



PRODUCT DISCLOSURE STATEMENT FOR THE ISSUE OF SFE FUTURES BY MORRISON SECURITIES PTY LIMITED

PART 1

This document is part of a Product Disclosure Statement and is Part 1.

The other document which makes up the Product Disclosure Statement is a separate Part 2, which deals with Morrison Securities' brokerage fees and Clearing House fees.

Together this Part 1 and Part 2 make up the Product Disclosure Statement.

Both Part 1 and Part 2 **MUST** be read and considered in conjunction with each other before making any decision to invest.

This Product Disclosure Statement is issued by Morrison Securities Pty Limited.
Australian Financial Services Licence number 241737.
ABN: 50 001 430 342

The date of this Part 1 is 2 July 2007

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1. THE PURPOSE OF THIS PDS

1.1 WHO IS MORRISON SECURITIES ?

Morrison Securities Pty Limited (“Morrison Securities”) ABN 50 001 430 342 is an execution broker and participant of the ASX Group and Sydney Futures Exchange (SFE)

You can contact Morrison Securities as follows:

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Tel no. : (+612) 9033 8383

Toll Free: 1300 886 010 (within Australia only)

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1.2 MORRISON SECURITIES’ ROLE AS BROKER

Morrison Securities is the holder of Australian Financial Services Licence (“AFSL”) number 241737.

Under the terms of its AFSL, Morrison Securities is authorised to act for clients and buy and sell financial products on the client’s behalf on the ASX and SFE, including contracts on the SFE Futures Market.

When Morrison Securities buys or sells a futures contract on the client’s behalf on the SFE Futures Market, the Corporations Act deems Morrison Securities to be the “issuer” of that contract. Under the terms of its AFSL, Morrison Securities is authorised to “issue” SFE Futures contracts.

1.3 PRODUCTS COVERED BY THIS PDS

This PDS covers SFE Futures (“Futures”) traded, settled and cleared on the Sydney Futures Exchange (“SFE”). It deals with the following products:

Interest Rates

- 30 Day Interbank Cash Rate Futures
- 90 Day Australian Bank Accepted Bill Futures and Options
- 3 Year and 10 Year Australian Treasury Bond Futures and Options
- Bond Index Futures
- One-Session Options
- Australia/US 10 Year Bond Spread Futures
- New Zealand 30 Day Official Cash Rate Futures

- 90 Day New Zealand Bank Bill Futures and Options
- 3 Year and 10 Year New Zealand Government Stock Futures and Options

For more detailed information concerning Interest Rates Futures traded on the SFE you are referred to www.asx.com.au/investor/futures/interest_rates/index.htm.

Equities

- SFE SPI 200™ Equity Index Futures and Options
- Intra-Day Options on SFE SPI 200 Equity Index Futures
- SFE CBOT mini-sized DowSM 1-Day Option
- Australian Individual Share Futures

For more detailed information concerning Equities Futures traded on the SFE you are referred to www.asx.com.au/investor/futures/equities/index.htm.

Commodities

- Wool Futures and Options
- MLA/SFE Cattle Futures

For more detailed information concerning Commodities Futures traded on the SFE you are referred to www.asx.com.au/investor/futures/commodities/index.htm.

1.4 THE IMPORTANCE OF THIS PDS

This PDS is designed to assist you in deciding whether the types of options covered in this PDS are appropriate for your needs. This PDS is an important document and you should read it in full. You should contact your adviser if you have any questions arising from the PDS prior to entering into any transactions with Morrison Securities.

1.5 WARNING

The information and any general advice in this PDS do not take into account your personal objectives, financial situation and needs. Before trading in the types of Futures referred to in this PDS you should consult your financial adviser or obtain other independent advice to be satisfied that any trading you undertake in relation to those types of futures is appropriate in view of your own objectives, financial situation and needs.

1.6 READING THIS PDS

When we use terms ‘we’, ‘us’ or ‘our’ in this PDS, the reference is to Morrison Securities.

The ASX has prepared free online courses for SFE Futures education. They can be found at http://www.sfe.com.au/education_sfe/index.html

2. GENERAL INFORMATION RELATING TO SFE FUTURES

2.1 What are exchange traded futures contracts?

An exchange traded futures contract is an agreement, traded on a derivatives exchange, to deliver or take delivery of a specified amount of a security or a commodity of a given grade or quality, or to make a cash adjustment based on a change in the price of the commodity, financial instrument, security or stock indices at an agreed time in the future.

2.1 What are the benefits of exchange traded futures contracts?

The major benefits of exchange traded futures contracts are that they:

- can be used by investors to gain leveraged exposure to financial or commodity markets; and
- provide those who deal in the traded commodities, financial instruments and securities with a facility for managing the risks associated with changing prices for those investments.

2.2 Types of exchange traded futures contracts

There are two main types of exchange traded futures contracts. One is an arrangement under which the seller agrees to deliver to the buyer, and the buyer agrees to take delivery of the quantity of the commodity described in the contract. Such contracts will be described in this PDS as deliverable contracts. The other is an arrangement under which the two parties will make cash adjustment between them according to whether the price of a commodity, financial instrument or index has risen or fallen since the time the arrangement was made. Such contracts will be described in this document as cash settled contracts. An exchange traded futures contract's terms are generally set out in the Operating Rules of the exchange on which the contract was made. Exchange traded futures contracts are made for periods of up to several years in the future, although most are for settlement within 6 months of the contract being made. Part of the standardisation of exchange traded futures contracts is that the time of delivery or settlement is one of a series of standardised maturity times. For example, in the SPI-200® cash settled contract traded on the Sydney Futures Exchange (SFE), contracts can be made for settlement at the end of any month of March, June, September or December during a period of 18 months from the time of the trade.

2.3 Exchange traded derivatives contracts are standardised

Exchange traded derivatives contracts - more particularly futures contracts - traded on the SFE and other derivative markets are standardised. A consequence of contract standardisation is that the price is the only factor that remains to be determined in the marketplace (other than volume and contract month). On the SFE, derivatives contracts are quoted and traded on SYCOM®. SYCOM® provides a system of continuous price discovery. This means that the price at which trades take place may continually change throughout a trading session.

All exchange traded derivatives contracts for a given future month in the same market are easily transferred from one party to another. A client who holds a derivatives contract to

buy may cancel this obligation by taking a new contract to sell in the same month, a process known as offsetting or closing out the contract. In the same way, the holder of a contract to sell can close out by taking a new contract to buy. In each case there will be a profit or loss equal to the difference between the buying and selling prices multiplied by the standard contract amount – minus any transaction costs. In practice, the vast majority of derivatives contracts are offset in this manner, the remainder being fulfilled by delivery or by mandatory cash settlement where no provision for delivery exists.

2.4 Closing-out

Closing-out can be achieved without reference to the original party with whom the derivatives contract is traded because of a system of novation or substitution of one contracting party for another. The clearing house of SFE, SFE Clearing Corporation Pty Ltd (“Clearing House”), stands between the buying and selling brokers guaranteeing contract performance to each of them. The Clearing House is able to substitute a new buyer as the contract party when an existing buyer sells to close out their position. This can be represented by the following:

A sells to B at \$100 per unit;

B sells to C at \$120 per unit;

B has quit the market and has a profit of \$20 per unit (ignoring transaction costs);

At maturity, A (seller) is matched with C (buyer).

In effect C has replaced B as the buyer of the contract from A. The contracts which B held (one to buy and one to sell) have been settled in cash; B simply receives a profit. Any profit due to B is paid out by the Clearing House in cash, even though the original seller (A) remains in the market. The Clearing House ensures that it is able to pay such profits by calling initial margin and variation margin to cover any unrealised losses in the market. Variation margin must be paid or satisfied by any client whose derivatives contract is showing a loss; i.e. if the market falls after a purchase or rises after a sale. If a client enters a derivatives contract to buy an SFE SPI 200 Index futures contract when the price is 6,500 points and on the day after the SFE SPI 200 Index futures price decreases by 125 points to 6,375 points, the client will be required to pay a margin of 125 points times \$25 (tick value) or \$3,125. Variation margin ensures that if the holder of the opposite contract wishes to offset the obligation before you, the Clearing House will have to have cash on hand to pay the resulting profit. If the market fails to recover before your contract matures, this margin will not be recovered; it would then become a realised loss.

2.5 Exchange Traded Futures Options

What is an option?

On the SFE several option contracts are traded over futures contracts (commonly known as futures options). From the buyer’s viewpoint a futures option is the right, not the obligation, to enter into a futures contract at the exercise price of the futures option granted in return for a premium. From the seller’s viewpoint the seller has no right as such (other than a right to the premium). The seller will be under an obligation to enter into a futures contract at the exercise price of the futures option if the option is validly exercised. Like futures contracts options are standardised so that having bought an option it is possible to sell it later to a third party and vice versa. There is a distinction between futures options and exchange traded options. If a futures option is exercised it results in

the establishment of a futures contract. If an exchange traded option is exercised it results in making or taking delivery of the actual commodity underlying the option, or making a cash adjustment based on a change in the price of the commodity or on the movement in an index.

European and American options

European options can only be exercised on the expiry date, not before.

American options are tradeable and can be exercised at any time up to the date the option is due to expire. Options traded on the SFE may be exercised at any time before the expiry date. As noted, because SFE options can be exercised at any time before the expiry date, the seller of an option must be prepared for that option to be exercised any time before the expiry date.

Call and put options

A call option is an option to buy in the derivatives market at a designated price at any time before the expiry date (commonly known as American options). A put option is an option to sell in the derivatives market at the exercise price. Each put or call option has a buyer and a seller.

Exercising call and put options

The diagram below sets out the results from the buyer's and seller's viewpoints when the buyer exercises a call or put futures option:

Buyer	
Bought call option →	Bought futures (at the exercise price of the option)
Bought put option →	Sold futures (at the exercise price of the option)
Seller	
Sold call option →	Sold futures (at the exercise price of the option)
Sold put option →	Bought futures (at the exercise price of the option)

3. RISKS OF SFE FUTURES

The risk of loss in trading in derivatives contracts can be substantial. A client should carefully consider whether trading is appropriate for them in light of their financial circumstances. It is also important that you read and understand the Morrison's Terms and Conditions (including the schedules). In deciding whether or not you will become involved in trading, you should be aware of the following matters:

(a) **Leverage:** Exchange traded derivative contracts are leveraged financial products and as such trading in exchange traded derivatives contracts may result in potentially unlimited losses that are greater than the amount that you deposited with your broker;

- (b) **Loss of margin:** You could sustain a total loss of the initial margin that you deposit with your broker to establish or maintain a derivatives contract;
- (c) **Payment of variation margin:** If the derivatives market moves against your position, you may be required to deposit with your broker variation margin in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds, your position may be liquidated at a loss and you will be liable for any shortfall in your account resulting from that failure;
- (d) **Liquidity:** Under certain conditions, it could become difficult or impossible for you to close out a position. This can, for example, happen when there is a significant change in prices over a short period;
- (e) **Placing orders in moving market:** All exchange traded derivative contracts involve risk and there is no trading strategy that can eliminate it, placing of contingent orders (such as a 'stop-loss' order) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders;
- (f) **Difficulty of entering opposite positions:** Under certain market conditions it may also be difficult or impossible for you to manage the risk of open positions by entering into equivalent and opposite positions in another contract month, on another market, or where relevant, in the underlying instrument;
- (g) **Movement in the underlying market:** Under certain market conditions the prices of exchange traded derivative contracts may not maintain their usual relationship with the underlying market;
- (h) **Physical delivery:** Where you have a position in a deliverable exchange traded derivative and you hold this position going into the delivery period, you may be required to effect physical delivery of the underlying commodity if your position is not closed out before delivery is required;
- (i) **Strategies:** A "spread" position which involves the simultaneous sale and purchase of futures or options is not necessarily less risky than a simple "long" or "short" position;
- (j) **Leverage:** The high degree of leverage that is obtainable in trading exchange traded contracts because of small margin requirements can work against you as well as for you. The use of leverage can lead to large losses as well as large gains;
- (k) **Options risk:** If you propose to trade in futures options, the maximum loss in buying an option is the amount of the premium, but the risks in selling an option are the same as in other futures trading, that is they are unlimited; and
- (l) **System disruption:** You may experience losses due to systems failures which may either relate to the brokers execution systems or the exchange trading and/clearing systems.
- (m) **Powers of SFE:** In order to ensure a fair and orderly market, the SFE has discretionary powers in relation to the Exchange. The SFE has a range of powers including, for example, powers to suspend the market operation, or lift market suspension in options while the underlying is in trading halt if the circumstances are appropriate, impose position limits, and restrict exercise. These actions can affect an investor's option positions.
- (n) **Our powers on default:** If you fail to pay, or provide security for, amounts payable to us or fail to perform any obligation under your contracts, we have extensive powers under our agreements with you to take steps to protect our position including, for example, the power to close out positions.

4. AMOUNTS PAYABLE

4.1 COMMISSION, FEES AND EXPENSES

Part 2 of this PDS contains information on Morrison Securities' commissions, fees and expenses which you must pay in relation to buying and selling SFE Futures

4.2 MARGINS

To protect the financial security of both the broker and the Clearing House until variation margins are paid, each Client is required to pay initial margins. Initial margins are set by the SFE. Initial margin may vary from time to time according to the volatility of the market. This means that an initial margin may change after a position has been opened, requiring a further payment (or refund, where applicable, on request). Initial margins are carefully calculated to cover the maximum expected movement in the market from one day to the next. A broker is entitled to call a higher initial margin than the minimum set to protect its personal obligation incurred when dealing on a Client's behalf. Liability for initial margin occurs at the time of the trade, and should be paid to the broker before any trading is conducted on the Client's behalf.

Clients can incur losses before a contract is closed out. In the case of SFE contracts, brokers are not obliged to call their Clients for variation margin on a daily basis, but must call them to pay a margin should the Client's net variation margin position exceed 25% of the Client's total initial margin liability. SFE Market Participants are required under the SFE's Operating Rules to call an initial margin on each trade equal to at least the minimum initial margin set by the SFE.

The variation margin liability is incurred at the time of the occurrence of any movement in the market that results in an unrealised loss, regardless as to when the call to pay is made by the broker on the Client.

Initial and variation margin must be paid immediately as necessary. If a Client does not pay a margin, the broker is entitled to close out the Client's position and deduct the resulting realised loss from the initial margin. If the realised loss exceeds the initial margin the Client is required to pay the excess to the broker. Derivatives markets can be highly volatile and a Client should ensure that they are always contactable by the broker. If a Client is unable to be contacted for the purpose of the broker communicating the call, the broker may close out the Client's derivatives contracts without actually speaking to the Client.

4.3 LIABILITY

The liability of a Client under a futures contract is not limited to the initial margin which that Client paid to the broker when the contracts were first opened. If, after paying the initial margin, the price moves against the Client, further margin (known as variation margin) will be called and must be paid on demand. Margin payments can therefore exceed the amount of the initial margin and any variation margin. Initial margin (unless eroded by losses) can be paid to the Client on settlement of the contract. Margins that become realised losses are not refundable. Margins called as a result of unrealised losses

are not refundable unless there is a favourable change of direction in market prices before settlement or closing out of the futures contract. The liability of a Client is not limited to the amount of the initial or variation margin paid.

Margins and liability on option contracts

If a Client buys a futures option, their loss is limited to the premium, which is non-refundable. If the option buyer pays the full premium at the time the option is traded, they will not be called upon to pay “margins”. If the buyer paid only an initial deposit, they may be called upon to pay margins up to the full value of the premium (but no more). A Client who sells the option has a similar potential liability to the holder of the underlying futures contract, that is, potentially unlimited. However, they only have limited profit potential; a seller cannot earn more than the premium for which the option is sold.

Out-of-the-money options

This is a term used to describe an option that cannot be exercised at a profit. An out-of-the-money option is a call option whose strike price is higher than the current market level or a put option whose strike price is below market. A Client contemplating purchasing a deep out-of-the-money option should be aware that the chance of such an option becoming profitable is ordinarily remote.

5. OTHER SIGNIFICANT CHARACTERISTICS OF DERIVATIVES CONTRACTS

Clients’ segregated monies

Funds deposited with an SFE market participant concerning derivatives trading are deposited into that Participant’s Clients’ Segregated Account. The client waives any interest on funds deposited with the broker, for initial or variation margins to trade Derivatives contracts, unless any written agreement between them stipulates that interest is to be paid on such funds. Money or property or both invested according to the Corporations Act, or on the instructions of the client, are invested at the sole risk of the client.

For money deposited in the Participant's Clients’ Segregated Account, the client acknowledges that (unless otherwise agreed with the market participant):

- individual client accounts are not separated from each other;
- all clients’ funds are co-mingled into the one Clients’ Segregated Account;
- client monies held in a Clients’ Segregated Account are protected from a default in the licensee's principal account or house account;
- Clients’ Segregated Account provisions may not insulate any individual client’s funds from a default in the broker’s Clients’ Segregated Account. Such a default may arise from any other client’s trading and impact on the remaining clients’ funds in the Clients’ Segregated Account;
- assets in the Clients’ Segregated Account belonging to non-defaulting clients are potentially at risk, even though they did not cause the default;

- the Broker has the right to apply all clients' monies held in its Clients' Segregated Account to meet the default in that account; and
- SFE Clearing has the right to apply all monies in the broker's Clients' Segregated Account held at Clearing level (Client Clearing Account) or House Clearing Account to meet any liabilities in the Clients' Segregated Account at Clearing Level;
- the Broker is ultimately obliged to pay its own monies into its Clients' Segregated Account where there has been a default in that account.

Exchange rate risk

If a client trades in derivatives contracts denominated in currencies other than Australian dollars a client may lose money due to exchange rate fluctuations. These losses may be in addition to any losses on the derivatives contract itself.

Settlement

If you have a deliverable derivative contract open at the close of trading on the last day of trading you will be under an obligation to deliver, or take delivery of and pay the contract price in full for the commodities described in the specifications. Morrison Securities does not permit speculators to make or take delivery under a deliverable derivative contract (except where required by the Clearing House).

If you have a cash settled contract open at the close of trading on the last day of trading, you will be under an obligation to pay or have a right to receive an amount of money depending on the price movement.

The settlement of derivative contracts that are futures options is more complex. On the SFE, all in-the-money options are automatically exercised by the Clearing House. The resulting position is settled as a futures position. Not all exchanges automatically exercise options the same way at expiry, particularly US exchanges. Check with Morrison Securities before the expiry date or the option may lapse worthless. You should always check the contract specifications of the particular contract before trading any unfamiliar futures or options contracts.

Regulatory bodies

A client may incur losses that are caused by matters outside the broker's control. For example, a regulatory authority exercising its powers during a market emergency may result in losses for the client. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled. This could also result in a loss to the client.

Market disruptions / emergencies

A market disruption may mean a client is unable to deal in a derivatives contract when desired, the client may suffer a loss as a result. Common examples of disruption include the "crash" of a computer based trading system, fire or other exchange emergency. Also a futures regulatory body could declare an undesirable situation has developed in a particular futures contract and suspend trading.

Risk Capital

If you are speculating, do not risk more capital than you can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.

6. DISPUTE RESOLUTION

You can register a complaint about the service provided to you by taking the following steps:

1. Contact us in writing to lodge your complaint. We will seek to resolve your complaint quickly and fairly. Morrison Securities aims to communicate a resolution to a dissatisfied client within 21 days.
2. If your complaint is not satisfactorily resolved and you wish to proceed further, you may refer the matter to an independent complaint handling body. Morrison Securities is a member of the Financial Industry Complaints Service (FICS). Their contact details are:

Street Address: Level 13, 31 Queen Street, Melbourne VIC 3007
Postal Address: PO Box 579, Collins Street West, Melbourne VIC 8007
Phone: 1300 78 08 08
Fax: (03) 9621 2291
E-mail: fics@fics.asn.au
Website: www.fics.asn.au

This service is provided to you free of charge.

The Australian Securities and Investments Commission (ASIC) also has a free call info line on 1300 300 360 which you may use to make a complaint and obtain information about your rights.

7. TAXATION IMPLICATIONS

There may be taxation implications relating to your entry into exchange traded derivatives depending on your particular circumstances. Morrison Securities does not provide advice with respect to taxation and you should seek advice from your tax adviser before you enter into any exchange traded derivatives.

The varied nature of exchange traded derivatives will mean that the taxation impact of any gains and losses arising out of such transaction will need to be considered on a case by case basis, with the assistance of your tax adviser in light of your own individual circumstances.

8. COOLING-OFF ARRANGEMENTS

There are no cooling-off arrangements for SFE traded derivative contracts. This means that when Morrison Securities arranges for the execution of an exchange traded derivative, you do not have a right to return the product. You therefore do not have the right to request Morrison Securities to repay the money you have paid to acquire the derivative contract. If you change your mind after entering into an exchange traded derivative, you should close out your position by taking an opposite transaction.



PRODUCT DISCLOSURE STATEMENT FOR THE ISSUE OF SFE FUTURES BY MORRISON SECURITIES PTY LIMITED

PART 2 – MORRISON SECURITIES’ COMMISSIONS, FEES AND EXPENSES

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This Product Disclosure Statement is issued by Morrison Securities Limited.
Australian Financial Services Licence No. 241 737.
ABN: 50 001 430 342.

The date of this Part 2 is 2 July 2007

PRODUCT DISCLOSURE STATEMENT – PART 2

This Part 2 of this PDS contains information on Morrison Securities' commissions, fees and expenses which you must pay in relation to buying and selling SFE Futures

1. MORRISON SECURITIES' BROKERAGE

SFE Futures Fees Schedule effective from

Number of Contracts	Brokerage (ex GST)	Exchange Fee (ex GST)
1-4 Contracts	\$10.00 per Contract	\$0.90 per Contract
5+ Contracts	\$5.00 per Contract	\$0.90 per Contract

Note: These commissions are charged per order per day. GST would be charged in addition to the above charges

2. EXCHANGE FEES

Fees charged by the Exchange vary from exchange to exchange and can be found on the Exchange's website. The exchange fee on SFE is currently 90 cents per contract.

3. TRADING PLATFORM CHARGES

webIRESS:

Number of trades	Monthly subscription fee
0+	\$150

Note: GST would be charged in addition to the above charge

This is payable in advance on the last day of the previous month

4. OTHER MISCELLANEOUS FEES

Service	Fee
Contract Rebooking Fee	\$20.00
Trace Fee for Unidentified Client Deposits	\$50.00
Trace Fee for Payments	\$50.00
Paper Contract Note or Reprint of paper Contract Note	\$ 5.00
Cheque Payment	\$ 5.00

Overseas funds transfer	\$50.00
Bank Cheque	\$50.00
Statement Print	\$10.00
Fail Fee – (Failure to Settle Trades/Debits)	\$100.00 + 0.1% of the amount failed to settle per day

Note: GST would be charged in addition to the above charges.