

PART B: TERMS AND CONDITIONS**1 SERVICES TO BE PROVIDED**

We, Somerset Smith Partners (SSP), agree to provide to you general investment advisory, broking and ancillary services in relation to the buying and selling of Securities, on the terms and conditions set out in this Agreement and Appendices.

1.1 Unless otherwise specified by us, any investment research or information about Securities made available to you by us is provided for general information purposes only and does not constitute, nor should be construed as, advice whether of an investment, tax, accounting or other nature.

2 YOUR ACCOUNT

2.1 We will open an Account for you, in your name.

2.2 You agree to take responsibility for the activities conducted through the Account and recognise the confidential nature of, and agree to keep confidential, the Account details and all information supplied to us under this agreement including, without limitation, your FIN and/or CSN.

2.3 Where you are a trust, estate, partnership, company or business any one of the persons specified in Part A hereof as trustees, executors, principals, partners, directors and authorised persons shall have the authority to operate the account. It is your responsibility to ensure that each such person complies with the terms of this Agreement and Appendices when operating the account for the trust, estate, partnership, company or business. Where any such trustee, executor, principal, partner, director and authorised person asserts their authority to operate the account it is the responsibility of that person and not the responsibility of SSP to ensure they have been authorised to act on behalf of the trust, estate, partnership, company or business.

3 OPERATION OF ACCOUNT**Use of Account for own purposes**

3.1 You will use the Account for trading on your own account only and for the subsequent settlement of Transactions and matters ancillary to the holding of securities and your funds. You may not use the Account on behalf of another person.

Authority to use Account

3.2 The Account may be operated by you or Authorised Persons only and, subject to this agreement, we will be required to accept instructions from you or Authorised Persons only.

3.3 The list of Authorised Persons may be varied by you giving to us written notice of the new, or additional, Authorised Persons. Such notice must be signed by all persons constituting you in the same manner as you sign the agreement (or as otherwise required by law) and also by the new, or additional, Authorised Persons so as to evidence their familiarity with, and agreement to comply with this agreement. Until such time as we have actually received a written revocation from you of any Authorised Person's appointment and authority, we will be entitled to rely and act upon the instruction of that Authorised Person.

Accepting Instructions

3.4 We will accept instructions either in writing (by post, facsimile or email), by telephone, by personal attendance at our offices or in such other manner (including by alternative electronic means) as we may previously have agreed with you, but in each case such instructions must be properly communicated to the person responsible for their execution. We may, at our discretion, ask you or any Authorised Person to recite personal information as specified in the agreement. The provisions of clause 25 apply to the deemed time of receipt of any written instructions. Where you comprise more than one person, we are entitled to rely on, and treat as an instruction received from any one of those persons.

3.5 We are under no obligation to verify the authenticity of any instruction or purported instruction and may act on any instruction without further enquiry or delay, from any person that we reasonably believe to be you or an Authorised Person.

3.6 We reserve the right to not act on a particular instruction given, or purported to be given, by you or an Authorised Person for any reason whatsoever, and may defer action or seek further information as we see fit. In any such event, we will notify you and will not be liable for any price movements or fluctuations or any other loss, cost or expense suffered or incurred by you or an Authorised Person as a result of us not acting on that instruction, or otherwise arising in connection therewith.

3.7 Once we have actioned your instructions and the relevant Securities have been traded or arranged to be traded, your instructions cannot be revoked although we may, in certain circumstances, at our discretion accept a modification to those instructions (other than a modification to the currency of settlement).

Implementation of Transactions

3.8 Subject to clause 3.6, instructions will be implemented by us undertaking the relevant Transactions on your behalf through our Execution and Settlement Agent (such person whom, pursuant to NZX Rules, is our Trading Participant and Delivery and Settlement Participant) in accordance with the relevant convention and rules of the market concerned from time to time in force. You acknowledge:

3.8.0 That, from time to time, Securities purchased in your name may be registered in the name of Somsmith Nominees Limited, or other affiliated custodial and client fund accounts that may be used by SSP or its agents.

3.8.1 That SSP or its agents including the Relevant Clearing Participant or Execution and Settlement Agent carry out the clearing and settlement of Trades executed for you in accordance with the C&S Rules and the Depository Rules;

3.8.2 That under the C&S Rules, the Clearing and Settlement Terms of each Trade executed for you will be novated in accordance with the C&S Rules and the Relevant Clearing Participant will become principal in the resulting Relevant Settlement Transaction and take on all of the Clearing and Settlement Terms for that Relevant Settlement Transaction and you agree to this novation pursuant to, and on the terms and conditions provided for under the C&S Rules to the full extent required by law;

3.8.3 Your rights and obligations in relation to the clearing and settlement of a Relevant Settlement Transaction will be limited to any rights against, and any obligations to, SSP (or the Trading Participant party to a Trading Agreement with SSP) and the client will not have any rights against, or obligations to, the Relevant Clearing Participant (except where the Trading Participant is the Relevant Clearing Participant) or CHO in relation to the clearing and settlement of the Relevant Settlement Transaction;

3.8.4 The liability of CHO, CDO, the Depository Nominee, New Zealand Clearing and Depository Corporation Limited and NZX to any Person (including the client) is limited or excluded by, and is subject to, the provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules;

3.8.5 You grant to SSP (or the Trading Participant party to a Trading Agreement with the Client Advising Participant) at all times, full and exclusive rights, power and authority to bind you under the C&S Rules and to authorise the application of your Client Assets in accordance with Rule 18.10 which Rule effectively states that:

"All Client Funds must be held upon trust by SSP and applied:

(a) For the purposes of the settlement of, or reimbursement in respect of the settlement of the purchase of Securities for a client;

(b) In payment of the sale price for a Client's Securities transferred into SSP's Transfer Account;

(c) In payment to any other person for whom Client Funds have been held in the Client Funds Account; and

(d) In payment of brokerage and other charges properly payable to SSP by its clients for transactions under Rules 18.10(a) and (b)."

3.8.6 You may not assert against CDO or the Depository Nominee or any person acting on behalf of CDO or the Depository Nominee (or both of them), any proprietary, equitable, contingent, future or partial interest in any funds or securities held in a Settlement Account or a Depository Account; and

3.8.7 CDO and the Depository Nominee must recognise the Depository Participant in whose name a Depository Account is held as the sole beneficial owner of Securities or funds held in that Depository Account;

3.8.8 CDO and the Depository Nominee must not, except as ordered by a court of competent jurisdiction or as is otherwise expressly provided by the Depository Rules, be liable for, bound by or compelled in any way to see to the execution of any trust or equity affecting the ownership of, or incidental rights to, any funds or securities held in a Depository Account, nor to recognise the Depository Participant in whose name the Depository Account is held as holding any funds or securities held in a Depository Account on trust nor to recognise any proprietary, equitable, contingent, future or partial interest in any funds or securities held in a Depository Account or any other right, except the beneficial right of ownership of the Depository Participant in whose name the Depository Account is held; and

3.8.9 You shall not assert any such proprietary or equitable interest or other right against CDO, the Depository Nominee or any person acting on behalf of CDO or the Depository Nominee (or both).

3.8.10 The name, telephone number and main business address of the Relevant Clearing Participants that settle Trades on behalf of SSP may be any of or any combination of:

ANZ NEW ZEALAND SECURITIES LTD, +64 (0)4 499 6655 PO Box 1790 Wellington 6140

FIRST NZ CAPITAL LTD, +64 (0)4 474 4400 PO Box 3394 Wellington 6140
NZ CLEARING LTD or NZ DEPOSITORY LTD or New Zealand Clearing and Depository Corporation Limited or NZX Limited all sharing a common contact address that is +64 (0)4 472 7599 PO Box 2959 Wellington 6140.

3.9 Bringing Orders to Market-NZX Markets

NZX Rules require us, through our Execution and Settlement Agent, to submit any instructions for orders at market price or at a fixed price limit straight to market except where you authorise that we and our Execution and Settlement Agent exercise discretion with respect to the handling and execution of your order. The obligation to submit your order immediately to market at the then prevailing market price or your Limit Order at your limit price (or better) may not necessarily mean that you will obtain the best price that can ultimately be obtained. SSP and our Execution and Settlement Agent believe that by exercising appropriate judgement and discretion with respect to your orders we can achieve the Best Execution possible under the surrounding facts and circumstances. That means that we and our Execution and Settlement Agent must evaluate your order and assess the most favourable means of execution for you. The opportunity for price improvement, which is the opportunity, but not the guarantee, for an order to be executed at a better price than what it is currently quoted is an important factor that will be considered. Other factors include market volume, the speed and likelihood of execution and the ability to achieve Best Execution by transacting off market.

3.10 Pursuant to clause 3.9 you authorise SSP and our Execution and Settlement Agent to exercise judgement and discretion in respect of all of your orders, as appropriate (which may mean accumulation or bundling of orders coming to market, delay in the execution of orders, or delay in the execution of orders to satisfy off market crossings). This authority will apply except where it is clear from your instruction in respect of any particular order that you require that order to be submitted to market immediately.

<p>3.11 Payment by You</p> <p>3.11.1 Where you have to pay for Securities bought (whether in New Zealand dollars or a foreign currency), you must immediately pay us the full amount required in respect of the relevant Transaction in cleared and immediately available funds, by agreed means. You shall immediately advise us of details of the payment. Where payment is not made within the required time, we may exercise the right of setoff herein provided for by clause 3.11.2 against the amount owing.</p> <p>3.11.2 In regard to any amount owing by you pursuant to any provision of this agreement whether to SSP or any other party where SSP is undertaking the transaction SSP has the right to deduct such sum from any moneys which it holds on your behalf pursuant to any other provision of this Agreement without notice to you. SSP however undertakes in the event of such situation arising to advise you immediately upon the occurrence of any setoff.</p> <p>3.12 Unless otherwise expressly agreed, a Transaction must be settled in the currency of the market in which the Transaction was or will be effected. For the purposes of any conversion into or from New Zealand dollars, the exchange rate will be that applicable on the date on which the Transaction was effected or through to the time when the conversion was effected, at the discretion of SSP. SSP may take a margin on the exchange rate (and the exchange rate disclosed on the Contract Note will be marked-up or marked-down from the exchange rate at which SSP contracts with the relevant bank).</p> <p>3.13 If payment for Securities bought is not made by the required date, any securities registered in your name must be returned to us. You hereby grant us an irrevocable power of attorney, exercisable in the event of a non-payment by you as outlined in this agreement, in your name and on your behalf to take such actions and sign such documents as are necessary to register the relevant securities in our name.</p> <p>3.14 For the purpose of this Agreement, any recall of an electronic payment or dishonour or other non-clearance of a cheque tendered in settlement of a Transaction will be treated as non-payment by you by the due date.</p> <p>3.15 Before effecting any buy Transaction we may, at our discretion, require you to put the Account in funds for the full amount of the purchase price or other consideration for the Transaction, together with the amount of any applicable fees and charges payable on the Transaction. We shall be entitled not to act on any instructions where you fail to put the Account in funds despite having been requested by us to do so, or where the funds are not cleared and immediately available.</p> <p>3.16 Interest on Account We may charge, and you shall pay if so charged, interest at the Interest Rate on any debit balances on the Account, arising as a result of your non-payment by the due date of any amount payable to us under this agreement. Such interest will be calculated daily.</p> <p>3.17 Delivery of Securities by You You shall deliver to us (or, where appropriate, to our Execution and Settlement Agent as the case may be) all necessary documentation and information to settle a sale Transaction by the due date specified on the Contract Note. If you do not deliver all documentation and information by the due date or if any documentation or information is at variance with details on the Contract Note:</p> <p>3.17.1 we may buy back Securities of the same type as those for which all necessary documentation and information was not delivered and retain any profit on the buy back; and</p> <p>3.17.2 you shall be liable to us for all costs and liabilities incurred as a result.</p> <p>3.17.3 For your information, unless otherwise advised, our Trading Participant execution agent for transactions in equity and certain debt securities on the markets provided by NZX is First NZ Capital Securities Ltd (FNZC), and our Delivery and Settlement Participant agent for transactions in equity and certain debt securities on the markets provided by NZX is FNZC. We also use ANZ New Zealand Securities Limited (ANZ) as Trading Participant and Delivery and Settlement Participant in respect of transactions in debt securities. For the avoidance of any doubt, the relevant agent performs the execution and broker to broker settlement process, while SSP performs the broker to client function. Transactions in overseas securities may be executed and settled by an agent appointed by SSP, FNZC or ANZ. Such agents will be regulated by the relevant authority in the market concerned. While this represents the present position, SSP reserves the right to alter these procedures at its discretion; however, all agents will be regulated by the relevant authority in the market concerned.</p> <p>3.18 Proceeds from the sale of Securities will not be paid to you or otherwise be available to cover any other obligations owed by you until the transfer of Securities is complete.</p> <p>Irregularities in Account of Statement</p> <p>3.19 You must notify us within 3 Business Days of receiving a Contract Note if you become aware of any irregularities in the Account, and must also notify us within 3 Business Days of receiving a Statement from the registrar if you become aware of any irregularities in that Statement. Unless your raise any irregularity within such timeframe, the Contract Note shall be conclusive and binding on you.</p> <p>3.20 Any inadvertent or accidental failure to send you a Contract Note shall not release you from any of your obligations in respect of the Transaction or otherwise under this agreement.</p> <p>4 TRANSACTION DISPUTES</p> <p>4.1 If you dispute any details of a Transaction as recorded on a Contract Note or the details of any instructions given or alleged to have been given, you must notify us in writing of the dispute, giving the following information:</p> <p>4.1.1 the amount and nature of the disputed Transaction; and</p> <p>4.1.2 the date and approximate time (if known) on which the disputed Transaction occurred.</p> <p>4.2 We will investigate the issue(s) in dispute and advise you of the outcome of this investigation within 15 Business Days of receiving the complaint.</p> <p>4.3 In investigating a dispute, we may refer to any relevant telephone recording.</p>	<p>5</p> <p>5.1</p> <p>5.2</p> <p>5.3</p> <p>5.4</p> <p>5.5</p> <p>6</p> <p>6.1</p> <p>6.2</p> <p>7</p> <p>7.1</p> <p>7.1.1</p> <p>7.1.2</p> <p>7.1.3</p> <p>7.2</p> <p>7.2.1</p> <p>7.2.2</p> <p>7.2.3</p> <p>7.2.4</p> <p>7.2.5</p> <p>7.2.6</p> <p>7.2.7</p> <p>7.3</p> <p>7.3.1</p> <p>7.3.2</p> <p>7.3.3</p> <p>7.3.4</p> <p>7.3.5</p> <p>7.3.6</p>	<p>CLIENT INDEMNITY</p> <p>You will on demand indemnify us and our related companies, partners, affiliated persons, officers and employees against any and all losses, costs, claims, damages, penalties, fines, expenses and liabilities which we may incur or suffer as a result of:</p> <p>any breach of this Agreement on your part, or on the part of any person for whom you are responsible in terms of this Agreement;</p> <p>any failure by you to provide us with any notice or instructions required under this Agreement;</p> <p>us relying in good faith on, and implementing, instructions given by a person who is not an Authorised Person unless there were reasonable grounds for us to doubt the identity or authority of that person;</p> <p>us having to pay funds to any other person in settlement of a Transaction where you have failed to place us in funds for that Transaction by the due date;</p> <p>us having to deliver securities to any other person in settlement of a Transaction where you have failed to deliver Securities to us (or an agent) for the Transaction by the due date.</p> <p>BANK ACCOUNT</p> <p>There shall be only one Bank Account (including all suffixes on that Bank Account number) used in the operation of the Account.</p> <p>Any changes to the Bank Account details should be notified to us in writing by you and evidenced by a pre-printed Bank Account deposit slip or other suitable identification of the Bank Account provided by the relevant bank.</p> <p>CASH MANAGEMENT FACILITIES</p> <p>SSP may, from time to time, assist clients by acting as an intermediary for cash management accounts.</p> <p>Macquarie Cash Management Account (CMH)</p> <p>Upon application to Macquarie Investment Services Ltd (Macquarie), you may open a Macquarie Cash Management (CMH) Account in Australia in your own name if you are resident in Australia. By signing the Broker Authority form, you will authorise SSP to withdraw funds from the Account to meet any debit on your SSP Account. Similarly, this authority will allow SSP to deposit funds to your Macquarie Account to clear any credit balances on your SSP Account and/or any Cash Management account.</p> <p>Full details of the operating of these accounts will be provided by Macquarie. CMH transaction statements will be sent to you by Macquarie each month. Key features of these accounts include:</p> <ul style="list-style-type: none"> • Australian income can be direct credited to the respective accounts. • Additional sums can also be lodged to the account. • Interest will be paid on these accounts at the rates set out by Macquarie. <p>By opening a CMH Account you agree to all conditions of these accounts and understand it is your sole responsibility, and as such, you will be solely responsible for any and all fees relating to the CMH Accounts. You further understand Macquarie Investment Services Ltd. is not a registered Bank under the Reserve Bank of New Zealand Act 1989.</p> <p>A commission arrangement exists between Macquarie and SSP, but this is not paid by you.</p> <p>UDC Broker Scheme Account</p> <p>When instructed by you SSP will deposit funds at call, under your name, through the UDC Broker Scheme. By asking us to deposit funds you agree to the following terms:</p> <p>All funds will be deposited through the "UDC Broker Scheme" facility in first ranking secured debenture stock, on an "at call" basis.</p> <p>Funds deposited may be combined with other funds deposited by SSP under the Broker Scheme facility with UDC from time to time.</p> <p>You understand that the rate of interest paid by UDC varies from time to time, and may do so without reference to you.</p> <p>Upon your instruction SSP will withdraw all or any part of your funds deposited with UDC under the Broker Scheme facility and pay them to you or use those funds to clear debit balances in your trading Accounts with SSP.</p> <p>SSP accepts no liability for any delay or failure on the part of UDC to repay the funds and/or interest, and that in making deposits on your behalf SSP are acting as your broker/adviser, not as an agent of UDC.</p> <p>A commission arrangement exists between UDC and SSP, but this is not paid by you.</p> <p>By opening a UDC account you agree to all conditions of these accounts and understand that while the funds are held in your name with UDC, instructions to access these accounts is via SSP. Accordingly SSP are acting as your authorized agent in this instance, and any queries and instructions should be directed to SSP rather than UDC.</p> <p>BNZ Call Management Account</p> <p>When instructed by you SSP will deposit funds at call, under your name, in your BNZ Call Management account. By asking us to deposit funds you agree to the following terms:</p> <p>All funds will be deposited through the BNZ Call Management account facility on an unsecured "at call" basis.</p> <p>Funds deposited may be combined with other funds deposited by SSP under the BNZ Call Management arrangements with BNZ from time to time.</p> <p>You understand that the rate of interest paid by BNZ varies from time to time, and may do so without reference to you.</p> <p>Upon your instruction SSP will withdraw all or any part of your funds deposited with BNZ under the BNZ Call Management account facility and pay them to you or use those funds to clear debit balances in your trading Accounts with SSP.</p> <p>SSP accepts no liability for any delay or failure on the part of BNZ to repay the funds and/or interest, and that in making deposits on your behalf SSP are acting as your broker/adviser, not as an agent of BNZ.</p> <p>By opening a BNZ account you agree to all conditions of these accounts and understand that while the funds are held in your name</p>
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with BNZ, SSP hold your authority to access these accounts. Accordingly SSP are acting as your authorized agent in this instance, and any queries and instructions should be directed to SSP rather than BNZ.

8 SAFE CUSTODY AND NOMINEE SERVICE

8.1 If you requested in Part A or on any separate occasion in writing, we agree to provide a custodial and nominee service upon the terms set out in Appendix I of this Agreement.

9 PORTFOLIO REVIEW SERVICE

9.1 If you requested in Part A or on any separate occasion in writing, we agree to provide a portfolio review service upon the terms set out in Appendix II of this Agreement.

10 FEES

You shall pay us on demand.

10.1 brokerage and any other fees, agency fees, charges, duties, costs and tax at the rate or rates notified by us to you from time to time either generally or in respect of a particular Transaction;

10.2 any agency fees and other charges incurred in effecting an overseas Transaction;

10.3 any charges or penalties imposed by another broker or by a stock exchange including, without limitation, charges or penalties imposed as a result of late or non delivery of scrip, holder identification particulars or any other information or requirements.

11 WE MAY ACT FOR BOTH PARTIES

We and/or our Execution and Settlement Agent may act as agent for both you as a buyer or seller of securities and also for the corresponding seller or buyer of those securities, and may also act as principal for our own respective account in a Transaction.

12 AGGREGATION OF ORDERS

Subject to clause 3.10, we and/or our Execution and Settlement Agent may combine your order with our own orders and orders for other clients. Whilst orders will only be aggregated where this is reasonably believed to be in the overall best interests of clients, aggregating may on some occasions result in you obtaining a less favourable price than separate execution.

13 OUR LIABILITY AND FORCE MAJEURE

13.1 We will use our best endeavours to perform our obligations under this agreement. Except in the case of (i) negligence or wilful default on our part or on the part of any of our employees, or (ii) fraud or dishonesty on the part of any of our employees, we will not be liable to you or any other person in contract or tort or on any other basis for any loss, damage, cost or expense arising directly or indirectly from any act, omission, default, error or delay by us or any of our employees or agents (including any overseas broker or agent) in the performance of our obligations under this agreement. Any liability we may have to you will be limited to the direct losses suffered or incurred by you, excluding any consequential loss and any loss of income, business, profit or saving as a result of your or any other person's inability to complete another transaction or honour another obligation.

13.2 We will not be liable for any failure to perform our obligations under this agreement if such failure is caused by any event of force majeure beyond our reasonable control or the reasonable control of our employees or agents or system providers. For the purposes of this clause, an event of force majeure includes, but is not in anyway limited to any inability to communicate with market makers or with other share brokers or financial market participants, financial intermediaries or any stock exchange or financial market, issuer of Securities or Registry, failure of any computer dealing or settlement system or information system, inability to obtain any necessary supplies for the proper conduct of business, and the actions or failures of any counterparty or any other broker or agent (including overseas brokers and agents) or system provider or information provider or of the systems of that broker or agent or system provider or information provider.

14 NZX RULES

14.1 We acknowledge that we, as an NZX Accredited Firm, are bound by NZX Rules.

14.2 The terms of this Agreement will be deemed amended as necessary to reflect any amendments to the NZX Rules. We will advise you if any such amendment materially affects you but we will not be liable for any accidental failure to advise you of any such amendment

15 CHANGES IN PROCEDURES AND ALTERNATIVE METHODS OF TRADING SECURITIES

15.1 We will notify you of any changes in procedures or conditions for trading and/or arranging Transactions in Securities, either by newspaper notice or by other written communication to you. We may also, from time to time, publish new information on our trading procedures by way of updates to existing procedures.

15.2 This agreement is to be read subject to any applicable alternative methods of trading securities (for example, but not limited to, trading restrictions or conventions applicable to a particular Security or market, trading of unlisted securities, paper based or electronic trading). In any such case, this agreement shall be deemed to be amended to the extent necessary to comply with such alternative trading methods and/or market conventions.

15.3 Without limiting clause 14.2, you acknowledge that the procedures for the trading of securities applicable in overseas jurisdictions may differ from those reflected in this agreement. You will observe relevant requirements of any overseas trading procedures. This agreement is deemed to be amended to the extent necessary in the context of a particular Transaction, to comply with overseas trading requirements.

16 ADVICE DISCLAIMER

16.1 We will use reasonable care and skill to ensure our advice is accurate and current, but this advice is necessarily based on information provided to us by you and/or other people and may not have been independently verified by us. It is your responsibility to make enquiries before making a decision to trade in any securities and we will not have any liability to you in this

regard. When giving advice we are only able to act on the basis of information provided by you in determining whether such advice is appropriate to your particular investment needs and financial circumstances.

16.2 We will not advise you about the merits of a particular Transaction if we reasonably believe that, when you give the order for that Transaction, you are not expecting such advice and are dealing on an execution only basis.

16.3 Where we give advice under this agreement we shall exercise due skill, care and diligence but do not guarantee the repayment of capital or the performance of your investments, Account or any particular Transaction. Except where otherwise agreed in writing between us, you acknowledge that we are not required to manage your investments.

16.5 You acknowledge that we are not required to monitor your investments, unless requested to do so pursuant to clause 9 of this Agreement.

17 MATERIAL INTERESTS

17.1 You acknowledge that SSP may from time to time provide stock broking, underwriting, advisory or other financial and ancillary services to companies and other entities in whose Securities we may give you advice on or deal on your behalf. The provision of such services does not affect our obligations to you or any advice provided by us to you.

18 RECORDING OF TELEPHONE CALLS

18.1 We may record telephone conversations to assist in resolving any misunderstandings. These records will be and will remain in our sole property. However, we will allow you to hear a recording in the course of any dispute.

19 CONSUMER GUARANTEES ACT

The Consumer Guarantees Act 1993 will apply to services supplied by us under this agreement except where they are acquired, or held out as being acquired, for business purposes.

20 PRIVACY ACT

20.1 We collect and hold your personal information (including your FIN) for the purposes of carrying out your instructions, administering the Account and for informing you about investment opportunities and other matters relevant to the Account and the ancillary services provided under this agreement. You consent to the collection, retention and use of your personal information by us, and in respect of the execution and settlement of Transactions, our Execution and Settlement Agent, for the above purposes. You agree that we may undertake any enquiries that may be necessary to verify your identity and your address and source of your investment funds, and that we may retain and use any documentary, investigative or electronic records so obtained for purposes of meeting any regulatory requirements.

20.2 We must disclose certain pieces of your personal information where required under the NZX Rules and to any regulatory or governmental authority or court to the extent to which such disclosure is required to be made by applicable law or court order.

20.3 Other members of the SSP group and affiliated persons and our auditors and Execution and Settlement Agent and its auditors may review any information held by us about you.

20.4 You may ask for access to, and request correction of, any of your personal information held by us under this agreement.

21 FASTER IDENTIFICATION NUMBER/AUTHORISATION CODE (FIN)

21.1 Your FIN will be retained in a secure encrypted form in SSP's systems solely for the purpose of the settlement of relevant Transactions on your Account by authorised SSP staff. Your FIN will also be encrypted in our Execution and Settlement Agent's systems for the same purpose.

21.2 SSP authorised staff and the authorised staff of our Execution and Settlement Agent will have unlimited access to the encrypted FIN for the above purpose.

21.3 SSP authorised staff and the authorised staff of our Execution and Settlement Agent will at all times protect your FIN from unauthorised use or access.

21.4 We are required by NZX Rules to warn you that the possible consequences of unauthorised use of your FIN could include the unauthorised transfer of securities out of your name or other unauthorised use of those Securities. In the unlikely event that this was to occur, you would be protected for loss but only to the extent referred to in clause 13.1 or subject to 13.1.

22 COMPLAINTS

22.1 In the event that you wish to make a complaint about our service, you should contact us. We have an internal complaints process and undertake to investigate your concerns promptly and fairly. You may contact us to make a complaint by telephone, by e-mail or in writing to the person you normally deal with or to our Compliance Officer.

22.2 You have the right to address your complaint to NZX. We are also a member of an independent approved dispute resolution scheme operated by Financial Services Complaints Limited (FSCL). We have 40 days to respond to your complaint and if you are not satisfied with our response you may refer the matter at no cost to you to FSCL whose access details can be obtained on their website www.fscl.org.nz

23 TERMINATION

You or we may terminate this agreement by written notice to the other, but without prejudice to any pre-existing rights or obligations of the parties including, for the avoidance of doubt, completion of any matter to effect and settle a Transaction and payment of any amount due to us on that Transaction.

24 YOUR LIABILITY

Where you comprise more than one person, then each person constituting you is jointly and severally liable for your performance of this agreement.

25 NOTICES

Any notice or other communication given by either of us to the other, to the address or number specified in the agreement or, to the address or number specified at the end of this clause (as the case may be) and which is sent:

25.1 by facsimile, shall be deemed to have been received by the intended recipient on the Business Day on which it was sent (but if sent after 3pm it shall be deemed to have been received on the immediately succeeding Business Day);

25.2 by mail in a correctly addressed prepaid envelope, shall be deemed to have been received by the intended recipient on the second Business Day after the date it is mailed (in the case of mailing from within New Zealand) and on the tenth Business Day after the date on which it is mailed (in the case of mailing from overseas).
The addresses for any notice to us are:

- NAPIER:
PO Box 90, Napier 4140
Ph: 06 835 3126
Fax: 06 835 1343
- HAVELOCK NORTH
PO Box 8771, Havelock North 4157
Ph: 06 835 3126
Fax: 06 877 6927

(depending on which of our offices you deal with)

25.3 You shall give us written notice within five Business Days of any change in your name, address, telephone number or other material circumstance affecting your Account.

25.4 Where you are or become a director or senior manager of an issuer, you shall provide us and the regulatory authority written advice of the prescribed details regarding your interests in the issuer.

26 INTERPRETATION

26.1 **Definitions**

"Account" means your Account with us, opened and maintained pursuant to clause 2.1.

"Agreement" means this Client Agreement comprising Part A and Part B (and any Appendices thereto) as the same may be amended from time to time.

"Authorised Person" means a person listed in the Agreement as an Authorised Person or who has become an Authorised Person in accordance with clause 3.3.

"Best Execution" means dealing for a client at the best available price for the size and kind of Transaction concerned.

"Bank Account" means your Bank Account in New Zealand as described in the Agreement.

"Business Day" means any day other than a Saturday, Sunday or statutory holiday.

"Contract Note" means the Contract Note or other confirmation note to be sent by us to you confirming each Transaction, showing details of price, number of Securities traded, brokerage and any other fee or charges applicable.

"CDO" means New Zealand Depository Limited

"CHO" means New Zealand Clearing Limited

"C&S" means Clearing and Settlements

"CSN" means Common Shareholder Number (New Zealand).

"Execution and Settlement Agent" or "Relevant Clearing Participant" means the person or persons from time to time that Somerset Smith has contracted to perform certain execution and/or back office functions including the clearing and settlement of Transactions.

"FASTER Trading System" or "Legal Title Transfer System" means the systems, facilities and services provided by NZX, CHO, or CDO for lodging quotations and orders for trading and settling securities.

"FIN" means the FASTER Trading Identification Number or Authorisation Code issued by a Registry to you in any given holding of Securities.

"Interest Rate" means the rate of interest, calculated on a daily basis that is the aggregate of the 90 day bank bill bid rate plus a margin of 2% per annum, with the minimum charge of \$25.

"Limit Order" means an instruction to buy or sell a Security at a specific price.

"NZX" means NZX Limited and includes its successors.

"NZX Markets" means markets for the trading of Securities provided and regulated by NZX.

"Registry" means the particular share Registry which maintains the register of Security holders for the particular listed entity the Securities of which are to be traded by you pursuant to this Agreement.

"Security" means any Security which we agree to buy or sell on your behalf, including a Security as defined in section 2D of the Securities Act 1978 (excluding paragraphs (d) and (e) of Section 2D(1)), and "Securities" shall be constructed accordingly.

"SSP" means Somerset Smith Partners and its associated companies, partners and affiliated persons.

"Statement" means the Statement sent by you to the Registry updating your holding every time you buy or sell Securities.

"Transaction" means a Transaction effected or to be effected by us pursuant to your instructions.

26.2 General Interpretation

In this Agreement:

26.2.1 unless the context otherwise requires, references "we", "us" and "our" are to Somerset Smith Partners (including its successors and assigns) and references to "you" and "your" are references to the person or persons whose name appears on the Agreement as the client, including that person or person's administrators, executors and successors;

26.2.2 unless otherwise stated, a reference to a clause is a reference to a clause of this Agreement.

26.2.3 words in the plural include the singular and vice versa;

26.2.4 headings are inserted for convenience only and do not affect the interpretation of this Agreement;

26.2.5 expressions referring to writing shall be constructed as including references to words printed, typewritten, produced by facsimile or otherwise traced, copied or reproduced.

26.3 Governing Law

This Agreement shall be governed by New Zealand Law.

27 CHANGES TO THE "AGREEMENT"

We reserve the right to implement a new client agreement or to amend this agreement, by notice to you, in the event that this agreement becomes impracticable, outdated or incorrect in any respect. In such an event, you will have the option to terminate your relationship with us if

you do not wish to move onto the new or amended terms. Notification of these changes may be advised by the way of a newspaper advertisement within 14 days of the intended implementation.

28 CHANGES TO THE "TERMS & CONDITIONS"

SSP reserves the right to amend the Terms & Conditions of this agreement at any time. Notification of these changes may be advised by the way of a newspaper advertisement within 14 days of the intended implementation.

APPENDIX I (clause 8)

1 SAFE CUSTODY AND NOMINEE SERVICE

1.1 Except where securities are purchased by SSP on your behalf for deposit under this Agreement into safe custody at SSP, you shall deliver to us all necessary documentation and information to enable SSP to deposit Securities and Investments into safe custody at SSP as directed.

1.2 You represent and warrant that you are the beneficial owner of the custody investments, or you act as trustee on behalf of the beneficial owner and that the Custody investments are free from any lien, charge, right of retention or sale or other encumbrance or impediment.

1.3 SSP shall not transfer, exchange, exercise rights attached to or otherwise deal with Custody Investments except pursuant to this Agreement or on your instructions or those of an Authorised Person.

1.4 Your Custody Investments will generally be held in unique accounts using your SSP account number as the unique identifier. However, we reserve the right to hold all custodial Securities in a pooled account. This means that the legal title to the investment is registered in a single name, with individual client's assets identified only within our safe custody records.

1.5 In accordance with NZX Rules, Custody Investments held by SSP on your behalf shall be recorded and held in a separate account in its books segregated from assets belonging to SSP. Any agents used by SSP shall be directed to so record and hold (so far permitted by law, regulations or market practice) all Custody Investments as identifiable for the account of clients or otherwise to the order of clients as the Agent may think proper for the purpose of providing for their safe keeping.

1.6 SSP or any Agent may in its discretion refuse to accept (in whole or in part) any deposit of Custody Investments under this Appendix. For the avoidance of doubt, this agreement shall not be deemed to terminate solely as a result of any change in the Custody Investments held from time to time or because no investments are held at any given time.

2 ACCEPTING INSTRUCTIONS

2.1 SSP shall at its discretion and without any liability on its part, rely and act upon instructions from you or an Authorised Person to deal with all or part of the Custody investments, and you shall be bound by those instructions.

2.2 Instructions for the transfer of Custody Investments out of safe custody into your name must be in writing by letter or facsimile and signed by you or an Authorised Person.

3 REGISTRATION OF INVESTMENTS

3.1 New Zealand and Australian investments will usually be registered in the name of Somsomsmith Nominees Ltd as nominee.

3.2 Other overseas investments will usually be held in an omnibus Account in the name of a nominee company controlled by a custodian appointed by SSP as Agent.

3.3 In exceptional circumstances, overseas investments may be registered in the name of a custodian or SSP or a related company of SSP. This will only occur where, due to law or market practice of the overseas jurisdiction, it is in your best interests or it is not feasible to do otherwise. Where investments are so held, your investments may not be segregated from the custodian's or SSP's own investments and, in the event of default of the custodian or SSP you may not be as well protected.

3.4 SSP will reconcile holdings in accordance with the NZX Rules.

4 SUB-CUSTODIANS, NOMINEES, DELEGATES AND AGENTS

4.1 SSP may appoint any other person as its sub custodian, nominee or Agent to perform any of the duties and/or functions of SSP as custodian on its behalf and may delegate any of its powers under this Appendix to such a person and, provided that SSP exercises reasonable care in the selection of any such person, SSP shall not be liable for any act or omission of such person. Where used, SSP shall have no liability whatsoever for or in respect of any Clearance System. Persons described in this Clause 4.1 may be connected with SSP.

4.2 In the unlikely event of a default by an Agent used by SSP there may be an irreconcilable shortfall and clients may share that shortfall on a pro rata basis.

5 RECORDS

5.1 SSP will maintain accounting records showing the ownership, receipt, disbursement and other movements of Custody Investments. You may inspect details of your Transactions during normal business hours. We hold records for at least seven years. Information from the current year and the previous year is usually available on the same day. More historical information may take up to ten working days.

5.2 Where custodial investments are held in a unique client account SSP will hold statements from the relevant registries that show all movements of Securities for your custodial account. All purchases and sales will also be recorded through our internal ledger accounts.

6 TRANSACTIONS AFFECTING CUSTODY INVESTMENTS

6.1 SSP will keep you informed of certain important events that affect your Custody Investments, such as purchases, sales, rights issues, bonus issues, takeovers, company reconstructions and the impending exercise/expiry of options, warrants and convertible bonds, and act in accordance with your instructions in relation thereto.

6.2 SSP shall have no duty or responsibility as regards attendance at meetings or voting in respect of any of the Custody Investments or in respect of proxies received by it or any of its Agents in respect of any Custody Investments and/or for sending any proxies or giving any notice of the receipt of such proxies to you. However, SSP will act in accordance with your written instructions in this regard.

6.3 Any investments or other consideration received by SSP in respect of Custody Investments shall, unless SSP agrees otherwise, be held subject to this Appendix.

- 6.4 SSP will advise you of all material changes in securities or funds held on your behalf as soon as practicable after changes have occurred. You agree that our notification to you may be immediate or it may be on the next reporting date in our absolute discretion. This clause does not apply to normal market fluctuations.
- 6.5 You agree to advise us in writing when material changes occur in your circumstances which would affect this Appendix and our respective obligations under it.
- 7 DIVIDENDS AND INCOME**
- 7.1 Where accounts are held in New Zealand and Australia and instructions are given, we will arrange for income (including dividends, interest and other distributions of any kind) and principal repayments to be direct credited by the company registrar to your nominated account. Otherwise SSP will collect income (including dividends and distribution of any kind) and principal (including the proceeds of any disposal) in respect of any Custody Investments, and unless instructed otherwise, shall treat all monies received by it in accordance with NZX Rules governing the segregation of client money.
- 7.2 Unless otherwise agreed to by SSP, or where an Australian bank account has been nominated, all dividends and interest received in a foreign currency may be converted into New Zealand dollars at the time of receipt by SSP.
- 7.3 Where Securities are held in the unique account holdings, taxation is generally deducted at source by the company's registrars and not by SSP. However, SSP may deduct taxation from any payment of income if it is obligated to do so under New Zealand law. You are solely responsible for all taxes or similar liabilities levied on or arising out of any Custody Investments and any payment due to you. SSP shall have no responsibility or liability with regard to your tax status or position in any jurisdiction.
- 7.4 You shall provide SSP with such information regarding your tax status as reasonably requested by SSP from time to time.
- 7.5 SSP is required to obtain certain information to establish how the New Zealand withholding tax rules apply to dividends and interest that you receive. SSP may also make this information available to registrars and issuers of the Custody Investments. In this regard, please complete Part A of this agreement. SSP will be unable to provide the service without this information.
- 7.6 You undertake to notify SSP immediately in writing should any of the taxation information specified by you in Part A alter.
- 8 REGULAR REPORTS**
- 8.1 A Statement of Custody investments will be sent to you quarterly or at less regular intervals (but at least every six months pursuant to NZX Rules) where instructed in writing by you.
- 9 PORTFOLIO VALUATIONS**
- 9.1 Where instructed by you, SSP will send you a valuation of your portfolio.
- Custody Investments**
- 9.2 Your portfolio valuation will include Custody Investments administered on your behalf by SSP under this Appendix.
- External Holdings**
- 9.3 Where instructed by you or an Authorised Person, or by provision from you of a holdings statement or advice note issued to you by a registry or another financial institution showing the ownership of assets by you acquired other than through SSP we shall include non-custodial holdings/assets owned by you in your portfolio. Such holdings/assets will be included in the valuation and not removed by SSP until instructed by you or by provision from you of a holdings statement or advice note issued to you by a registry or another financial institution.
- 9.4 Notwithstanding any statement in 9.3 you acknowledge that SSP are not required to take responsibility for the accuracy of any statement of holdings which you give us and which are not in our custody. You also acknowledge that SSP will not be liable to any third party in respect of such valuations and any third party may not rely on such valuations without our specific authority to do so.
- Basis of Valuation**
- 9.5 The cost price of Custody Investments will be calculated as at the date such investments were added to your portfolio or at the acquisition date as notified by you. If no cost is notified, the cost price of holdings will be zero. Where investments are shown in a currency other than New Zealand dollars, the cost price will be shown in the applicable overseas currency on the valuation.
- Form and Frequency of Valuation**
- 9.6 Your portfolio valuation will usually be provided to you in written form.
- 9.7 Valuations will be sent to you approximately every quarter (but not less than six monthly pursuant to NZX Rules).
- 10 FEES**
- 10.1 You shall pay SSP on demand such fees and charges as SSP may from time to time prescribe in connection with the Safe Custody and Nominee Service (and where required by you, the portfolio valuation service) provided by it or any Agents under or in connection with the Appendix. You authorise SSP to debit your Account at SSP with the annual Custodial service fee prescribed, as amended from time to time, and portfolio valuation fees, where charged. An invoice will be sent to you prescribing what action, if any, that you may be required to take in regard to the debit on your SSP account.
- 11 OTHER MATTERS**
- 11.1 Unless instructed otherwise and subject to Clause 6, SSP shall have no obligation to forward or take any other action whatsoever in connections with reports, notices, proxies and other communications received in respect of any Custody Investments.
- 11.2 You authorise SSP to execute as custodian such certificates of ownership, declarations or other certificates as SSP shall be obliged to do under and pursuant to applicable law.
- 11.3 Where requested you shall perform such acts and sign and execute all such agreements, proxies, authorities or documents as may be required by SSP for the performance or implementation of this Appendix.
- 11.4 You shall be deemed to have notice and accept the terms of any trust deeds in relation to those trust assets which constitute Custody Investments.
- 12 OUR EXCLUSION OF LIABILITY**
- 12.1 SSP shall not be liable for losses of any kind which may be incurred by you as a result of the provision of the Safe Custody and Nominee Service by SSP in accordance with your instructions or those of any Authorised Person nor, in any other case, unless due to the gross negligence or wilful default of SSP. Any liability we may have to you will be limited to the direct loss suffered or incurred by you, excluding any consequential loss and any loss of income, business, profit or saving or any other cost or expense arising as a result of you and or any other persons inability to complete another transaction or honour another obligation, or otherwise arising in connection therewith. In no circumstance shall the liability of SSP under this Appendix exceed the market value of the Custody Investments held by it on your behalf in respect of which such liability arose.
- 13 TERMINATION AND REDELIVERY**
- 13.1 SSP may at any time redeliver all or any Custody Investments to you without terminating this Appendix.
- 13.2 You or SSP may terminate this Agreement by written notice to the other and require re-delivery of the Custody Investments but without prejudice to any pre existing rights or obligations of the parties including, for the avoidance of doubt, completion of any matter to effect and settle a Transaction and payment of any amount due to us on that Transaction. Within a reasonable period after notice of such a termination, we shall deliver to you in person, or by registered post to your address as notified to SSP, or by transfer to your bankers or agents, or otherwise as you may direct, the balance of all Custody Investments held by SSP.
- 13.3 Our obligations under sub-clause 13.3 in any other event when you request a transfer of the Custody Investments to be made subject to:-
compliance with applicable law or regulatory requirements,
reasonable notice having been given to and received by SSP and,
the rules and requirements of any relevant investment exchange, clearing system, sub custodian or other person referred to in Clause 4 of this Appendix provided that SSP may make such arrangements as it deems appropriate and where applicable, at your expense in order that prompt delivery is made.
- 13.4 If you are indebted in any way to SSP in respect of Custody Investments (for example, without limitation, in respect of unpaid fees or any payment made to you by SSP on Account of interest, dividends or other income not yet collected by SSP) SSP may decline to redeliver such Custody Investments until such debt has been discharged.
- 13.5 You further acknowledge that your indebtedness and liability to SSP shall be continuing until such time as SSP is satisfied that it has received full and final settlement of payment due on the Investments in respect of those amounts paid to you. You shall fully indemnify SSP in the event of non-payment or part payment only.
- 13.6 You shall bear all costs and risks of delivery to you for your order, whether upon termination or otherwise.
- 14 INTERPRETATION**
- Definitions**
- "Agent" means any sub-custodian, nominee, delegate or agent (other than a Clearance System) appointed by SSP any time pursuant to Clause 4.
- "Clearance System" means recognised central clearing or depository system and other clearing agency, settlement system or depository as may be used under this Agreement from time to time.
- "Cost Price" in relation to Custody Investments means the price actually paid for those investments including any applicable brokerage, agency or other charges. Where holdings have been transferred to the custodial service, or records of holdings have been supplied to us, as opposed to having been purchased through SSP, the cost price will be zero unless advised by you.
- "Custody Investments" and "Investments" means any of the following of which you are the legal or beneficial owner and that SSP may in accordance with your instructions or those of an Authorised Person from time to time hold on your behalf in accordance with this Appendix:
(i) non-cash assets held in the markets listed in 14.2 of this Appendix, including stocks, shares, bonds, debentures, notes and other securities;
(ii) cash balances held in relation or deriving from any non-cash assets;
(iii) any other certificates, receipts, warrants, puts, calls and other instruments evidencing ownership of or representing rights to receive, acquire, and subscribe for non-cash assets described in (i) above or evidencing or representing other rights and interests in securities; and
(iv) any other type of Security or asset as may be specifically agreed to by SSP "External Holdings/assets" means any holding notified by you to SSP for inclusion in your portfolio valuation pursuant to clause 9.3.
- 14.2 Markets in which SSP provide the Safe Custody and Nominee Service: Australia, Belgium, Canada, Finland, France, Germany, Hong Kong, Italy, Japan, Netherlands, New Zealand, Singapore, South Africa, Spain, Switzerland, United Kingdom, United States.
- APPENDIX II (clause 9)**
- 1 PORTFOLIO REVIEW SERVICE (AND PORTFOLIO VALUATIONS)**
- 1.1 We may from time to time, supply a valuation of your portfolio according to our records.
- 1.2 These valuations are based on transactions undertaken through SSP and information supplied to us.
- 1.3 SSP accepts no responsibility for the accuracy or completeness of these records unless your securities are held in our Safe Custody and Nominee Service.

- 1.4 You accept that it is your sole responsibility to advise us of any discrepancies or changes required.
- 1.5 SSP may provide you with market commentary, reviews and recommendations based on this information. However, SSP advises that this review process is conducted in conjunction with you and that it is your sole responsibility if you take action in this process. For clarity, you accept that SSP's review process does not mean that SSP is managing your portfolio.
- 1.6 SSP expressly advises that this information is for your records alone, and should not be supplied to third parties, or be used to purport your financial position, without SSP's permission.
- 1.7 You agree to advise us in writing when material changes occur in your circumstances which would affect this agreement and our respective obligations under it.

2 FEES

- 2.1 You shall pay SSP on demand such fees and charges as SSP may from time to time prescribe in connection with the Portfolio Review Service provided by it or any Agents under or in connection with the Agreement. You authorise SSP to debit your Account at SSP with the annual Portfolio Review Service fee prescribed, as amended from time to time. An invoice will be sent to you prescribing what action, if any, that you may be required to take in regard to the debit on your SSP account.

3 OUR EXCLUSION OF LIABILITY

- 3.1 SSP shall not be liable for losses of any kind which may be incurred by you as a result of the provision of the Portfolio Review Service by SSP in accordance with your instructions or those of any Authorised Person nor, in any other case, unless due to the gross negligence or wilful default of SSP. This is because you are responsible for the validity of the information which you give to us as to the extent of your portfolio since pursuant to these terms and conditions we are not required to validate the information which you give us and we accept no responsibility to any third party in respect of this service and such third parties are not entitled to rely on the portfolio review service unless SSP have specifically agreed to so.

APPENDIX III

GENERIC RISK DISCLOSURE AND WARNING STATEMENT FOR TRANSACTIONS IN SECURITIES, INCLUDING WARRANTS, DERIVATIVE INSTRUMENTS AND MARGIN TRADING.

This notice is provided to you as an investor for general information purposes in order to assist your understanding of the potential risks involved in undertaking transactions in securities, warrants, margin trading (also called "leveraged equities" transactions) and derivative instruments. This notice cannot disclose all the risks and other significant aspects of warrants, margin trading or transactions in derivatives such as futures, options, and contracts for differences. You should not deal in these products unless you understand their nature and the extent of your exposure to risk and financial loss. You should also be satisfied that the product is suitable for you in light of your circumstances, financial position, investment objectives and tolerance for risk. You are cautioned to carefully note the risk factors contained in the relevant warrants, margin trading or derivative instrument product particulars (if any) and to seek advice before making a decision to invest or trade in these types of products. Different investments involve different levels of risk and in deciding whether to trade in such instruments you should be aware of the points below. Certain strategies, such as a "spread" position or a "straddle", may be as risky as a simple "long" or "short" position.

This disclosure covers both products offered by SSP and products which may in the future be offered by SSP. These comments do not purport that SSP currently act in these areas and specific advice and consideration is required by you before acting in any way. Any decision to so act is at your discretion as advised by the terms and conditions specified above.

1. General Investment Risk Warning

All investment in securities and the trading of securities entails risk. You should take time to understand and be aware of the risks of particular investment strategies. The price, value and income derived from investments may fluctuate in that values can go down as well as up and investors may get back less than originally invested (possibly a total loss of capital). The risk of loss may occur by reason of movements in the market generally. These can be caused by a number of factors including political, economic, taxation, or legislative factors. Specific examples are changes in interest rates, changes in taxation or superannuation laws, international crises or natural disasters. A company or investment may be vulnerable to international events or market factors. These would include, for example, movements in exchange rates, changes in tariff policies or changes in international stock markets. Sector specific factors may include demand for the product a company produces, commodity prices, the economic cycle of industry, changes in consumer demands, competition, lifestyle changes and changes in technology. Stock specific factors may include changes to the company's directors, the strength of the company's management and the significance of key personnel, profit history, its tangible asset base and debt levels. Litigation, profits or losses on particular contracts, business lines or drill results may also be included as stock specific factors. Past performance is no guarantee or indication of future results, and undue reliance should not be placed on past performance or anticipated future performance. You must make your own investment decisions in light of your investment objectives, risk profile, and circumstances and seek advice as may be necessary. Although you

may request advice from us about all of these things the decision to invest is ultimately yours and any advice that we may give is subject to the limitations set out in this agreement.

2. Warrants

A Warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable, in the price of the warrant. The prices of warrants can therefore be volatile. It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the pre-determined time-scale then the investment becomes worthless. You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges. Although warrants can be utilised for the management of investment risk, warrants are unsuitable for many investors.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a 'covered warrant').

3 Off-Exchange Warrant Transactions

Transactions in off exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even when they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

4 Futures

Transactions in futures involve the obligation to make, or to take delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionally much larger movement in the value of your investment, and this can work against you as well as for you. Futures Transactions have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements, which are set out in paragraph (18) below.

5 Options

There are many different types of options with different characteristics subject to the following conditions.

Buying options: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under 'futures' and 'contingent liability transactions'.

Writing options: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (known as 'covered call options') the risk is reduced. If you do not own the underlying asset (known as 'uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

6 Contracts for differences

Futures and options contracts can also be referred to as a contract for differences. These can be options and futures on a market index, as well as currency and interest rate swaps. However, unlike other futures, and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these as set out in paragraphs (4) and (5) respectively. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in paragraph (9) below.

7 Off exchange transactions

It may not always be apparent whether or not a particular derivative is effected on exchange or in an off exchange derivative transaction. SSP must make it clear to you if you are entering into an off exchange derivative transaction.

While some off-exchange markets are highly liquid, transactions in off-exchange or 'non transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and, even when they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

8 Foreign Markets

Foreign markets will involve different risks from the NZ Markets. In some cases the risk will be greater. On request, SSP will provide an explanation of the relevant risks and protections (if any) will operate in any foreign markets, including the extent to which SSP will accept liability for any

- default of a foreign firm through whom SSP deals. The potential for profit loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.
- 9 Contingent Liability Transactions**
Contingent liability transactions, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.
If you trade in futures, contracts for differences or sell options you may sustain a total loss of the margin you deposit with SSP to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract.
SSP may only carry out margined or contingent liability transactions for you if they are traded on or under the rules of a recognised or designated investment exchange. Contingent liability transactions, which are not so traded, may expose you to substantially greater risk.
- 10 Limited Liability Transactions**
Before entering into a limited liability transaction you should obtain from SSP a formal written statement confirming that the extent of your loss liability on each transaction will be limited to an amount agreed by you prior to entering into the transaction.
The amount you can lose in limited liability transactions will be less than in other margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of your loss will be subject to the agreed limit, you may sustain the loss in a relatively short time. Your loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.
- 11 Collateral**
If you deposit collateral as security with SSP, the way it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral depending on whether you are trading on a recognised or designated investment exchange, with the rules of that exchange (and associated clearing house) applying, or trading off exchange. Deposited collateral may lose its identity as your property once deals on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets, which you deposited and may have to accept payment in cash. You should ascertain from SSP how your collateral would be dealt with.
- 12 Commissions**
Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable, if any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific monetary terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.
- 13 Suspensions of Trading**
Under certain trading conditions it may be difficult to impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.
- 14 Clearing house protections**
On many exchanges, the performance of a transaction, SSP (or third parties with whom SSP is dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the customer, and may not protect you if SSP or another party defaults on its obligations to you. On request, SSP will explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There is normally no clearing house for off-exchange instruments, which are not traded under the rules of a recognised or designated investment exchange.
- 15 Liquidation of position**
Positions may be liquidated or closed out without your consent in the event you fail to meet a margin call. Additionally, the insolvency or default of any broker involved in your Transaction may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payment in cash.
- 16 Insolvency**
Insolvency or default by SSP, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. On request SSP will provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.
- 17 Margin Trading: Borrowing Money to Pay for Stocks**
Margin trading is borrowing money from a margin product provider to buy shares and using your investment as collateral. Investors generally use margin to increase their purchasing power so that they can own more shares without fully paying for them. However, margin exposes investors to the potential for higher losses.
- 18 Understand How Margin Works**
For example, let's say you buy a share for \$50 and the price of the share rises to \$75. If you bought the share in your broker account and paid for it in full, you'll earn a 50 percent return on your investment. But if you bought the share on margin-paying \$25 in cash and borrowing \$25 from a margin product provider-you'll earn a 100 percent return on the money you invested. Of course you'll still owe the lender \$25 plus interest.

The downside to using margin is that if the share price falls, substantial losses can mount quickly. For example, let's say the share you bought for \$50 falls to \$25. If you fully paid for the share, then you'll lose 50 percent of your money. But if you bought on margin, you'll lose 100 percent, and you still must come up with the interest you owe on the loan.

In volatile markets, investors who put up an initial margin payment for shares may, from time to time, be required to provide additional cash or securities if the price of the shares falls. You should be aware that the margin trading product provider might be able to sell your securities without notice to you when you don't have sufficient equity in your margin account. Understand that your position may be liquidated at a loss and you will be responsible for paying the resulting deficit.

19 Recognise the Risks

Margin trading represents a high degree of risk and is not suitable for everyone. Before undertaking transactions using a margin trading facility, you should fully understand that:

- You can lose more money than you have invested;
- You may have to deposit additional cash or securities in your account on short notice to cover market losses;
- You may be forced to sell some or all of your securities when falling share prices reduce the value of your securities, and
- The margin trading product provider may be able to sell some or all of your securities without consulting you to pay off the loan it made to you.
- Be aware of the costs you will be charged on money you borrow from the margin trading product provider and how these costs affect your overall return.

You can protect yourself by knowing how margin trading works and what happens if the price of the shares purchased on margin declines. Know that the product provider charges you interest for borrowing money and how that will affect the total return on your investments.

20 Read Your Margin Agreement

To open a margin trading facility, the product provider is required to obtain your signature. You are cautioned to carefully review the agreement, and seek advice if you don't understand it, before you sign it.

As with most loans, the margin agreement explains the terms and conditions of the margin account. The agreement describes how the interest on the loan is calculated, how you are responsible for repaying the loan, how the securities you purchase serve as collateral for the loan and risk factors. Carefully review the agreement to determine what notice, if any, the product provider must give you before selling your securities to repay the money you have borrowed.

21 Understand Margin Calls

If your margin account has a shortfall (i.e. the loan balance is not covered by the value of cash and/or securities held as security against the loan) the product provider will make a margin call on you to deposit more cash or securities into your account. If you are unable to meet the margin call, the product provider may enforce the margin call and sell your securities to increase the equity in your account up to or above the level required.