

FINANCIAL SERVICES GUIDE - AFS Licence No 325379

Purpose of the Financial Services Guide and Other Disclosure Documents

This Financial Services Guide (FSG) is provided to you by Sapphire Commodities Pty Ltd and Farmarco Australia Pty Ltd (Rep. No. 328295) to inform you of the financial services provided by us and to comply with our obligations as a holder of an Australian Financial Services Licence. The purpose of this FSG is to provide brief details of the financial products and services Farmarco provides in order to assist prospective and new clients decide whether to obtain financial services from Farmarco; to provide information on remuneration paid to Farmarco; and to provide details on how we deal with complaints.

Retail clients should be aware that the Financial Services Guide is one of three disclosure documents that retail clients **may** be entitled to receive, the other two being a Statement of Advice and a Product Disclosure Statement, although Farmarco is only obliged to provide these two latter documents in certain specific circumstances.

Statement of Advice

Retail clients, who use Farmarco's services and seek personal financial product advice, will be asked to provide details of their financial situation, particular needs and objectives. Clients **may** be provided with a written Statement of Advice (SoA) that will summarise the advice, the basis of the advice, any fees or charges and any potential conflict of interest on the first occasion that advice is provided.

If Farmarco provides an existing Retail Client, (or a new Retail Client receiving subsequent advice) with what is referred to as Further Advice then Farmarco may rely on the information that it already holds and the Retail Client **will not** automatically receive an additional Statement of Advice. However, the retail Client has the right to call for a copy of Farmarco's record of such Further Advice. A Retail Client can do this by making a written request directed to their Adviser.

Product Disclosure Statement

If Farmarco recommends a financial product to a Retail Client, other than a financial product that is a listed security, then Farmarco will provide the Retail Client with a Product Disclosure Statement (PDS) or direct the Retail Client to a location where the PDS can be found. The PDS (which is produced by the product provider) contains information about the particular product including the features, benefits, fees and risks associated with that product so that the Retail Client can make an informed decision.

This guide will provide details on the following;

- Responsibility for the advice given by Farmarco;
- How Farmarco is paid for the services that it provides;
- Any potential conflicts of interest that Farmarco may have;
- The Statement of Advice;
- Further Advice; and
- The dispute resolution procedures that Farmarco has in place.

Farmarco's Authorisation

Sapphire Commodities Pty Ltd holds Australian Financial Services (AFS) Licence No. 325379, which has been issued to it by the Australian Securities Commission (ASIC).

This AFS Licence authorises the company to carry on a financial services business to –

a) provide financial product advice for the following classes of financial products:

- (i) derivatives; and
- (ii) foreign exchange contracts; and

b) deal in a financial product by:

- (i) applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:
 - (A) derivatives; and
 - (B) foreign exchange contracts;

to retail and wholesale clients.

Farmarco's Financial Products and Services

Farmarco offers a comprehensive range of derivative services to both wholesale and retail investors, however not all services or products may be available to all clients. Products and Services include:

Arrangements to trade in futures and options on ASX;

Access to trading in international derivatives traded on recognised overseas exchanges;

Access to foreign exchange markets;
Research on derivatives and foreign exchange; and
Derivative strategies.

Advice is provided on:

Cash commodity markets

Derivatives, including futures contracts and options on futures contracts on both domestic and international markets;

Foreign exchange;

OTC, Derivative and Foreign exchange contracts; and

Commodity Price Risk Management facilities provided by third parties.

Derivative Markets

The derivatives market may not be suitable for every investor. Each investor contemplating trading the derivatives markets must consider whether the risks associated with trading and their individual financial position are compatible with those markets and the funding requirements associated with such investments. Using these markets necessitates a degree of experience and/or knowledge in relation to the investment markets in general, if not the derivative markets themselves, a comprehension of the risks involved and the capability to fully collateralise any open position within the time deadlines required by the market.

Responsibility for Farmarco Advice

To ensure that each Client has an effective relationship with Farmarco, one Adviser will be primarily responsible for providing each Client with Advice. Once a Client has been allocated an Adviser, the Client will be provided with the Adviser's contact details.

Farmarco's Advisers are representatives of Farmarco Australia Pty Ltd and as such Farmarco is responsible for all financial product advice provided by them to Clients as a representative of Farmarco. Each Adviser is responsible to the Managing Director located in the Toowoomba office.

Farmarco's Remuneration for the Services Provided

Farmarco may charge brokerage, commission or a fee depending upon the services that are provided. Any charges will be discussed and agreed with the Client and fully disclosed in relation to specific services and transaction as part of the Account Opening Documentation.

A schedule of Farmarco's current **non-managed** charges is included with this Guide. Most charges are negotiable and therefore it is important that Clients agree to brokerage/fees with their Adviser prior to transacting any business. This fee schedule also indicates the rates paid to any principal broker.

1. **Brokerage**

Brokerage is payable on all local and international derivatives, on both purchases and sales, mandatory settlements, deliveries and expiries and as a payment for services such as brokerage attracts GST. Brokerage quoted is based on a round-turn amount that is the total for both the opening and closing of a position.

Brokerage and GST are disclosed on each Tax Invoice issued in the traded currency of the transaction for each trade executed. Where brokerage and GST is charged in foreign currency, Clients may elect to have such amounts automatically converted to Australian Dollars on the date of the trade being booked to the client's account, at an exchange rate to be determined daily by Bell Commodities.

Brokerage rates are subject to negotiation by the Client with the Adviser and are charged on a per lot basis. Futures transactions are usually charged 50% on the opening and 50% on the closing. Option trades are usually charged in the same manner as futures.

The brokerage rate will depend on the type and level of service required and provided, the size and the frequency of the transaction.

It is essential that Clients discuss brokerage rates with their Adviser.

The following is **INDICATIVE** of retail brokerage charges, exclusive of GST, quoted on a round turn basis –

Commission Fees (**round turn**) as charged by the Principal Broker:

1. US\$100.00 per contract on all foreign exchanges, excluding Winnipeg Commodity Exchange. Farmarco to receive US\$80.00 per contract, the balance is paid to Bell Commodities.
2. C\$45.00 per contract on the Winnipeg Commodity Exchange. Farmarco receives C\$29.00 per contract, the balance is paid to Bell Commodities.
3. A\$100.00 per contract on the Sydney Futures Exchange. Farmarco receives A\$83.00 per contract, the balance is paid to Bell Commodities.
4. A\$80.00 per contract on the Australian Stock Exchange. Farmarco receives A\$60.00 per contract, the balance is paid to Bell Commodities.

Bell Commodities are responsible for the payment of Exchange Fees.

2. Interest

Failure to pay margin obligations within the specified time period may result in interest being charged by the principal broker on the outstanding balance and such interest will be charged at a rate which is six percentage points above the principal broker's Bank's Base Rate calculated and payable daily from the date due for payment until the amount is paid.

Advisers and Others Participating in Brokerage

The principal broker receives all brokerage, commissions and fees in the first instance and in turn pays Farmarco their share of the brokerage as set out in your futures agreement. Farmarco advisers are remunerated by salary and do not receive any direct commissions or fees. They may be entitled to an annual performance bonus should they exceed predetermined performance levels in any particular year. This does not impact on, nor increase the brokerage, commission or fees payable by you for these services.

Instructing an Adviser in Relation to Investments in Financial Products

If you are entering into a retained client agreement with Farmarco then you will be required to complete a Client Agreement (and associated documentation).

Also in accordance with general market practice within the financial services sector Clients, wishing to have direct access to derivative markets through Farmarco, will be asked to complete an Account Opening Form which is designed to administer and regulate the arrangements for Farmarco to provide financial services to its Clients. Also in accordance with general financial services sector practice Clients will be asked to verify their identity.

The Account Opening Form makes provision for the supply of all the necessary details to open a derivatives trading account, the personal financial details required to assist Farmarco in the provision of appropriate investment recommendations as well as Bell Commodities' trading terms and conditions.

Accounts opened in the name of a company need to be guaranteed by an individual, which is usually the director who receives advice and instructs all trading in relation to the account.

Telephone is the usual method of instructing Farmarco in relation to a derivatives trading account, although instructions can also be given in person or by mail, facsimile or email. All dealing lines to Farmarco are recorded and clients must telephone instructions through to an authorised dealing line. All trading conducted by Farmarco instructions by facsimile and email will only be affected once Farmarco has acknowledged receipt of those instructions in writing. Similarly instructions for the acquisition or disposal of other financial products may be made in writing or electronically provided such instructions are acknowledged in writing.

All accounts are handled on a non-discretionary basis.

Statement of Advice

A Statement of Advice is a document setting out the Advice provided to the Retail Client, the basis on which it was given, the remuneration that the provider of the Advice will receive as a result of providing the Advice and any relevant interests, associations or relationships that may influence Farmarco and its Advisers in providing the Advice.

Accordingly, if a Client is dealing with Farmarco for the first time and the Client is a retail client and wishes to obtain advice, then it will be necessary for Farmarco to ascertain and record certain information regarding the Client's financial position, particular needs and investment objectives. This information will then be confirmed to the Client along with details of the initial advice and other mandatory disclosures regarding the basis of the advice and the approximate cost of providing it.

Further Advice

If a Client receives Further Advice as an existing Client then Farmarco may rely on the information that is already holds in relation to the client's investment objectives, financial position and particular needs and the Client will not receive a Statement of Advice in relation to that advice so long as that information has been confirmed within the last 12 months. However, should the Client wish to receive a record of the advice that was given, the Client may, within 90 days of the date of the advice being provided, request that such record is provided. Any such request should be in writing and should be directed to the Client's Adviser. If a Client receives advice in relation to a financial product and the advice is not time critical then a Statement of Advice will be issued prior to any action being taken.

Clients Rights and Responsibilities

Retail Clients of Farmarco have the right to receive advice that is appropriate to their investment objectives, which are in turn appropriate having regard to the Client's financial situation and particular needs on the one hand, and the circumstances of the security that is the subject matter of the advice, on the other hand.

Whilst Clients have the right not to divulge personal financial information if they do not wish to do so, if Clients do not provide sufficient information to their Adviser, Farmarco is obliged to warn Clients about the possible consequences of not having a Client's full personal financial information.

In the event that Retail Clients do not provide full information, they must understand that they may receive advice that is inappropriate for the Client, as it does not take into account the Client's financial situation, particular needs and investment objectives. In such circumstances it is the Client's responsibility to assess whether the advice is appropriate for them.

These warnings relate to any personal financial product advice provided by an Adviser with limited or no knowledge of a Client's personal financial circumstances whether such advice is provided verbally or in writing.

Farmarco's published Research is general financial product advice only and does not constitute advice to any particular person and therefore cannot be considered as personal advice.

General advice is prepared without consideration of any specific Client's financial situation, particular needs and investment objectives. Accordingly, in the event of receiving general advice, Clients should consult their Adviser before any investment decisions are made based on such general advice.

In order to preserve the integrity of the personal financial information which Farmarco holds, Retail Clients should maintain regular contact with their Advisers at Farmarco and keep them abreast of any material changes in their financial circumstances.

Clients have the right to give instructions as to the way their account is conducted, as long as those instructions comply with regulatory requirements and Farmarco is prepared to accept the instruction.

Clients have the right to be advised about any interest that Farmarco, or the Client's Adviser, may have in a financial product that may reasonably be expected to influence their recommendation to the Client.

The mere existence of a futures account or the acquisition of a financial product does not mean that Farmarco or one of its Advisers is responsible for monitoring a Client's position. Similarly the fact that an Adviser may contact Clients with recommendations is not an indication that the account is being managed by the Adviser.

Compensation Arrangements

In accordance with the requirements of the Corporations Act, Sapphire Commodities maintains adequate Professional Indemnity Insurance. Subject to the terms and conditions, the policy provides cover for the provision of services under the AFSL by its holder, its nominated Authorised Representatives and employees past and present in respect of services provided while engaged.

Privacy

Client privacy is important to Farmarco and therefore we only use the information you provide to advise about and assist with your needs. Farmarco only provides your information to companies with whom you choose to deal (eg principal broker). We do not trade, rent or sell your information

Complaint Resolution Procedures

As part of its commitment to customer service Farmarco has in place a complaints handling procedure consistent with the Australian Standard.

In the first instance clients should raise any complaint that they have with their Adviser.

However, if Clients have not received a satisfactory resolution to their complaint they can also contact Farmarco's Managing Director. If the complaint is not resolved to the Client's satisfaction, then the Client is entitled to refer the complaint to the external complaints scheme of which Farmarco is a member, the contact details of which are as follows –

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VICTORIA 3001

Toll Free: 1300 780808
Facsimile: 03 96136399
Email: info@fos.org.au
Website: www.fos.org.au

ASIC also provides a free info-line service on 1300 300630.