

FLEXIBLE FORWARDS

Product Disclosure Statement

22nd July 2003

This Product Disclosure Statement is an important document. We are providing this information to ensure that you receive key information about our flexible forward exchange products, to help you fully understand their risks, benefits and costs.

The flexible forward exchange products we offer are:

- Range Forward;
- Ratio Forward;
- Converting Forward; and
- Smart Forward.

This Product Disclosure Statement comprises five documents:

- (a) this document entitled Product Disclosure Statement; and
(b) the following four Product Guides:

- Range Forward;
- Ratio Forward;
- Converting Forward; and
- Smart Forward.

Please note that this Product Disclosure Statement including the Product Guides are not recommendations or opinions that particular foreign exchange products are appropriate for you.

If there is anything in this Product Disclosure Statement that you do not understand, please contact your FX Relationship Manager.

Before entering into a foreign exchange contract you must give consideration to your objectives, financial situation and needs.

1.0 Flexible Forward Exchange Contracts:

- 1.1 'Flexible Forwards' is a term that describes a group of foreign exchange products that have been developed as a foreign exchange risk management alternative to forward exchange contracts and currency options.
- 1.2 A flexible forward is an agreement between two parties (the 'buyer' of the flexible forward and the 'seller' of the flexible forward) to exchange a specified amount (the 'face value') of one currency for another currency at a foreign exchange rate that is determined in accordance with the mechanisms set out in the agreement at an agreed time and an agreed date (the 'expiry time' on the 'expiry date'). The exchange then takes place approximately two clear business days later on the 'delivery date'.
- 1.3 The mechanisms for determining the final exchange rate (and in some cases, the final face value) will depend on the particular product you acquire. The Product Guides that form part of this describe how they are determined in relation to each product.
- 1.4 A foreign exchange rate is the price at which one currency can be bought with or sold for another currency. All quotations are made up of two currencies: the 'base' currency and the 'terms' currency. A quotation shows how many units of the terms currency will equal 1 unit of the base currency.

FLEXIBLE FORWARDS

1.5 Example: Australian Dollar (AUD) against United States Dollar (USD)

AUD/USD 0.6660

Here, Australian Dollars is the base currency and US Dollars is the terms currency. One Australian Dollar is equal to 0.666 US Dollar (66.6 US cents).

2.0 Flexible Forwards Terminology

- 2.1 A 'forward exchange contract' is an agreement between two parties to exchange a specified amount of one currency for another currency at a specified foreign exchange rate on a future date.
- 2.2 The 'spot foreign exchange rate' is the foreign exchange rate when the delivery date is approximately two clear business days after the date the rate is quoted.
- 2.3 The 'expiry date' is the date on which the flexible forward expires.
- 2.4 The 'expiry time' is the time of day that the flexible forward expires.
- 2.5 The 'delivery date' is the date on which the exchange of currencies under the flexible forward takes place (typically two clear business days after the expiry date).
- 2.6 The 'best case rate' is the most favourable foreign exchange rate that you can achieve under your flexible forward contract.
- 2.7 The 'worst case rate' is the least favourable foreign exchange rate that you can be exposed to under your flexible forward contract.
- 2.8 The 'trigger rate' is a foreign exchange rate that we agree in the contract. If the spot foreign exchange rate reaches the trigger rate before the expiry time on the expiry date, this will affect the rate at which you will need to exchange currencies under the contract.
- 2.9 The 'reset rate' is a foreign exchange rate that we agree in the contract. If the spot foreign exchange rate reaches the reset rate before the expiry time on the expiry date, this will fix the foreign exchange rate at the expiry date at the 'worst case' rate.

3.0 Purpose of Flexible Forward Contracts

- 3.1 Flexible forward contracts are commonly used to hedge foreign exchange risk for a future date.
- 3.2 Flexible forwards are commonly used:
 - to protect foreign currency exposures against adverse currency movements;
 - to set a known worst case exchange rate;
 - to allow participation in favourable exchange rate movements (subject to product used);
 - as part of a foreign exchange risk management exposure strategy; and
 - to reduce or eliminate premium costs associated with vanilla options.

4.0 Pricing of Flexible Forward Contracts

- 4.1 The pricing of flexible forward contracts is complex. It uses sophisticated mathematical pricing formulae for the individual option combinations.
- 4.2 The price of any flexible forward contract will be determined after taking into account factors such as:
- the expiry date;
 - the delivery date;
 - the worst case rate;
 - the best case rate;
 - the current spot exchange rate;
 - the current forward exchange rate;
 - the face value amounts;
 - the trigger rate;
 - the reset rate;
 - interest rates; and
 - market volatility.
- 4.3 If you decide to enter into a flexible forward product with us, we will need to agree a number of parameters for the contract, depending on the particular product.

5.0 Cost of Flexible Forward Contracts

- 5.1 The pricing of flexible forward contracts are commonly 'zero cost' premium structures, however clients may also choose to pay or receive a premium. This will have an impact on the variables that we are prepared to agree to for your contract.
- 5.2 No other fees are charged by ANZ for establishing flexible forward contracts.
- 5.3 You may also need to pay some costs on the delivery date depending on the method by which delivery is effected, for example, by Telegraphic Transfer (TT) or International Draft. These costs are in addition to the costs described above. Additional fees are payable for couriers, postage, and/or other actions relating to flexible forward contract transactions.

6.0 Terms of Flexible Forward Contracts

- 6.1 Customers who want to enter into a flexible forward contract with ANZ need to enter into our Master Agreement for foreign exchange transactions. This brief document describes the rights and obligations of both parties in relation to foreign exchange contracts and foreign exchange options. It is signed only once, and then covers all future foreign exchange contracts and foreign exchange options between us.
- 6.2 Each time you enter into a flexible forward contract with us, we will provide you with a confirmation note, setting out the details of the transaction.

FLEXIBLE FORWARDS

7.0 Cancellation of Flexible Forward Contracts

- 7.1 A flexible forward contract may be cancelled at any time.
- 7.2 The cancellation can take place at any time before the expiry time on the expiry date.
- 7.3 Cancellation of a flexible forward is complex, and involves the buy-back of the flexible forward by the seller of the flexible forward. The cancellation costs take into account a range of risk management pricing variables that are determined through supply and demand.
- 7.4 Any cancellation will take into account the mark to market (MTM) value of the flexible forward contract. Any cancellation may incur a profit or a loss (i.e. the 'mark to market' value of the contract).
- 7.5 We will determine the MTM value of the flexible forward and agree the settlement amount with you.

8.0 Risks

- 8.1 The financial cost for the buyer of a flexible forward is limited to the cost of the premium (if any) payable.
- 8.2 The seller of the flexible forward product is exposed to any future foreign exchange and foreign currency option market movements. This may result in the seller incurring a loss (i.e. the MTM value of the option). Currency markets are highly volatile and the prices of the underlying currencies can fluctuate rapidly over wide ranges and may reflect unforeseen events or changes in conditions.
- 8.3 Entering into a flexible forward contract may prevent the buyer from enjoying some of the benefit of favourable movements in exchange rates.
- 8.4 If the underlying reason for wishing to set exchange rates for a future delivery date no longer exists (e.g. the underlying commercial contract is cancelled), the flexible forward contract may need to be cancelled at prevailing market rates. This may incur a profit or a loss. (i.e. the MTM value of the contract).

9.0 Complaints

- 9.1 If you have a complaint, please contact your FX Relationship Manager to tell us what it is.
- 9.2 If your complaint is not satisfactorily resolved within 14 days of your first contact with your FX Relationship Manager, please contact our Compliance Manager in writing with the details of your complaint:
Compliance Manager, ANZ Investment Bank
Level 12, 530 Collins Street
Melbourne, Victoria 3000

9.3 If you still do not get a satisfactory outcome, you have the right to complain to:

Australian Banking Industry Ombudsman Ltd

GPO Box 3A

Melbourne, Victoria, 3001

Telephone: 1300 780 808

Fax: +61 3 9613 7345

Internet: <http://www.abio.org.au>

10.0 Tax Implications

10.1 Legislation has recently been introduced into Parliament to provide for a new Australian taxing regime in relation to foreign exchange gains and losses. This legislation has not yet been enacted but is intended to apply, generally, from 1 July 2003.

The new foreign exchange rules may apply to you if you dispose of foreign currency or a right to receive foreign currency, you cease to have a right or obligation to receive foreign currency (for example, as a consequence of that right or obligation being satisfied by the payment to you of foreign currency or because an option that you have to buy foreign currency expires without having been exercised or is cancelled, released or abandoned) or you cease to have a right or obligation to pay foreign currency (for example because an option that you have to sell foreign currency expires without having been exercised or is cancelled, released or abandoned). The impact of the new rules is generally (subject to some exceptions):

- if you make a gain from a foreign exchange arrangement and part of that gain is attributable to a currency exchange rate fluctuation – that part of the gain is included in your assessable income as a forex realisation gain;
- if you make a loss from a foreign exchange arrangement and part of that loss is attributable to a currency exchange rate fluctuation – that part of the loss is allowable as a deduction against your assessable income as a forex realisation loss.

10.2 You should consult your own independent professional adviser regarding the tax and accounting consequences of acquiring, holding or disposing of foreign exchange options in light of your particular circumstances.

11.0 Further Information

For further information about flexible forwards, please visit our website at www.anz.com/fxonline or contact your local FX Relationship Manager.

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

Financial Services Licence No. 234527

Level 14, 530 Collins Street, Melbourne, Victoria 3000

RANGE FORWARD

Flexible Forward Exchange Contract

22nd July 2003

This Product Disclosure Statement comprises five documents:

- (a) the document entitled Product Disclosure Statement; and
- (b) the following four Product Guides:
 - Range Forward;
 - Ratio Forward;
 - Converting Forward; and
 - Smart Forward.

A Range Forward (also known as a Collar, Zero Cost Collar or Risk Reversal) is a foreign exchange contract that protects you against the risk that the spot exchange rate is less favourable to you than a nominated worst case rate (WCR), but also allows you to benefit from a favourable move in the spot exchange rate up to the best case rate (BCR). Under a Range Forward:

- if the spot exchange rate at the expiry time on the expiry date is less favourable to you than the WCR, the contract settles at the WCR;
- if the spot exchange rate at the expiry time on the expiry date is more favourable to you than the BCR, the contract settles at the BCR; and
- if the spot exchange rate at the expiry time on the expiry date is between the WCR and the BCR, you can settle at the spot exchange rate.

A Range Forward is commonly a zero premium structure. It is popular when you do not wish to pay a premium.

Importer Example

Range Forward: The importer benefits from any favourable move in the spot exchange rate up to the **BCR** and is protected against the spot exchange rate dropping below the **WCR**.

	WCR	BCR
<p>Spot Rate: 0.6675</p> <p>Forward Rate: 0.6560</p> <p>Hedge Rate (WCR): 0.6460</p> <p>Best Case Rate (BCR): 0.6675</p> <p>Term: 6 months</p>	<p>An importer wants to buy US Dollars (USD) in six months. The importer believes the spot exchange rate will appreciate mildly over this period. Accordingly, the importer enters into a Range Forward with a WCR of 0.6460, a BCR of 0.6675.</p>	<p>If the spot exchange rate is below the WCR at the expiry time on the expiry date, the contract will settle at the WCR. If the spot exchange rate is above the BCR at the expiry time on the expiry date, the contract will settle at the BCR. If the spot exchange rate is between the WCR and the BCR at the expiry time on the expiry date, you can deal at the spot exchange rate.</p>
	No premium is payable in this example.	

Outcomes at Expiry:	AUD < 0.6460	0.6460 < AUD < 0.6675	AUD > 0.6675
	0.6460	Deal at Spot	0.6675

Exporter Example

Range Forward: The exporter benefits from any favourable move in the spot exchange rate down to the **BCR** and is protected against the spot exchange rate rising over the **WCR**.

	BCR	WCR
	<p>An exporter wants to sell USD in six months. The exporter believes that the spot exchange rate will depreciate mildly over this period. Accordingly, the exporter enters into a Range Forward with a WCR of 0.6640, and a BCR of 0.6500.</p>	
Spot Rate: 0.6680	<p>If the spot exchange rate is above the WCR at the expiry time on the expiry date the contract will settle at the WCR. If the spot exchange rate is below the BCR at the expiry time on the expiry date, the contract will settle at the BCR. If the spot exchange rate is between the WCR and the BCR at the expiry time on the expiry date, you can deal at the spot exchange rate.</p> <p>No premium is payable in this example.</p>	
Forward Rate: 0.6570		
Hedge Rate (WCR): 0.6640		
Best Case Rate (BCR): 0.6500		
Term: 6 months		

Outcomes at Expiry:	AUD < 0.6640	0.6500 < AUD < 0.6640	AUD > 0.6640
	0.6640	Deal at Spot	0.6640

RATIO FORWARD

Flexible Forward Exchange Contract

22nd July 2003

This Product Disclosure Statement comprises five documents:

- (a) the document entitled Product Disclosure Statement; and
- (b) the following four Product Guides:
 - Range Forward;
 - Ratio Forward;
 - Converting Forward; and
 - Smart Forward.

A Ratio Forward is a foreign exchange contract, which protects you against the risk that the exchange rate is unfavourable to you when compared against a nominated worst-case rate (WCR). It also allows you to benefit from a favourable move in the exchange rate in relation to an agreed proportion of the face value of your contract.

If the spot exchange rate is more favourable to you than the WCR at the expiry time on the expiry date then, you must settle an agreed proportion of the face value at the WCR and the balance can be settled at the more favourable spot exchange rate.

If the spot exchange rate is less favourable to you than the WCR at the expiry date, you are protected at the WCR for the face value.

Importer Example

Ratio Forward: The importer is protected against the spot exchange rate being at or below the **WCR at expiry, for the full face value**. If the spot exchange rate is above the WCR at the expiry time on the expiry date, 50% of the face value settles at the WCR and the remainder at the spot exchange rate.

(Participation at 50% of FV) WCR (Protected for 100% of FV)

An importer wants to buy US Dollars (USD) in six months.

Spot Rate: 0.6675
Forward Rate: 0.6560
Hedge Rate (WCR): 0.6435
Term: 6 months

If the spot exchange rate is below the WCR at the expiry time on the expiry date, then the contract will settle at the WCR. If the spot exchange rate is above the WCR at the expiry time on the expiry date, the contract will settle 50% of the face value at the WCR. You can settle the remaining 50% at the spot exchange rate.

No premium is payable in this example.

The parameters suggested can be further tailored to meet your requirements.

Outcomes at expiry:	AUD > 0.6435	AUD < 0.6435
	0.6435 (0.5*FV) No other obligation	0.6435 (1.0*FV)

Exporter Example

Ratio Forward: The exporter is protected against the spot exchange rate being at or above the **WCR at expiry for the full face value**. If the exchange rate is below the WCR at the expiry time on the expiry date, 50% of the face value settles at the WCR and the remainder at the spot exchange rate.

(Participation at 50% of FV) WCR (Protected for 100% of FV)

An exporter wants to sell USD in six months.

If the spot is above the WCR at the expiry time on the expiry date then the contract will settle at the WCR. If the spot exchange rate is below the WCR at the expiry time on the expiry date, then 50% of the face value will settle at the WCR. You can settle the remaining 50% at the spot exchange rate.

Spot Rate: 0.6680

Forward Rate: 0.6570

Hedge Rate (WCR): 0.6700

Term: 6 months

No premium is payable in this example.

The parameters suggested can be further tailored to meet your requirements.

Outcomes at expiry:	AUD < 0.6700	AUD > 0.6700
	0.6700 (0.5*FV) No other obligation	0.6700 (1.0*FV)

CONVERTING FORWARD

Flexible Forward Exchange Contract

22nd July 2003

This Product Disclosure Statement comprises five documents:

- (a) the document entitled Product Disclosure Statement; and
- (b) the following four Product Guides:
 - Range Forward;
 - Ratio Forward;
 - Converting Forward; and
 - Smart Forward.

The Converting Forward is a foreign exchange contract which protects you against the risk that the spot exchange rate on the expiry date is unfavourable to you when compared against a nominated worst case rate (WCR), but allows you the opportunity to benefit if a nominated trigger rate is reached before the expiry time on the expiry date and the spot exchange rate is more favourable than the WCR at the expiry time on the expiry date.

At all times you will have a known WCR. If the nominated trigger level is not reached, the contract will settle at the WCR.

Importer Example

Converting Forward: If the **trigger rate** is reached at any time, the importer will benefit if the exchange rate is above the WCR at the expiry time on the expiry date. Otherwise the contract will settle at the **WCR**.

Trigger rate	WCR
<p>Spot Rate: 0.6675</p> <p>Forward Rate: 0.6560</p> <p>Hedge Rate (WCR): 0.6500</p> <p>Trigger Rate: 0.6400</p> <p>Term: 6 months</p>	<p>An importer wants to buy US Dollars (USD) in six months. The importer believes that the spot exchange rate will fall initially, but will have moved higher by the expiry date. Accordingly, the importer enters into a Converting Forward with a WCR of 0.6500 and a trigger rate of 0.6400.</p> <p>If the spot exchange rate trades at the trigger rate at any time before the expiry time on the expiry date, the importer will benefit if the spot exchange rate is above the WCR at the expiry time on the expiry date, as the contract will lapse and you can settle at a higher spot exchange rate.</p> <p>If the spot exchange rate never trades at the trigger rate, you are obliged to deal at the WCR.</p> <p>If the spot exchange rate is below the WCR at expiry, whether or not the spot exchange rate has traded at the trigger rate, you are protected at the WCR.</p> <p>No premium is payable in this example.</p>

Outcomes at expiry:	AUD below 0.6500	AUD above 0.6500
AUD trades at 0.6400 at any time	0.6500	Deal at Spot
AUD never trades at 0.6400	0.6500	0.6500

Exporter Example

Converting Forward: If the **trigger** rate is reached at any time, the exporter will benefit if the spot exchange is below the WCR. Otherwise the contract will settle at the **WCR**.



An exporter wants to sell USD in six months. The exporter believes that the spot exchange rate will rise initially, but will have moved lower by the expiry date. Accordingly, the exporter establishes a Converting Forward with a WCR of 0.6700 and a trigger rate of 0.6800.

Spot Rate: 0.6680
Forward Rate: 0.6570
Hedge Rate (WCR): 0.6700
Trigger Rate: 0.6800
Term: 6 months

If the spot exchange rate trades at the trigger rate at any time before the expiry time on the expiry date, the exporter will benefit if the spot exchange rate is below the WCR at the expiry time on the expiry date, as the contract will lapse and you can settle at a lower spot exchange rate.

If the spot exchange rate never trades at the trigger rate, you are obliged to deal at the WCR.

If the spot exchange rate is above the WCR at expiry, whether or not the spot exchange rate has traded at the trigger rate, you are protected at the WCR.

No premium is payable in this example.

Outcomes at expiry:	AUD below 0.6700	AUD above 0.6700
AUD trades at 0.6800 at any time	Settle at Spot	0.6700
AUD never trades at 0.6800	0.6700	0.6700

SMART FORWARD

Flexible Forward Exchange Contract

22nd July 2003

This Product Disclosure Statement comprises five documents:

- (a) the document entitled Product Disclosure Statement; and
- (b) the following four Product Guides:
 - Range Forward;
 - Ratio Forward;
 - Converting Forward; and
 - Smart Forward.

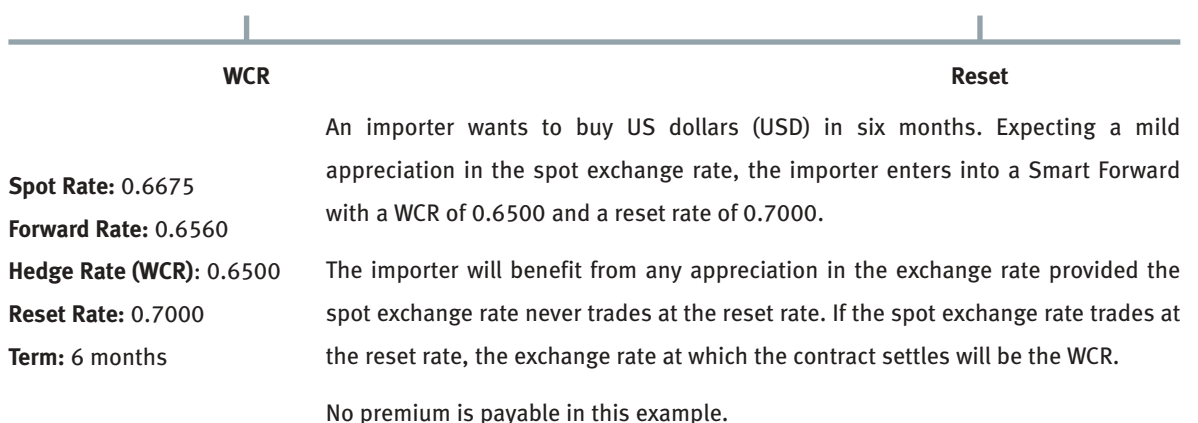
A Smart Forward is a foreign exchange contract which protects you against the risk that the spot exchange rate is unfavourable to you when compared against a nominated worst case rate (WCR) at expiry date, but also allows you the opportunity to benefit from a favourable move in the exchange rate, provided the spot exchange rate never trades at another nominated rate (the reset rate) **at any time before the expiry date**.

If the spot exchange rate ever trades at the reset rate, the exchange rate at which you will be required to settle the contract will be the nominated WCR, regardless of the prevailing spot exchange rate at the expiry date.

So, at all times by using a Smart Forward, you have a known worst case scenario. If the spot exchange rate moves favourably, but does not trade at the reset rate, the contract will lapse and you can choose to deal at the more favourable spot exchange rate on the expiry date.

Importer Example

Smart Forward: The importer benefits from any favourable move provided the **reset** rate never trades. If the reset rate trades, the exchange rate is fixed at the **WCR**.



Outcomes at expiry:	AUD below 0.6500	AUD above 0.6500
AUD never trades at 0.7000	0.6500	Settle at Spot
AUD trades at 0.7000	0.6500	0.6500

Exporter Example

Smart Forward: The exporter benefits from any favourable move provided the **reset rate** never trades. If the reset rate trades, the exchange rate is fixed at the **WCR**.

Reset	WCR
<p>Spot Rate: 0.6680</p> <p>Forward Rate: 0.6570</p> <p>Hedge Rate (WCR): 0.6780</p> <p>Reset Rate: 0.6000</p> <p>Term: 6 months</p>	<p>An exporter wants to sell USD in six months. Expecting a mild depreciation in the spot exchange rate, the exporter enters into a Smart Forward with a WCR of 0.6780 and a reset rate of 0.6000.</p> <p>The exporter will benefit from any depreciation in the exchange rate provided the spot exchange rate never trades at the reset rate. If the spot exchange rate trades at the reset rate, the exchange rate at which the contract settles will be the WCR.</p> <p>No premium is payable in this example.</p>

Outcomes at expiry:	AUD below 0.6780	AUD above 0.6780
AUD never trades at 0.6000	Settle at Spot	0.6780
AUD trades at 0.6000	0.6780	0.6780