

Financial Services Guide

1 February 2006

PURPOSES OF THE FINANCIAL SERVICES GUIDE AND OTHER DISCLOSURE DOCUMENTS

This Financial Services Guide, dated 1 February 2006 is issued by Capstone Capital Pty Ltd (ACN 102 727 257) (Capstone).

The purpose of the Financial Services Guide is to:

- provide brief details of the financial products and services Capstone provides in order to assist prospective and new retail clients decide whether to obtain financial services from Capstone ;
- provide information on remuneration paid to Capstone; and
- provide details on how we deal with complaints.

Capstone provides stockbroking services which will include:

- research in relation to equities;
- wholesale equities dealing and related advice;
- retail equities dealing and related advice;
- execution only advice; and
- derivatives dealing and related advice.

Capstone can provide general advice to investors on:

- how to set up a share portfolio and the purchase and sale of shares generally;
- investment in cash, fixed interest and property, via listed property trusts; and
- negative gearing of shares.

Capstone also reviews investments on a regular basis, and may (but is not obliged to) make appropriate recommendations based on changing circumstances in various markets. Through the provision of a wide range of facilities and through ongoing service, our aim is to enable investors to manage and control their own investments.

Who is my Broker?

Where you require general investment advice and Capstone agrees to provide investment advice, a qualified and experienced broker will be chosen to provide the general advice to you. Instructions can be given to your broker by phone, in writing or in person.

Statement of Advice

Retail clients who commence to use Capstone for the first time and who seek personal financial product advice will be asked to provide details of their financial situation, particular needs and investment objectives. Clients will be provided with a written Statement of Advice (SoA) that will summarise the advice, the basis of the advice, any fees or charges and any potential conflict of interest on the first occasion that advice is provided. This will be provided by ETrade Limited.

Product Disclosure Statement

If Capstone recommends a financial product to a Retail Client, other than a financial product that is a listed security, then Capstone will provide the Retail Client with a Product Disclosure Statement (PDS). The PDS contains information about the particular product including the features, benefits, fees and risk associated with that product so that the Retail Client can make an informed decision.

If Capstone provides a Retail Client or a new Retail Client receiving subsequent advice with what is referred to as Further Market Related Advice (see section on page 3) then Capstone may rely on the information that it already holds and the Retail Client will not automatically receive a Statement of Advice. However, the Retail Client has the right to call for a copy of Capstone's record of such Further Market Related Advice within 90 days of the date of the advice. A Retail Client can do this by making a written request directed to their Adviser.

Further Market Related Advice can only be given in relation to financial products that are traded on a live market such as the ASX.

This Financial Services Guide will provide details of the following:

- Capstone's authorisation;
- The financial products and services to which Capstone's authorisation extends;
- The licensed market or clearing and settlement facility of which Capstone is a participant;
- Responsibility for the advice given by Capstone ;
- How Capstone Capital and its associates are paid for the services that it provides;
- Any potential conflicts of interest that Capstone may have;
- The Statement of Advice;
- Further Market Related Advice; and
- The Dispute Resolution procedures that Capstone has in place.

Capstone Capital Pty Ltd's Authorisation

Capstone holds Australian Financial Services (AFS) Licence Number 225522, which has been issued to it by the Australian Securities & Investments Commission pursuant to section 9138 of the Corporations Act 2001.

Capstone's AFS Licence authorises it to carry on a financial services business to provide advice and deal in a range of financial products to retail and wholesale clients.

The financial products that Capstone is authorised to advise on includes the following:

- Securities;
- Derivatives;
- Bonds and Debentures;
- Basic Deposit Products; and
- Managed Investments.

Capstone Capital's Financial Products and Services

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

- Direct trading in equities, options, warrants and loan securities on ASX;
- Fixed interest investments;
- Access to new floats (IPO's), new issues and placements;
- Investment strategies and ongoing wealth management

Advice is provided on:

- Securities, including domestic and some international equities, fixed interest and income yielding securities;
- Derivatives including Exchange Traded Options and Warrants;
- Australian and some international Management Investments;
- Basic Deposit Products.

Capstone Capital Pty Ltd's Licensed Markets

Capstone Capital are financial advisers with access to the Australian Stock Exchange for retail and wholesale dealing transactions. These transactions are cleared through E*Trade Limited in order to provide our clients with the highest possible standard of professional execution and settlement.

Responsibility for Capstone Capital Pty Ltd's Advice

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

Capstone Advisers are representatives of Capstone and as such Capstone is responsible for all financial product advice provided by them to Clients as a representative of Capstone.

Capstone Capital Pty Ltd's Remuneration for the Services Provided

Capstone may charge brokerage, commission or a fee depending upon the services that are provided.

Any charges will be discussed and agreed with the Client and fully disclosed in relation to specific services and transactions.

Investors' Rights

Where you receive a securities recommendation, your broker is obliged to have a reasonable basis for making that recommendation. That recommendation will be based on the adviser's research of the relevant securities and the relevant market. The recommendation will not be based on, or take into consideration, any specific information about you and/or your investment objectives.

You will be advised about any interest of Capstone and/or the broker that may reasonably be expected to be capable of influencing a securities recommendation made to you.

Your broker's name will be included on your contract note.

Associations

Capstone does not have any associations or relationships which might reasonably be expected to influence any of its authorised services.

Brokerage

Brokerage is payable on all local and international securities, options and warrant transactions, both purchases and sales, and as a payment for services such as brokerage attracts GST.

Subject to minimum Brokerage amounts per transaction detailed below Brokerage is usually calculated as a percentage of total consideration of each transaction.

Brokerage is negotiable depending on the level of transactions undertaken. The minimum brokerage per trade is \$100.00 a trade.

Capstone's brokers may receive a proportion of the brokerage charged.

When Capstone lodges an application for an investment on your behalf, Capstone Capital may receive a commission from the product issuer. The commission may be received by Capstone or one of its brokers. Capstone will disclose all of the commission that it will receive or will be entitled to be received by a broker or any of its associates.

Managed Investments

Fees relating to the purchase of Managed Investments are already incorporated in the fee structure disclosed in the relevant prospectus or disclosure document. Any fee payable to Capstone comes from this disclosed entry/exit fee and is paid by the Fund Manager.

Capstone may also receive a trailing commission, usually around 0.25% p.a. of the value of the managed investment. This is not an additional cost to investors.

Instructing an Adviser in Relation to Investments in Financial Products

In accordance with general market practice within the financial services sector Clients will be asked to complete an Account Opening Form which is designed to administer and regulate the arrangements for Capstone to provide financial services to Clients. Also in accordance with general financial services sector practice Clients will be asked to verify their identity.

The Account Opening Form makes provision for the supply of all the necessary details to open a securities trading account, the personal financial details required to assist Capstone in the provision of appropriate investment recommendations as well as Capstone's trading terms and conditions and CHESSE sponsorship terms and conditions. Separate account opening forms must be completed to trade in Exchange Traded Options or Warrants.

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

Telephone is the usual method of instructing Capstone in relation to a securities or derivatives trading account, although instructions can also be given in person or by mail, facsimile or email. Instructions by facsimile and email will only be effected once Capstone has acknowledged receipt of those instructions in writing. Similarly instructions for the acquisition or disposal of other financial products may be made in writing or electronically provided such instructions are acknowledged in writing.

All instructions to buy or sell listed equities and warrants are automatically accepted on a "good till cancelled" (GTC) basis unless alternate instructions are provided. All instructions to buy or sell exchange traded options are automatically accepted on a "good for the day only" (GFD) basis unless alternate instructions are provided.

All accounts are handled on a non-discretionary basis unless the Client and Capstone have entered into a written managed discretionary contract. Notwithstanding that an account is conducted on a non-discretionary basis Clients can give their Adviser discretion as to price and the time of execution of a transaction that the Client has instructed in all other respects.

It is important to note that ASX has the power to cancel a Market Transaction that has been executed on its market. Any such instruction to Capstone to cancel a trade will automatically result in cancellation of the transaction by Capstone with the Client irrespective of whether or not the trade has previously been confirmed to the Client.

Statement of Advice

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

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

Execution Related Telephone Advice

As stated, Capstone's advice predominantly will be execution-related telephone advice in relation to products quoted on markets. Execution-related telephone advice is advice which is given by telephone, that relates to financial products that are able to be traded on a financial market and is given as part of an execution, transfer or order for financial products. In order for Capstone Capital to give execution-related telephone advice, you agree that a statement of advice (**SoA**) setting out advice relating to your personal circumstances will not be given to you in relation to the content of any execution-related telephone advice before a transaction relating to that advice takes place.

You may, however, request a copy of the advice from your broker following the provision of advice unless you decide to hold or no action is taken in relation to that advice. Your request may be made by telephone, facsimile, email or in person. Capstone will keep a record of the advice provided to you and brief details of the recommendations made to you. Should you wish to request a written copy of your advice you should do so within 90 days.

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

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

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

The mere existence of an account with Capstone or the acquisition of a financial product through Capstone does not mean that Capstone or one of its Advisers is responsible for monitoring a Client's portfolio. Similarly the fact that an Adviser may contact Clients with recommendations is not an indication that the account is being managed by the Adviser. Unless a separate arrangement like a Private Investment Management or a Managed Discretionary Account Contract is entered into in writing Clients remain responsible for monitoring their own portfolio and contacting their Adviser if they have any queries relating to their investments.

General Risk Disclosure Statement and Guidance for Investors

Equity securities, in common with all the other asset classes (such as real property and bond), can decline in price as well as appreciate. The measure of this change in price is often referred to as volatility, that is, the more the price varies over time, the more volatile the asset is and therefore the more risk involved in investing in it. On the other hand, in general, the less volatile an asset is, the less likelihood there is for any significant capital gain or loss from investing in that asset.

Share prices are generally more volatile than the prices of other asset classes. This is because the share market is highly liquid, that is, shares are able to be converted into cash quickly and easily. Liquidity of an investment is paramount but it does mean that shares fluctuate in price more than other assets. In contrast, the markets for other asset classes are not as liquid as the stock market, nor are they as efficient or as transparent. For this reason the real volatility of those assets is often not fully appreciated.

In general, the risks of investing in equities can be categorised in the following manner. Please note that the lists below do not purport to be complete, as it would not be feasible to list all the possible risks in each category.

- **Overall Market Risks:** The risk of loss by reason of movements in the share market generally. These can be caused by any number of factors including political, economic, taxation or legislative factors. Specific examples include changes in interest rates, political changes, changes in taxation or superannuation laws, international crises and natural disasters.
- **Domestic versus International factors:** The vulnerability of the company that issued the securities to international events or market factors. These would include movements in exchange rates, changes in trade or tariff policies and changes in other stock or bond markets.
- **Sector Specific Factors:** These would include demand for the product, the company that issued the securities products, commodity prices, the economic cycle of industry, changes in consumer demands, lifestyle changes and changes in technology.
- **Stock Specific Factors:** In relation to the company that issued the securities, these would include the company's directors, the strength of the company's management and the significance of any key personnel, the company's profit history, the company's tangible asset base, debt level and fixed cost structure, litigation, profits or losses on particular contracts, competition from within the sector and whether the company already has a profitable business.

Limitations of Research

The research undertaken by stockbrokers is basically the opinion of specialist analysts. It can never be guaranteed, is appropriate only for a limited time and is often subject to market movements.

For example, for short term investors a buy recommendation could turn into a sell recommendation where the market price of a stock appreciated by a small amount.

For a prospective longer term investor this market movement may not be significant, although a larger movement might be.

The mere fact that stock is recommended by an analyst as a "Buy" does not necessarily mean that the stock is a suitable investment for you and you should consult with your own financial adviser before acting on any research report. Capstone uses its own research analysts to provide research. In addition, Capstone conducts research using the Estimates Directory (which has access to the earnings estimates and recommendations of Australia's largest brokers, IRESS market information systems and several professional research publications).

Privacy

Client privacy is important to Capstone. The Privacy Policy is available from the Capstone office.

Complaint Resolution Procedures

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

In the first instance Clients should raise any complaint that they have with their Adviser. Alternatively Clients can raise the matter direct with the relevant State Manager.

However if Clients have not received a satisfactory resolution to their complaint they can also contact Capstone's Compliance department. If the complaint is not resolved internally to the Client's satisfaction then the Client is entitled to refer the complaint to the external complaints scheme of which Capstone is a Member, the contact details of which are as follows:

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne Victoria 8007

Telephone: (03) 9629 7050
Toll Free: 1300 780 808
Facsimile: (03) 9621 2291

ASIC also provide a free info-line service on 1300 300 630.