

CORPORATE GOVERNANCE STATEMENT

Introduction – the Euroz Group

Euroz Limited (“**Euroz**”) is the listed holding company of the Euroz group of companies (“**the Euroz Group**”). The Euroz Group consists of Euroz together with its wholly owned subsidiaries Euroz Securities Limited (“**Euroz Securities**”) and Westoz Funds Management Limited (“**Westoz Funds Management**”).

Euroz Securities conducts a substantial stockbroking and corporate advisory business which generates the majority of the revenues of the Euroz Group and employs the majority of staff within the Euroz Group. Revenue generated by Euroz Securities is paid by way of dividends to Euroz. Euroz Securities holds an Australian Financial Services Licence (“**AFSL**”) and is regulated by the Australian Securities and Investments Commission (“**ASIC**”) pursuant to the Corporations Act 2001 and the ASIC Market Integrity Rules. Euroz Securities is a Participant of the ASX Group and is regulated pursuant to the rules of the ASX Group.

Westoz Funds Management is a specialist manager of equity funds managing the portfolios of Westoz Investment Company Limited and Ozgrowth Limited which are both listed investment companies. Revenue generated by Westoz Funds Management through management and performance fees is paid by way of dividends to Euroz. Westoz Funds Management also holds an AFSL and its activities are therefore regulated by ASIC pursuant to the Corporations Act

Approach to Corporate Governance

Euroz is committed to maintaining a high standard of corporate governance. In this regard, Euroz has adopted the ASX Corporate Governance Council’s revised Corporate Governance Principles and Recommendations (“**Revised Principles and Recommendations**”).

In considering its approach to Corporate Governance in the context of the Revised Principles and Recommendations, Euroz has taken account of the following:

- Euroz is a holding company and the majority of the activity within the Euroz Group is conducted by its wholly owned subsidiary Euroz Securities which conducts a substantial stockbroking and corporate advisory business.
- Euroz Securities and Westoz Funds Management are subject to a rigorous regulatory regime (administered by both ASX and ASIC, where applicable) which includes extensive governance, risk management and reporting obligations.
- Each member of the Board works day to day in the business of the Euroz Group and each member holds a substantial quantity of Euroz shares.
- Many staff within the Euroz Group are largely remunerated by commission based payments and many staff hold Euroz shares. In these circumstances, the interests of the Directors and staff of the Euroz Group are closely aligned to the interests of Euroz’s shareholders.
- Euroz has a relatively small number of employees and operates from a single location.

In these circumstances, Euroz has decided to adopt an owner-manager model (“the Direct Governance Model”) to Corporate Governance. The key features of the Direct Governance Model being that:

- each member of the Board and the senior executives work in an operational capacity in the business of the Euroz Group on a daily basis;
- Corporate Governance is largely achieved as a result of this close operational involvement rather than via the use of mechanisms and structures which are more suited to different types of businesses including those which have large numbers of employees who operate from various locations; and
- many corporate governance related issues are dealt with as part of compliance related activities that the Euroz Group undertakes pursuant to obligations created by the Corporations Act, the ASIC Market Integrity Rules and the rules of the ASX Group.

More generally, Euroz believes that the Direct Governance Model (as opposed to other corporate governance mechanisms and structures) is best suited to dealing with the various types of risk that are an inherent and unavoidable part of conducting a stockbroking and corporate advisory style business.

In accordance with ASX Listing Rule 4.10.3, Euroz provides the following statement regarding the extent to which it has followed the Revised Principles and Recommendations.

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PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board has adopted a Charter which sets out the role and functions of Board. The Charter is available from Euroz's website.

In accordance with the Direct Governance Model the members of the Board are also the three most senior executives of the Euroz Group and play an integral part in the day-to-day management of the Group's activities. Accordingly Euroz does not delegate functions in the manner anticipated by this *Recommendation*.

The roles and responsibilities of the Board are to:

- Oversee control and accountability of the company.
- Set the broad targets, objectives and strategies.
- Monitor financial performance.
- Assess and review risk exposure and management.
- Oversee compliance, corporate governance and legal obligations.
- Approve all major purchases, disposals, acquisitions and issue of new shares.
- Approve the annual and half-year financial statements.
- Appoint and remove the Company's Auditor.
- Appoint and assess the performance of the Managing Director and members of the senior management team.
- Report to shareholders.

Recommendation 1.2: Companies should disclose the process for evaluating performance of senior executives

The performance of senior executives is reviewed by the Board on an annual basis and also pursuant to the Board's involvement in the day to day operations of the Euroz Group. The performance of senior executives is assessed against 3 broad criteria:

- the financial performance of the respective group or department managed by the senior executive (as applicable);
- the extent to which the senior executive has contributed to the Euroz Group achieving its organisational aims with a particular focus on the maintenance of the commercial reputation of the Euroz Group; and
- the extent to which the senior executive has personally and each member of staff under his or her control has acted in a manner which is in accordance with Euroz's compliance related policies and procedures.

Each member of the Board assesses other Board members performance against these criteria.

The Remuneration Policy set out on pages 15 -16 of the Directors Report outlines the methodology used to assess the performance and remuneration of the members of the Board.

The Directors due to their long association with Euroz, their extensive relevant business experience and the fact that their interests are closely aligned to shareholders' interests clearly understand what is required of them. Accordingly, Euroz has formed the view that letters of appointment are not required with respect to the Directors.

Similarly in the context of the matters referred to above, with respect to senior executives (including the Company Secretary and the Chief Operating Officer/Chief Financial Officer of Euroz Securities), Euroz has formed the view that written position statements are not required.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

Refer to above and further Recommendation 2.6

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PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the Board should be independent Directors.

In accordance with the Direct Governance Model, Euroz has elected to not comply with this recommendation. Euroz has made this decision as it has formed the view that in the circumstances set out above, the interests of the Board are so closely aligned with the interests of shareholders that independent Directors are not required to achieve an effective system of corporate governance.

More generally, given the specialised nature of Euroz's business, the fact that a person, generally speaking, may not be a director of more than one ASX Group Participant and the relatively low level of fees paid to non-executive Directors, Euroz has formed the view that it will be difficult to attract suitable candidates to be non-executive Directors. However, the Board continues to keep this matter under review.

Each Director has the right to seek independent professional advice at the Company's expense for which the prior approval of the Chairman is required and which will be not unreasonably withheld.

Recommendation 2.2: The chair should be an independent director.

In accordance with the Direct Governance Model, Euroz has elected to not comply with this recommendation. Euroz has made this decision as it has formed the view that in the circumstances set out above, the interests of the Board and its Chair are so closely aligned with the interests of shareholders that an independent director as Chair is not required to achieve an effective system of corporate governance.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

Euroz, in its role as a holding company, does not have a Chief Executive Officer but an analogous role is undertaken in the form of the Managing Director with respect to both Euroz Limited and Euroz Securities Limited. The role of the Chair and the Managing Director are not exercised by the same individual.

Recommendation 2.4: The Board should establish a nomination committee.

Given its relatively small size, stable structure and the significant level of employee (of the Euroz Group) ownership, Euroz has formed the view that a nomination committee is not necessary for Euroz to achieve an effective system of corporate governance.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

A review of the performance of the Board and its Directors is undertaken by each Director with respect to each other Director and the performance of the Board itself on an annual basis and also as part of the day to day operations of the Euroz Group in accordance with the matters set out with respect to Recommendation 1.2.

The Remuneration Policy set out on pages 15-16 of the Directors Report outlines the methodology used to assess the performance and remuneration of the members of the Board.

An outcome and an advantage of the Direct Governance Model is that the Board has real time access to information regarding all aspects of Euroz's operations and has direct access, at all times, to the Company Secretary.

The Directors have extensive experience with respect to all aspects of the operations of the Euroz Group. In this regard, the section "Information on Directors" set out on page 5 of the Directors Report outlines the experience and qualifications of the Directors. The Directors, pursuant to obligations imposed by the Corporations Act the ASIC Market Integrity Rules and the rules of the ASX Group and generally, undertake a substantial level of continuing education.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

Nomination committee

The Board, as a whole, deals with areas that would normally fall within the charter of the Nomination Committee. These include matters relating to the renewal of Board members and Board performance.

Board evaluation

As per the process stated in Recommendation 2.5 both annual and periodic performance evaluations of the Board and its Directors have been conducted during the reporting period.

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PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

In its role as holding company and given the particular circumstances of the Euroz Group, Euroz does not have a code of conduct of the type anticipated by this recommendation. However, overarching codes of ethical conduct have been adopted to provide guidance to Staff.

To this end, all Staff are expected to adhere to the fundamental principles of professional ethics in accordance with the matters set out in the Corporations Act, the ASIC Market Integrity Rules and the rules of the ASX Group. In summary:

Client interests

The Board, Directors and Staff acknowledge their responsibility to act in best interest of shareholders and clients (as appropriate).

Confidentiality

Staff have access to clients' confidential information, and it is a critical condition of employment that this information is treated as strictly confidential. Inappropriate use of client's confidential information would be grounds for dismissal.

Examples of inappropriate actions regarding client information are:

- Imparting information to anyone other than to a member of the Group, other than to other parties where such disclosure is normal, necessary (required by law) or client-approved.
- Imparting information to clients' employees and or associates.
- Imparting to anyone the names of clients for whom the Group acts, except where such disclosures are normal, necessary (required by law) or client-approved.

Disclosures

- Disclosing any information to anyone where such disclosure might be to the detriment of the client or the Group.
- Discussing with relatives or friends any matters relating to the firm's clients or their affairs.

Compliance with appropriate ethical standards

All Staff members are responsible for the firm's adherence to appropriate ethical standards. If any staff members are concerned about any issue in relation to ethical standards, they are empowered to communicate these concerns to a Director or other Executive, as the staff member believes is appropriate.

Further, Euroz Securities and Westoz Funds Management both pursuant to the obligations imposed by the Corporations Act, the ASIC Market Integrity Rules and the rules of the ASX Group (with respect to Euroz Securities) and generally, have detailed and extensive compliance related policies and procedures in place (including breach disclosure and reporting procedures so as to comply with particular requirements set out in the Corporations Act, the ASIC Market Integrity Rules and the rules of the ASX Group (as applicable).

These policies and procedures cover issues that would ordinarily be dealt with by a code of conduct and apply to all Directors and staff of the Euroz Group.

Due to their length it is not practical to make these compliance related policies and procedures available on Euroz's website. More generally, these policies and procedures contain intellectual property of the Euroz Group, the confidentiality of which the Euroz Group wishes to maintain.

The Euroz Group is committed to all Directors and employees maintaining high standards of integrity and ensuring that activities are in compliance with the letter and spirit of both the law and Euroz Group policies. Each Staff member is issued with the Company's Policies and Procedures Manual at the commencement of their employment with the Euroz Group.

The Group provides a number of full time resources for the purpose of monitoring compliance with its policies. These resources report directly to the Board for matters of compliance, governance and internal controls.

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Recommendation 3.2: Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees and disclose the policy or a summary of that policy.

Pursuant to the ASIC Market Integrity Rules and the rules of the ASX Group, all trading in company securities and any other financial product traded on the ASX Market by any Director or staff member of the Euroz Group must receive prior approval from a designated staff member within the Euroz Group and there is a written policy in place with respect to this issue. The purchase and sale of company securities by Directors and employees is generally only permitted during the thirty day period following the release of the half-yearly and annual financial results to the market. The Board must approve any transactions undertaken within or outside of this window. Exceptions to this policy are considered by the Board on a case-by-case basis.

Directors must advise Euroz, which in turn advises the ASX, of any transaction conducted by them in the company's securities within the specified time determined by the ASX after the transaction occurs.

The prevention of insider trading both with respect to company securities and generally is dealt with as part of the Euroz Group's compliance policies and procedures and, in the context of the business conducted by the Euroz Group, is treated as a matter of the utmost importance. In accordance with the above it is not practical or desirable to place this material on Euroz's website.

Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Refer above.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: the Board should establish an audit committee.

The Board has established an audit committee consisting of Mr Diamond and Mr McKenzie.

Recommendation 4.2: The audit committee should be structured so that it:

- consists only of non-executive Directors;
- consists of a majority of independent Directors;
- is chaired by an independent chair, who is not chair of the Board; and
- has at least 2 members.

Given the size and composition of the Board it is not possible for Euroz to comply with this recommendation. However, in accordance with the matter set out above, the interests of the members of the audit committee are closely aligned with the interests of shareholders in circumstances where the members of the audit committee have sufficient skills and experience such that they are properly able to discharge this function.

Recommendation 4.3: the audit committee should have a formal charter

A Charter has been adopted which sets out the role and functions of Audit Committee. The Charter is available from Euroz's website.

Further to the Charter, the Audit Committee meets at least twice a year. Its key roles and responsibilities are to:

- Review the Company's accounting policies.
- Review the content of financial statements.
- Review the scope of the external audit, its effectiveness and independence of the external audit.
- Ensure accounting records are maintained in accordance with statutory and accounting standard requirements.
- Monitor systems used to ensure financial and other information provided is reliable, accurate and timely.
- Review the audit process with the external auditors to ensure full and frank discussion of audit issues.
- Present half and full year financial statements to the Board.

A Partner of the Euroz's auditor, Mack & Co, and senior management of the Euroz Group may also attend meetings of the Audit Committee by invitation.

Given the size and nature of Euroz's business and in the context of the Direct Governance Model, Euroz has formed the view that it is not necessary for Euroz to have an internal audit function so as to achieve its corporate governance objectives.

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Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

External Auditors are selected by the Board in consultation with Euroz Staff as the Board see fit.

The rotation of engagement Partners is in accordance with regulatory requirements and is on a 5 year within a 7 year basis.

Refer above.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.

Given the nature of its business, Euroz, its Directors and staff are fully aware of ASX Listing Rule disclosure requirements. In the context of the Direct Governance Model and given the close alignment between the interests of shareholders, the Directors and staff of the Euroz Group, Euroz has formed the view that it does not require written policies with respect to this issue. In this regard, Euroz views compliance with this obligation as being the collective responsibility of the Directors and of the senior executives of the Euroz Group.

The Company Secretary has been appointed as the person responsible for communications with the Australian Securities Exchange. This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and co ordinating information disclosure to the Australian Securities Exchange, analysts, brokers, shareholders, the media and the public.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

Refer above.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Euroz is committed to keeping shareholders fully informed of significant developments. In addition to the public announcement of its financial information and disclosure of significant matters pursuant to the ASX Listing Rules, the Company provides the opportunity for shareholders to question the Board and senior executives about its activities at the Company's annual general meeting.

The Company's auditor, Mack & Co, will be in attendance at the annual general meeting and will also be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

Euroz's website provides detailed information regarding the operations of the Euroz Group including copies of all information that has been released to the market.

Given the relatively small size of Euroz's shareholder base, Euroz has formed the view that it does not need to put a written communications policy in place.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

Refer above.

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PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of business risks and disclose a summary of those policies.

Euroz undertakes risk management in the context of the activities undertaken by the Euroz Group. The Euroz Group is subject to extensive risk management obligations pursuant to the Corporations Act, the ASIC Market Integrity Rules and the rules of the ASX Group and written policies and procedures are in place so as to ensure compliance with these obligations. Risk management is achieved by way of the implementation of these policies and procedures in the context of the day to day involvement of the Board in the business of the Euroz Group pursuant to the Direct Governance Model. In particular, the financial position of Euroz and matters of risk are considered by the Board on a daily basis. The main area of exposure for Euroz is failure of trade settlements by clients and counter parties in the context of a third party clearing arrangement that has been entered into by Euroz Securities. Settlements and exposure are monitored on a daily basis in the context of a third party clearing arrangement that has been entered into by Euroz Securities. Investments made by Euroz are undertaken pursuant to criteria determined by the Board. Euroz's investments are monitored by Board members on a daily basis. The Board is responsible for ensuring that controls and procedures to identify, analyse, assess, prioritise, monitor and manage risk are in place, being maintained and adhered to.

In accordance with the above, Euroz has decided to not make the relevant policies and procedures available on its website.

Recommendation 7.2: the Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

In accordance with the above, risk management is dealt with pursuant to the Direct Governance Model and accordingly this recommendation is not appropriate for Euroz. More generally, the Board performs an internal audit function in circumstances where the interests of the Board are closely aligned with the interests of shareholders. Euroz engages external assistance with respect to this issue, as required.

Euroz has formed the view that, in all of the circumstances set out above, it is not necessary for the Board to convene a risk management committee.

Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Annually, the Chief Financial Officer states in writing to the Board that:

- The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.
- The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

Refer above.

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PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The Board should establish a remuneration committee

Euroz has formed the view that, given the relatively small size of the Board and the close alignment between the interests of Board members and the interests of shareholders, a remuneration committee is not required. Instead, the Board performs the functions that would otherwise be allocated to a remuneration committee. In this regard, the Board convenes separately as a remuneration committee. In performing the functions that would be allocated to the remuneration committee the Board undertakes its functions according to the following principles.

The objective of Euroz's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The framework aligns executive reward with the creation of value for shareholders, and conforms to market best practice.

The remuneration committee ensures that executive remuneration satisfies the following key criteria:

- Competitiveness and reasonableness.
- Acceptability to shareholders.
- Performance linked.
- Transparency.
- Capital management.

Euroz has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

In accordance with the above, the remuneration committee has decided that there will be no equity-based remuneration paid to Directors or staff of the Euroz Group.

Detailed information regarding the remuneration paid to Directors and senior executives of the Euroz Group is set out at pages 16-20 of this report.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives

Euroz does not have any non-executive Directors. The remuneration structure adopted by the Euroz Group is in accordance with the mechanisms usually adopted within the stockbroking/financial advisory industries and is appropriate to Euroz's circumstances and goals.

Detailed information regarding both the remuneration paid to Directors and Staff of the Euroz Group and the structure that underlies remuneration payments is set out at pages 16-17.

Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

Refer above.