- market volatility

Introduction to Currency Options / Exchange Rate Guarantee

As stated above, HiFX offers foreign exchange Option contracts. Forward foreign exchange contracts commit the buyer (or seller) to buy (or sell) one currency against another, at a predetermined rate (that is set on transaction date), for settlement at some time in the future.

Option contracts do not commit the buyer and you have the right to buy or sell the currency at the agreed rate i.e. you are not obligated to do so. HiFX can sell you a currency Option in all the major currencies and will issue you with a contract note summarising your transaction.

Call and Put Options

Call Options give the buyer the right to BUY a specific amount of a particular currency at a designated price (known as the Strike or Exercise Price) at a special date in the future (known as the Expiration Date or settlement date).

Put Options give the buyer the right to SELL a specific amount of a particular currency at a designated price (i.e. the Strike or Exercise Price) at a specific date in the future.

When the currency Option (Exchange Rate Guarantee) reaches its Expiration Date (settlement date), you can then decide whether you wish to take up your rights on that Option you purchased. This is done by comparing the actual current market rate (currency price) on that day to the Strike or Exercise Price of the Option (for private clients this is referred to as the guaranteed rate of exchange) you acquired.

Should you decide to exercise your rights, then HiFX will enter into a foreign exchange transaction with you, the details as to price and the amount of the currency will be the same as the Option contract. Settlement of the foreign exchange transaction will be the same as detailed above in this PDS. If however you do not take up your right to exercise the Option (Exchange Rate Guarantee) then the Option will expire worthless.

Option contracts (such as the Exchange Rate Guarantee) cannot be "closed out" by entering into an equal and opposite transaction with HiFX. An Option contract terminates on the agreed Expiration Date.

Examples

The examples below are for demonstration purposes only. They do not reflect current market prices. They have been selected to demonstrate how Option contracts (Puts and Calls) work. When trading in currency pairs you are always simultaneously buying/selling or selling/buying the two currencies. Therefore, currency Options are simultaneously put/call Options or vice versa.

In order to assess the merits of any particular Option contract, you should use the actual rates and figures quoted to you at the time you make an enquiry and/or place an order with us.

If you decide to enter into an Option contract with us, you will need to tell us the amount, Strike Rate and the Expiration Date.

Buying a Call Option – Example

Let's assume that you are migrating to Australia from the UK in 90 days' time and are concerned that the GBP will depreciate against the AUD since you need A\$100,000 to purchase a property in Australia to live in. You could purchase an Option, ensuring that you'll be able to buy (call) AUD100,000 and sell (put) UK Pound Sterling (GBP), in 90 days' time, at a certain pre-defined rate that you determine (Strike Price), say 2.37 AUD per GBP. The Premium for that Option is, say, A\$1600.

You have bought a Call Option and have the right to lock-in an exchange rate of 2.37 in 90 days from today.

This right comes at a cost to you, being the A\$1,600 Premium you have paid. The Option ends at the end of the 90 day period i.e. at the Expiration Date

The various scenarios on maturity:

(a) Assuming the spot rate is 2.27. You would exercise the Option and exchange GBP for AUD at 2.37 A\$100,000 / 2.37 = £42,194

(b) Assuming the spot rate is 2.50 (actually, any rate higher than your strike of 2.37) then you let the Option lapse, writing off the Premium you paid of A\$1,600. and transact at the prevailing market rate of 2.50 (instead of 2.37) A\$100,000 / 2.50 = £40,000

Buying a Put Option – Example

You are an importer wanting to hedge USD against AUD for a three month delivery date

- Buy AUD150,000 Put / USD Call
- Strike price 0.7450
- Expiration 3 months
- Premium A\$2,500
- Spot reference 0.7480

In this example, you hold a AUD put / USD call Option – or simply a AUD/ USD put. This gives you the right to sell AUD (Put) and buy USD (Call) at the price of 0.7450. For this right, you are paying a Premium of A\$2500.

In this scenario, the market price on the day you purchase the Option is 0.7485. When buying the Option, you are protecting yourself from AUD weakening against the USD and falling under the 0.7450 level in the coming months.

The various scenarios on maturity:

(a) Assuming the spot rate is 0.72 you would exercise the Option and exchange AUD for USD at 0.7450.

A\$150,0000 x 0.7450 = US\$111,750

(b) Assuming the spot rate is 0.76 (actually, any rate higher than your Strike Price of 0.7450) then you let the Option lapse, writing off the Premium you paid of A\$2,500 and transact at the prevailing market rate of 0.76 (instead of 0.7450) A\$150,0000 x 0.76 = US\$114,000

Exchange Rate Guarantee – Example

You plan to migrate to Australia in approximately 3 months, by which time you hope to have sold your home in the UK. You are expecting to obtain GBP 250,000 from the sale. You like the current exchange rate. You decide to take out an Exchange Rate Guarantee contract with HiFX as follows:

- FX Rate Guaranteed GBP/AUD 2.32
- Expiration Date 3 Months
- Amount to be sold £250,000
- Premium Payable £4,300

Three months later you sell your house for £255,000 and the exchange rate is GBP/AUD 2.39. You let the Exchange Rate Guarantee lapse and take advantage of the improved rate, transacting with HiFX at GBP/AUD 2.39.

Exchange Rate Guarantee Contract

$£250,000 \times 2.32 = A\$580,000$

Current Market Rate

$£250,000 \times 2.39 = A\$597,500$

You have gained A\$17,500 against a cost of £4,300

Forward Exchange Contract - Example

An importer needs to pay an offshore supplier located in the United States US\$100,000 in 90 days' time. The manufacturer can either

- wait to buy the USD in 90 days' time at the market rate on the day (and then pay the supplier) or
- lock in the rate now.

Let's assume the current Spot Rate is 0.75 (i.e. 1 AUD = 0.7500 USD) and in 90 days the Spot Rate is 0.70 (i.e. 1 AUD = 0.7000 USD). If the company bought USD today (to pay the supplier) then it would have cost $US\$100,000/0.7500 = A\$133,333$

However, if in fact, the importer bought the USD in 90 days' time then it would cost

$US\$100,000/0.7000 = A\$142,857$

FX Loss = $A\$133,333 - A\$142,857 = -A\$9,524$

To eliminate this risk (or uncertainty) the importer could enter into a forward exchange rate contract with HiFX. In this example, HiFX would guarantee the exchange rate to be charged 90 days from now for the US\$100,000. This guaranteed exchange rate valid for the AUD - USD swap 90 days from now is called the Forward Exchange Rate.

For the purposes of this example let's assume interest rates in the US are lower than the interest rates in Australia.

Current Spot Rate = AUD/USD 0.7500

3 month Forward Margin = -US\$0.0020

(reflecting the interest rate differential between Australia and the US) Forward Exchange Contract rate = $(0.7500 - 0.0020) = US\$0.7480$

Using the same example above, if the importer were to purchase the USD on the day of payment i.e. at the prevailing Spot Rate in 90 days time:

Actual Payables = $US\$100,000/0.7000 = A\$142,857$

Whereas the Actual Payables using the Forward Exchange Contract

Actual Payables = $100,000/0.7480 = A\$133,689$

Gain = $(A\$142,857 - A\$133,689) = A\$9,168$

Terms and Conditions

The HiFX Terms and Conditions govern the trading relationship between HiFX and you. These must be signed before you can trade with us. The Terms and Conditions set out the basis on which future transactions will take place.

However, entering into the Terms and Conditions does not itself constitute a Trade or in any way oblige you or us to enter into future transactions. This is always your decision. Please be advised that we only provide our service to those clients who buy and sell foreign currency for Commercial Purposes. Option contracts can only be purchased to protect against currency risk. HiFX does not permit clients to effect transactions for speculative purposes.

How your orders get executed, terms and conditions of trading and contract confirmations

You must follow the following steps to effect orders with HiFX:-

1. Read this Product Disclosure Statement and the Financial Services Guide provided to you.
2. Read the Terms and Conditions provided to you by HiFX and return the application form together with necessary Identity documents. When the application is received and accepted by HiFX, the Terms and Conditions act as an agreement between us. A copy of the Terms and Conditions is available on our websites at www.hifx.com.au or www.hifx.co.nz.
3. Contact your HiFX Representative to discuss your currency transaction. We endeavour to digitally record telephone conversations at all times to ensure that instructions can be verified in the event of a dispute.
4. If you do not deal with an HiFX Representative directly you can contact a Representative of HiFX Australia who will be able to assist you with market information and pass on the bid and offer quotations made by HiFX and/or your order to HiFX.
5. Based on the quotations received, you will enter into a foreign exchange product with HiFX, either directly or through the HiFX Australia Representative.
6. Once you have instructed HiFX over the phone to buy currency at an agreed rate or buy an Option contract (or Exchange Rate Guarantee), you have entered into a contract i.e. your instruction confirms the contract between HiFX and yourself. The contract note that is sent subsequently is confirmation of the transaction. The contract note gives details of the transaction including the amount of currency bought, the exchange rate and the Value Date or the value of the Premium with respect to an Option contract or margin due if it is a forward contract.
7. You must then provide us details of your onward payment instructions to enable your currency to go direct to its nominated destination using the form attached to the contract note.

Order types:

As discussed on page 3, depending on the trading strategy agreed with HiFX, HiFX provides facilities to allow clients to place stop loss and limit orders to protect or optimise their exposure to the market.

These order types are designed to assist you in managing your exposure and we recommend you speak further with your HiFX Representative about these orders.

Settling foreign exchange products

On the day of the transaction HiFX will advise you of the full amount of the sold currency, for same day or spot contracts, or the required Initial Margin amount, for forward contracts or the amount of the Premium for Option Contracts. This amount should be sent to HiFX's client trust account.

Once your Trade reaches Value Date (settlement date), and HiFX has received your sold currency in cleared funds, HiFX instructs its bank to send the bought currency via international payment systems to your advised bank account.

All transactions are effected electronically and HiFX retains detailed records of all settlement transactions.

In order for same day contracts to effectively settle prior to close of business on the Trade date, the sold currency amount must be received by HiFX within standard banking payment cut of times. If funds are not received by this time settlement will occur on the next working day. In order for spot and forward contracts to effectively settle, the balance of the sold currency amount must be received one working day before the Value Date. Onward payment of the bought currency is sent by HiFX on the receipt of the sold currency.

Pre-deliveries and rollovers

Once entered into, the Value Date (settlement date) of your transaction can only be altered by pre-delivering the currency sold to an earlier date, subject to appropriate adjustment for the interest rate differential, or by rolling over the contract by the closing out of your existing contract and the entering into a new contract.

Close out of foreign exchange products

A foreign exchange transaction can be closed out before and up to the Value Date in the following circumstances:

- (i) as agreed in the Terms and Conditions; or
- (ii) by agreement between you and HiFX.

There is no close out required for Option contracts. An Option expires when the term of the Option contract ends. You may exercise your Option (or "lock in your guarantee") on the Expiration Date only.

Terms and Conditions

Close out events under the Terms and Conditions include a breach of a term or condition by you, your insolvency or bankruptcy or your failure to comply with an obligation to HiFX.

In the event we close out your contract we will terminate the Terms and Conditions between us. We may set off all or any part of any margin paid by you against any amount actually or contingently due and payable by you to HiFX.

In regards to the acquisition of any Option contract, the amount paid for the Option contract (Premium) is not refundable. The Terms and Conditions of the Exchange Rate Guarantee and Vanilla Options are worded differently.

By Agreement with HiFX In addition, in the event that your circumstances change and you no longer require a foreign exchange product for your Commercial Purposes, you may close out a contract (other than an Option contract) before the Value Date by entering into an equal and opposite transaction with HiFX.

In both close out scenarios above, HiFX will calculate the Mark to Market value of the contract using the prevailing market rates. If the contract is in profit, you will receive the profit amount (including any Margin) and a confirmation advising all details.

If the contract at Mark to Market value is not in profit you will be required to pay HiFX the amount of the loss. Your Margin amount will be offset against the amount owing to HiFX and a confirmation will be issued advising all details.

You will be liable for any loss, costs, fees, charges or other expenses, including interest, incurred by HiFX in consequence of the close out, including any unpaid Premium.

Option contracts (such as the Exchange Rate Guarantee) cannot be "closed out" by entering into an equal and opposite transaction with HiFX. The Option contract will terminate on the agreed Expiration Date either by the client exercising the Option contract or by the client allowing the Option contract to lapse worthless.

Significant benefits of foreign exchange products

The significant benefits of using foreign exchange products are to protect your exchange rate and provide cash flow certainty.

Protect an Exchange Rate

HiFX offers its clients the facility to buy and sell foreign currency using same day, spot, forward foreign exchange contracts or Option contracts. This facility enables clients to protect themselves against adverse market swings.

HiFX also offers clients a way of managing volatility by working market orders that enables clients to protect themselves against adverse market swings yet secure enhanced market rates when offered.

Clients, in normal market conditions, can minimise downside risk by the use of stop loss orders where HiFX will sell currency for the client if the currency reaches a particular level. In abnormal market conditions no assurance can be given as to where a stop loss order is filled. In addition, clients may also use limit orders which allow clients the opportunity to benefit from favourable upside market movements. HiFX cannot commit to the execution of limit orders since this will depend on the prevailing market conditions.

Provide cash flow certainty

By agreeing a rate now for a time in the future you will determine the exact amount of currency purchased and the exact cost of that currency, thereby giving certainty over the flow of funds.

Significant risks explained

You should be aware that foreign exchange trading involves risks. It is important that you carefully consider whether trading foreign currency products are appropriate for you in light of your investment objectives, financial circumstances and needs.

THE FOLLOWING HIGHLIGHT SIGNIFICANT RISKS:

Market volatility

Foreign exchange currency markets are subject to many influences which may result in rapid currency fluctuations and reflect unforeseen events or changes in conditions with the inevitable consequence being market volatility.

Given the potential levels of volatility in the foreign exchange markets, it is recommended that you closely monitor your positions with HiFX at all times having regard to your hedging requirements.

We remind you that HiFX does not deal with you where you are trading for speculative purposes and will at its discretion, and in accordance with the Terms and Conditions, close out your position should you be speculating.

You should be aware that, if contrary to HiFX requirements, you purchase foreign exchange products for trading or speculative purposes (that is where you do not have a currency risk you need to protect yourself from) you will be fully exposed to movements in price between the purchase currency and Australian or other foreign currency.

Additional Margin payments

As discussed on page 4, in the event of any adverse exchange rate movement between the date of the transaction (and the time of receipt of the Initial Margin payment) and

the Value Date, HiFX may at its discretion make an additional Margin Call in accordance with the Terms and Conditions. If you do not meet such Margin Call your position may be closed out and you will be liable for any loss arising as a result of such close out, after application of any other margin deposited by you.

Opportunity cost

Once you have fixed your exchange rate (other than by the purchase on an Option) you have locked into the rate for a future delivery date and will not be able to take advantage of subsequent favourable exchange rate movements should that occur, in relation to your committed foreign currency exposure. On the other hand, you will be protected from any adverse movements.

Counterparty Risk

Given you are dealing with HiFX as counter party to every Trade, you will have an exposure to us in relation to each Trade. This is common to most OTC financial market products.

You are reliant on HiFX's ability to meet its counter party obligations to you to settle the relevant foreign exchange product. HiFX limits this exposure by entering into opposing transactions as principal in the wholesale market in relation to its exposures with you; however, you have no right to or interest in those other transactions. In addition, HiFX must comply with the financial requirements imposed under its AFS Licence.

Option Contracts

The Options (Exchange Rate Guarantee) may only be exercised on the Expiration Date, by giving a proper notice of exercise by the Expiration Time (on that Expiration Date). It is your responsibility to ensure this notice is given since Options will not be automatically exercised.

Should the market not move significantly in either direction, but remain at the same (or similar) levels to the rate at which you first bought the Option contract, you would forfeit the Premium paid without any or little financial benefit. Furthermore, since the Premium paid for the Option contract is non-refundable, should your circumstances change whereby you no longer require the Option contract, you will forfeit the Premium.

Systems Risk

HiFX relies on a number of technology solutions to provide you with efficient foreign exchange services. In this regard HiFX relies on third party international settlement system providers to assist in currency transfers between accounts which HiFX will not be able to control and is not liable to you for this.

Significant taxation implications

By entering into a foreign currency product the client acquires rights to either buy or sell foreign currency. A foreign currency gain or loss may arise by reason of differences in exchange rates of foreign currencies. A foreign currency gain or loss may be realised in currencies other than Australian currencies.

New taxation provisions for foreign currency transactions have been introduced by the Government. The proposed new taxation provisions are included in Division 775 – Foreign Currency Gains And Losses of the Income Tax Assessment Act 1997. The new provisions apply to foreign currency transactions entered into from 1 July 2003.

These new taxation provisions are retrospective and apply from 1 July 2003. These new provisions will introduce some new elections and choices that apply from 1 July 2003.

The taxation provisions for foreign currency transactions set out the general rules for foreign currency transactions. Generally any realised gain or loss in any foreign currency transaction, including hedging transactions, is assessable income or an allowable deduction of a revenue nature. The new elections and choices available under taxation provisions for foreign currency transactions may change how the general rules treat any gain or loss from a foreign currency transaction and when the gain or loss is recognised.

The source of the foreign currency gain or loss will usually be the place the client enters into the transactions. The taxation provisions may require the gain or loss to be treated on capital account and included in calculating the cost of an asset or proceeds from the disposal of an asset. For a depreciating asset the gain or loss from the foreign currency transaction may be included in the cost or sale proceeds of the depreciating asset.

Where the foreign currency transaction is a private or domestic matter the taxation legislation may not require the gain or loss from a foreign currency transaction to be included in calculating the client's taxable income. Where the foreign currency transaction is of a private and domestic nature and relates to a CGT asset any gain or loss may be required to be included in the cost base or sale proceeds of the CGT asset.

The rules for the taxation of foreign currency transactions (including Options) are complex and the above is by no means a comprehensive list of the taxation issues of foreign exchange trading. The taxation treatment of any foreign currency transaction will be influenced by the activities of the particular client and elections made by the client. It is important that a client should obtain independent taxation advice on the taxation aspects of any foreign currency transaction.

Cooling Off

There is no cooling off arrangement for any foreign currency transactions (including Options).

Ethical Considerations

Labour standards or environmental, social or ethical considerations are not taken into account by HiFX when making, holding, varying or ending foreign currency transactions.

What if I have a complaint?

HiFX has internal and external dispute resolution processes in place. If you have a complaint about the services or products provided to you by HiFX, you should take the following steps:

1. Contact your HiFX Representative and discuss your concerns.
2. If your complaint is not satisfactorily resolved, contact HiFX to inform us about your complaint. You may do this by telephone, facsimile, email or letter.
3. If you are dissatisfied with the outcome, you have the right to complain to the Financial Ombudsman Service (FOS), who may be contacted on 1300 780 808 or in writing at:
Financial Ombudsman Service Limited.
GPO Box 3, Melbourne VIC 3001
HiFX and HiFX Australia are members of FOS. Our membership numbers are 11670 and 11671 respectively.
The services is provided to you free of charge.

4. You may choose to contact the Australian Securities and Investments Commission (ASIC) on their free call infoline 1300 300 630.

If you require further information about our dispute resolution system, please contact HiFX and request a copy of our dispute resolution procedures. In order for a complaint to be considered by FICS, the claim must be under A\$100,000 (unless you and we agree otherwise in writing).

Currency of this PDS

The information in this PDS is up to date at the time it was prepared but is subject to change from time to time. If the new information is materially adverse information, we will either issue a new PDS or a supplementary PDS with the new information. If the new information is not materially adverse to you, we will not issue a new PDS or a supplementary PDS to you, but you will be able to find the updated information on our website at www.hifx.co.nz or the HiFX Australia website at www.hifx.com.au or by calling us using the contact details in this PDS.

If you ask us, we will send you a paper copy of the information.

Other available information

Other information about HiFX and the HiFX group may be obtained by accessing our website at www.hifx.co.nz or the HiFX Australia website at www.hifx.com.au or by contacting HiFX or your HiFX Representative, see next page for contact details.

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Offices in Auckland, Sydney, San Francisco & Windsor

Significant taxation implications

By entering into a foreign currency product the client acquires rights to either buy or sell foreign currency. A foreign currency gain or loss may arise by reason of differences in exchange rates of foreign currencies. A foreign currency gain or loss may be realised in currencies other than Australian currencies.

New taxation provisions for foreign currency transactions have been introduced by the Government. The proposed new taxation provisions are included in Division 775 – Foreign Currency Gains And Losses of the Income Tax Assessment Act 1997. The new provisions apply to foreign currency transactions entered into from 1 July 2003.

These new taxation provisions are retrospective and apply from 1 July 2003. These new provisions will introduce some new elections and choices that apply from 1 July 2003.

The taxation provisions for foreign currency transactions set out the general rules for foreign currency transactions. Generally any realised gain or loss in any foreign currency transaction, including hedging transactions, is assessable income or an allowable deduction of a revenue nature. The new elections and choices available under taxation provisions for foreign currency transactions may change how the general rules treat any gain or loss from a foreign currency transaction and when the gain or loss is recognised.

The source of the foreign currency gain or loss will usually be the place the client enters into the transactions. The taxation provisions may require the gain or loss to be treated on capital account and included in calculating the cost of an asset or proceeds from the disposal of an asset. For a depreciating asset the gain or loss from the foreign currency transaction may be included in the cost or sale proceeds of the depreciating asset.

Where the foreign currency transaction is a private or domestic matter the taxation legislation may not require the gain or loss from a foreign currency transaction to be included in calculating the client's taxable income. Where the foreign currency transaction is of a private and domestic nature and relates to a CGT asset any gain or loss may be required to be included in the cost base or sale proceeds of the CGT asset.

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1. Contact your HiFX Representative and discuss your concerns.

2. If your complaint is not satisfactorily resolved, contact HiFX to inform us about your complaint. You may do this by telephone, facsimile, email or letter.

3. If you are dissatisfied with the outcome, you have the right to complain to the Financial Industry Complaints Service Limited (FICS) who may be contacted on 1300 780 808 or in writing at:

Financial Industry Complaints Service Limited.
P.O. Box 579, Collins Street West, Melbourne VIC 8007
HiFX and HiFX Australia are members of FICS. Our membership numbers are F-3801 and F-3802 respectively. The services is provided to you free of charge.

4. You may choose to contact the Australian Securities and Investments Commission (ASIC) on their free call infoline 1300 300 630.

If you require further information about our dispute resolution system, please contact HiFX and request a copy of our dispute resolution procedures. In order for a complaint to be considered by FICS, the claim must be under A\$100,000 (unless you and we agree otherwise in writing).

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If you ask us, we will send you a paper copy of the information.

Other available information

Other information about HiFX and the HiFX group may be obtained by accessing our website at www.hifx.co.nz or the HiFX Australia website at www.hifx.com.au or by contacting HiFX or your HiFX Representative, see next page for contact details.

Additional Margin

Means any additional deposit of funds required by HiFX to cover adverse movements in the value of a client's forward foreign exchange contract and is calculated by a valuation method referred to as Mark to Market.

Commercial Purposes

Means the purchase or sale of foreign currency to meet a need to give or take physical delivery and not for a speculative or trading purpose.

Close Out

Means to enter into an equal and opposite transaction with one already in existence.

Exchange Rate Guarantee

An Option contract issued by HiFX.

Exercise Price

The price at which the holder (buyer) of the Option can exercise their rights, to buy or sell the underlying currency. This is also referred to as the Strike Price.

Expiration Date

The date on which the Option expires (settles or matures). HiFX Representative Means the representative of HiFX or if the client is dealing through HiFX Australia the representative of HiFX Australia with whom you are dealing.

Initial Margin

Means the initial deposit of funds required by HiFX to cover the risk to HiFX and as is deposited as security for the client's obligations.

Limit Order

An order to buy or sell one currency against another when a pre-determined price is reached. It is lodged with a bank or broker and lasts 24 hours a day until either cancelled or hit. It is used to try and achieve a very favourable price at the very top or bottom of a range. It is free of charge to use and provides an excellent vehicle for companies to attempt to buy or sell their currencies at the best point in a range (without having to constantly monitor the prices and keep calling a broker/bank for prices). HiFX can not commit to the execution of limit orders as this will depend on the prevailing market conditions.

Margin Call

Means a demand by HiFX for additional funds to be deposited by the client to meet Additional Margin requirements because of adverse movements in the value of your forward foreign exchange contract.

Mark to Market

Means a valuation method where an existing foreign exchange contract is valued against current market rates to calculate any potential profit or loss on close out.

PDS

Means this Product Disclosure Statement.

Option

An Option contract gives the buyer or holder of the contract the right, but not the obligation, to buy (in the case of a call Option) or sell (in the case of a put Option) a specified amount of currency at a predetermined exchange rate (the Strike or Exercise Price) on a predetermined date in the future (the Expiration Date). For private clients this Option is referred to as an "Exchange Rate Guarantee", whereas for our corporate and more experienced clients this is referred to as a "Vanilla" Option contract. Even though the Terms and Conditions of these products are worded differently, both of these products are Option contracts.

OTC

Means over the counter products.

Premium

The amount which the buyer (holder) of an Option, has to pay to the seller of the Option (HiFX), namely the purchase price of the Option.

Stop Loss Order

An order to buy or sell one currency against another when a pre-determined price is reached. It is lodged with a bank or broker and offers 24-hour protection and will last until either cancelled or hit. It is used to protect your purchase or sale of a currency from negative movements in the market overnight or over a period of days/weeks. It is free of charge to use and provides an excellent vehicle for clients to protect themselves from negative movements while leaving the door open to a client to benefit if the market moves in their favour. In abnormal market conditions no assurance can be given as to if a Stop order is filled.

Strike Price (for private clients this is referred to as the guaranteed rate of exchange)

The price at which the holder (buyer) of an Option can exercise their rights, to buy or sell the underlying currency. This is also referred to as the Exercise Price.

Terms and Conditions

Means the terms and conditions referred to in this PDS which apply to Australian retail clients and are available at our website at: www.hifx.com.au

Trade

Means each transaction to purchase and deliver currency for a client or any Option contract.

Value Date

Means the date by which a Trade must be settled by the transference of currencies and funds between the client and HiFX.