

Foreign exchange and international payments



Welcome to the World First Corporate Team



Today's global market place requires companies to send and receive international payments. World First is dedicated to making the process easier, quicker and cheaper.

Every day, thousands of companies around the globe rely on World First to process their international payments quickly and efficiently while substantially reducing their associated costs.

Keeping it simple

World First can offer very competitive pricing because we buy our foreign exchange at preferential exchange rates and typically take a smaller margin than the banks. The reason for this is that we buy on behalf of many companies and are transacting billions of Australian dollars every year. This volume of foreign exchange means that our banks provide us with interbank commercial exchange rates which we can then pass on to our clients. There is only a small difference in the rates we provide to our clients and the rates we receive from our banks.

Simplify the process and save money with our bespoke foreign exchange and international payments service

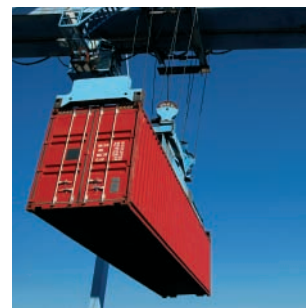
World First understands that companies have varying needs with respect to their international transactions. We aim to quickly understand your business and tailor our services accordingly. Not only do we offer better exchange rates and lower fixed costs than your bank but we also offer:

1. A user-friendly online payment system
2. A free market watch service
3. Alternative hedging strategies to a forward contract

World First is a leading provider of international business-to-business payment solutions and foreign exchange transactions. As an independent specialist, it is our mission to provide a service that is second to none, and provide the best exchange rates available whilst maintaining the highest levels of professionalism, transparency and integrity. →



Transaction and payment process



You can process your transaction through World First via:

Telephone

Contact the corporate trading desk directly by telephone and request an exchange rate for the currency pair, amount and value date of your required purchase or sale. If you wish to transact, the exchange rate is fixed and a contract is entered into. You will be emailed or faxed a trade confirmation confirming your transaction within minutes. Prior to the settlement date you will provide us with the beneficiary's payment details either by fax, email or secure web link.

Online

Login to our secure online payment system which can be set up for multiple users with different privileges. The system enables you to store, track and manage all aspects of your international transactions whilst maintaining full control of your payments. You can choose the beneficiaries to be paid, the currencies and amounts and then click 'submit'. If required, we will confirm the exchange rate over the phone.

Fax

A bespoke template will be designed for your faxed transactions. On receipt of your fax a rate will be booked and confirmed via fax.

Settlement

You can settle your contract by same-day bank transfer (one day) or electronic banking (up to two days). World First holds dedicated client accounts with banks in Australia, New Zealand, America, the UK and several European countries.

Onward payment

On the pre-agreed settlement date, World First will instruct your onward payment as per your instructions. All payments are sent by priority SWIFT. You will receive confirmation of payment by email by close of business on the settlement date.

World First foreign exchange products



World First offers a range of foreign exchange products to cater for your requirements:

Spot contracts

This is one of the most frequently used contracts, allowing you to purchase a live exchange rate and where currency settlement takes place two business days after the spot contract has been entered into. Once your funds have cleared, World First transfers the pre-agreed currency amount to your requested beneficiary bank account. This type of contract is ideal if you simply wish to make a payment within the next few days.

Forward contracts

A forward contract fixes the exchange rate today for buying or selling a pre-agreed amount of currency, on a pre-agreed date in the future.

Flexible forward contracts

This works in exactly the same way as a forward contract except that you can transact earlier than the pre-agreed settlement date, should you need to.

Currency options

World First offers currency options as hedging tools which can be used as an alternative to the forward contract. There are several different strategies available which are listed on page 6.

Stop loss order

You can set a 'worst case' rate at which you want to buy the currency. If the currency moves against you and hits your 'stop' exchange rate, World First will automatically purchase the currency for you at that rate.

Take profit order

You can set a 'best case' rate at which you want to buy the currency. If the currency moves in your favour and hits your best case rate, World First will automatically purchase the currency for you at that rate.

Market watch service

We can act as your eyes and ears on the exchange rate markets throughout the day. You can specify exchange rate levels at which you would like to be contacted enabling you to make timely currency purchases during the day.

Telephone dealing

We supply you with direct lines to your designated trader and payments contact within our operations department.

Online dealing and payment

World First's online payment system offers the ability to book rates, choose beneficiaries and view past payments.

Same-day payments

With certain currency pairs, World First can process foreign currency transactions and settle them on the same day. Once the funds have cleared, World First will make a same-day payment into your requested bank account.

Currency options – Alternative hedging strategies



Hedging strategies - how do they work?

There are a number of different strategies but generally they work in one of two ways:

1. They enable you to guarantee a worst case rate. This worst case rate will always be inferior to the actual forward contract rate. The difference between these two effectively 'pays' for you to be able to benefit from a favourable move in the rate which can be unlimited.
2. They provide protection by guaranteeing a worst case rate which can be higher or lower than the forward contract rate for which you pay an upfront cost (premium). This is similar to an insurance policy.

What products are available?

Although there are many currency option strategies, we have chosen four of the most widely used to describe here:

1. the protection option
2. the risk reversal
3. the participating forward
4. the convertible forward

These are illustrated on the next three pages with examples and scenarios.

A protection option for an Australian company exporting to America



AEX Pty Ltd is due to receive US\$1m in six months from a sale to a customer in America. The protection option provides them with a guaranteed worst case rate to convert the US dollars to Australian dollars when they are paid in six months.

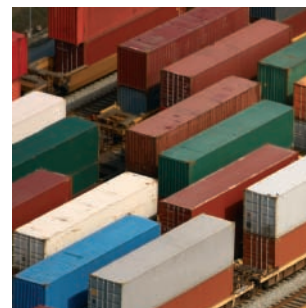
When AEX agreed the sale the exchange rate was 0.64 and the six month forward rate was 0.63. AEX's finance director thought that the rate might fall further but didn't want it to go back over 0.63 as this would have reduced their profit margin significantly. They bought a protection option at 0.63 for an upfront cost of 2.5% of the notional amount (i.e. US\$25,000).

These are two possible outcomes:

- 1.** The exchange rate rises and after six months is trading at 0.68. AEX will exercise their protection option to sell US dollars and buy Australian dollars at a rate of 0.63.
- 2.** The exchange rate falls and after six months is trading at 0.55. AEX will choose not to exercise their protection option at 0.63 and instead sell US dollars for Australian dollars at the prevailing spot rate of 0.55.

The downside of this option is that if the rate was not over 0.63 at the time of settlement, they would have paid an unnecessary premium.

A risk reversal option for an Australian company exporting to America



Let us use the previous example where AEX Pty Ltd is due to receive US\$1m in six months from a sale to a customer in America. The finance director for AEX does not want an option that offers some upside potential but thought that a 2.5% premium for a protection option was more than the company wanted to pay. To reduce the premium, AEX were happy to cap their upside potential and set a best case rate of 0.55 and keep their worst case rate of 0.63. This reduced the premium paid to 1%.

There are three possible outcomes:

- 1.** The exchange rate rises and after six months is trading at 0.68. AEX Pty will have the right to sell US dollars and buy Australian dollars at their worst case rate of 0.63.
- 2.** The exchange rate falls and after six months is trading at 0.50. AEX Pty will be obliged to sell US dollars for Australian dollars at their best case rate of 0.55.
- 3.** The exchange rate falls and is trading between 0.63 (worst case rate) and 0.55 (best case rate) on the expiry date. AEX Pty has the right to sell US dollars for Australian dollars at the prevailing spot rate.

The downside of this option is that if the rate was not over 0.63 at the time of settlement, they would have paid an unnecessary premium.

Zero premium structures – A participating forward for an Australian company importing from Japan



IMP Pty Ltd imports from Japan and is due to pay ¥10m to a supplier in six months' time. The participating forward provides them with a worst case rate to purchase the yen when they pay the supplier. In addition, it allows them to 'participate' in any favourable exchange rate move for 50% of the amount i.e. ¥5m. When IMP agreed the purchase the exchange rate was 60.00 and the six month forward contract rate was 59.00. The company's owner was very worried about the falling exchange rate and didn't want to convert at anything worse than 55.00. However, he was optimistic that it might improve so didn't want to be locked in with a forward contract at 59.00. He chose a participating forward with a worst case rate set at 55.00.

These are two possible outcomes:

- 1.** The exchange rate falls and after six months is trading at 50.00. IMP will purchase all ¥10m at a rate of 55.00.
- 2.** The exchange rate rises and after six months is trading at 69.00. IMP is obliged to buy ¥5m at their worst case rate of 55.00 but can buy the other ¥5m at the prevailing spot rate of 69.00, giving them an average rate for the whole ¥10m of 62.00.

The benefit of this option is that if the exchange rate rises, the average rate can be better than the forward rate. The disadvantage is that if the rate falls, you would have been better off booking a forward contract. Like a forward contract, there is no premium to pay when entering into a participating forward.

Zero premium structures – A convertible forward for an Australian company importing from Japan



Let us use our previous example where IMP Pty Ltd imports from Japan and is due to pay ¥10m to a supplier in six months' time. The convertible forward provides them with a worst case rate to purchase yen when they pay the supplier. In addition it allows them to participate in any favourable exchange rate move for 100% of the amount up to a 'capped level'. When they agreed the purchase the exchange rate was 60.00 and the six month forward rate was 59.00. The company's owner was very worried about the falling exchange rate and didn't want to convert at anything worse than 56.00. However, he was optimistic that it might improve so didn't want to be locked in with a forward contract at 59.00. He chose a convertible forward with a worst case rate set at 56.00 and a cap of 70.00.

There are three possible outcomes:

- 1.** The exchange rate falls and after six months is trading at 50.00. IMP Pty will purchase all ¥10m at a rate of 56.00.
- 2.** At expiry, the exchange rate has risen to 65.00 and at no time traded at or above 70.00 throughout the term of the contract. IMP can buy all ¥10m at a rate of 65.00 obtaining the full benefit of the rise in the exchange rate.
- 3.** The exchange rate touches 70.00 at some point during the contract term. IMP is obliged to buy ¥10m at the worst case rate of 56.00.

The benefit of this option is that the client has a worst case rate marginally lower than the forward rate but can benefit up to the 'cap' rate for 100% of the amount, if the exchange rate rises. However, if the 'cap' rate is touched, the client is fixed in to the worst case rate (which is worse than the forward rate). In this instance, the client would have been better off either entering into a forward contract or leaving the exposure un-hedged.

About World First



World First Pty Ltd is a wholly owned subsidiary of World First UK Ltd, based in London. World First Pty Ltd was founded to provide Australian companies with an alternative to using banks when transacting foreign exchange. World First offers the ability to achieve significantly better exchange rates without needing to change banking arrangements. With a client base of over 20,000 private clients and over 3,500 companies worldwide, we have extensive experience of the corporate market ranging from sole traders up to quoted public companies.

The group has grown strongly and forecasts to transact around A\$4 bn in 2009.

The management team of World First Pty Ltd:

Sir David Clementi



David joined World First as senior adviser in 2006. He is currently chairman of Kings Cross Central and a director of Rio Tinto plc. He was previously chairman of Prudential plc and prior to that Deputy Governor of the Bank of England from 1997 to 2002. He has also been chief executive of Kleinwort Benson. He is a graduate of Oxford University and holds an MBA from Harvard Business School.

Nick Robinson



Nick joined Citibank on the UK corporate desk and looked after a large client group before helping establish BFinance in the UK. He then joined Credit Agricole Indosuez to launch and develop their UK corporate foreign exchange and interest rate business.

Jonathan Quin



Jonathan joined Citibank as a trader before moving to their UK, and latterly global corporate foreign exchange sales desk. He then looked after the European sales of Citibank's online trading tools before moving to be head of business development for the financial markets e-commerce's team of one of the UK's largest banks.

Security

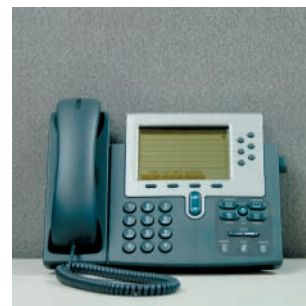
Security is always of the highest importance when transferring large sums of money.

Any payments you make go straight to our client accounts held at one of our banking partners which include Citigroup, ANZ, Barclays and HSBC. These accounts are only used to hold client funds and are totally independent of World First's business accounts. World First maintains substantial collateral - currently around A\$6.5m - with our banking partners which they have a lien over for the security of our transactions.

World First has an A1 credit rating with Dun & Bradstreet.

World First Pty Ltd holds an Australian Financial Services Licence - Licence No: 331945 - under the Corporations Act 2001 which authorises it to provide financial services in relation to foreign exchange contracts, derivatives and non-cash payments facilities to persons within Australia.

Contact us



If you have any further questions or would like to discuss your requirements, please contact us:

Call: 1800 701 540

Email: info@worldfirst.com.au

Visit: worldfirst.com.au

To register as a client with World First, please read, sign and return the attached Terms and Conditions and compliance form. We look forward to welcoming you as a client.

World First also welcomes visitors to its offices - please contact us to arrange an appointment.

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Regulatory disclosure

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For your protection, telephone calls are usually recorded.

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[**worldfirst.com.au**](http://worldfirst.com.au)