

Appendix 4E

Yearly final report Year ended 30 June 2005

EUROZ LIMITED

ABN 53 000 364 465

Results for announcement to the market

Extracts from this report for announcement to the market

\$A'000

Revenue from ordinary activities	Up	48.40%	to	42,268
Profit/(Loss) from ordinary activities after tax attributable to members	Up	49.17%	to	9,228
Net Profit/(loss) for the period attributable to members	Up	49.17%	to	9,228

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	11.5 Cents	11.5 Cents
Interim dividend	4.5 Cents	4.5 Cents

Record date for determining entitlements to the dividend

1 September 2005

Dividend payable date

7 September 2005

Results commentary for announcement to the market

The Directors of Euroz Limited are pleased to announce a pre-tax profit of \$13,266,127 and a net profit after tax of \$9,227,516

This record result has been achieved through strong investment returns and solid contributions from all divisions of the Company's main operation subsidiary, Euroz Securities Limited.

Ongoing strength in commodity prices and buoyant small-mid cap market conditions continue to drive strong interest in our predominantly WA focused products. Euroz Securities completed \$350 million in capital raisings and a record \$3.2 billion in ASX turnover for the financial year.

After two extremely strong years in which we have continued to enhance the Company's balance sheet and brand name, the Directors would like to caution shareholders that it is increasingly probable that market activity will inevitably turn downwards. As such, it is unlikely that this record level of profitability will continue in 2006 but the Directors believe that the growth initiatives executed during 2005 will provide the Company with a solid platform for the future.

This statement is based on accounts that have been subject to audit.

Euroz Limited

ABN 53 000 364 465

Annual report - 30 June 2005

Contents

	Page
Corporate directory	1
Directors' report	2
Auditors Independence Declaration	13
Corporate governance statement	14
Financial report	21
Directors' declaration	50
Independent audit report to the members	51

Directors	Peter Diamond <i>Chairman</i> Andrew McKenzie <i>Managing Director</i> Jay Hughes Shane Gherbaz
Secretary	Shane Gherbaz
Principal registered office in Australia	Level 14 The Quadrant 1 William Street PERTH WA 6000 Telephone: +61 8 9488 1400 Facsimile: +61 8 9488 1477 Email service@euroz.com.au Website www.euroz.com.au
Share and debenture registers	Computershare Investor Services Pty Ltd Level 2 Reserve Bank Building 45 St George's Terrace PERTH WA 6000 Telephone: 1300 787 575
Auditor	Mack & Co Chartered Accountants Level 2 35 Havelock Street WEST PERTH WA 6005 Telephone: +61 8 9322 2798
Bankers	Westpac Banking Corporation 109 St George's Terrace PERTH WA 6000
Stock exchange listings	Euroz Limited shares are listed on the Australian Stock Exchange. Code EZL
Website address	www.euroz.com.au

Euroz Limited Directors' report

Your directors present their report on the consolidated entity consisting of Euroz Limited and the entities it controlled at the end of, or during the year ended June 30 2005.

Directors and Executive Disclosures

The following persons were directors of Euroz Limited during the financial year:

CHAIRMAN

Peter Diamond

EXECUTIVE DIRECTORS

Andrew McKenzie - *Managing Director*

Jay Hughes – *Director*

Shane Gherbaz - *Company Secretary/Director*

Executives with the greatest authority for strategic direction and management

The following persons were the executives (other than directors of the parent entity) with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

NAME	POSITION	EMPLOYER
R Caldow	Director	Euroz Securities Limited
G Chessell	Director	Euroz Securities Limited
S Yeo	Director	Euroz Securities Limited
K Paganin	Director	Euroz Securities Limited
D Young	Director	Euroz Securities Limited
O Foster	Director	Euroz Securities Limited
P Rees	Director	Westoz Funds Management Pty Ltd

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Shane Gherbaz. Mr Gherbaz has worked for Euroz Limited for the past 5.5 years, performing a director role in the business.

Mr Gherbaz was appointed company secretary on March 13 2001.

Principal Activities

During the year the principal continuing activities of the consolidated entity consisted of:

- (a) Retail and Institutional Dealing
- (b) Stock Market Research
- (c) Capital Raisings
- (d) Corporate Advice; and
- (e) Investment Banking

Review of Results

The directors of Euroz Limited are pleased to announce a consolidated pre-tax profit of \$13,266,128 for the year ended 30 June 2005 - compared with the 2004 year's consolidated pre-tax profit of \$9,001,754.

The consolidated net profit after tax was \$9,227,516 compared with the 2004 year's consolidated net profit after tax of \$6,185,712. This profit represents a basic earnings per share of 21.51 cents versus 20.3 cents in the 2004 year.

The directors have declared a final dividend of 11.5 cents per share fully franked which, combined with the interim dividend of 4.5 cents per share, represents a total dividend of 16 cents per share fully franked.

Euroz Limited
Directors' report
(continued)

Review of operations

	Segment revenues		Segment results	
	2005	2004	2005	2004
	\$	\$	\$	\$
Stockbroking	31,000,031	22,440,667	10,308,492	7,753,469
Principal Trading	10,131,437	5,356,144	2,046,903	755,109
Unallocated revenue	<u>1,136,132</u>	<u>685,982</u>	-	-
	<u>42,267,600</u>	<u>28,482,793</u>	<u>12,355,395</u>	<u>8,508,578</u>
Unallocated revenue less unallocated expenses			910,733	493,176
Consolidated profit from ordinary activities before income tax expense			13,266,128	9,001,754
Income tax expense			<u>4,038,612</u>	<u>2,816,042</u>
Consolidated net profit			<u>9,227,516</u>	<u>6,185,712</u>

The primary asset of Euroz Limited is presently its 100% owned stockbroking firm - Euroz Securities Limited (Euroz Securities). The results have been achieved through strong investment returns and solid contributions from all divisions of the company's main operating subsidiary, Euroz Securities Limited. On-going strength in commodity prices and buoyant small-mid cap market conditions continue to drive strong interest in our predominantly WA focused product.

The statement of financial position has been further strengthened during the year with the exercise of 4,178,600 options raising additional capital of \$2,064,130.

Financial Position

The net assets of the consolidated entity have increased by \$6,530,684 from June 30 2004 to \$23,998,346 in 2005.

This increase has largely resulted from the following factors:

- Improved operating performance of the consolidated entity; and
- Appreciation of the consolidated entity's shareholdings during the year in ASX listed companies.

The company's strong financial performance has enabled it to pay higher dividends to shareholders during the year while maintaining a healthy working capital ratio. The consolidated entity's working capital, being current assets less current liabilities, has decreased from \$15,928,386 in 2004 to \$15,515,616 in 2005.

During the past 4 years the company has invested in infrastructure to secure its long term success. In particular, strategic investments have been made in companies to diversify the asset base as well as maintaining and expanding investment in key business segments. The companies holdings in associated companies has increased by \$500,000 to \$10,500,000.

The directors believe the company is in a strong and stable financial position to expand and grow it's current operations.

	2005	2004
Earnings per share	Cents	Cents
Basic earnings per share	21.51	20.3
Diluted earnings per share	20.30	17.7

Euroz Limited
Directors' report
(continued)

Dividends - Euroz Limited

Dividends paid or provided for during the financial year were as follows:

	2005	2004
	\$	\$
Provision for final ordinary dividend for 30 June 2005 of 11.5 cents (2004 - 10 cents) to be paid September 2005	5,146,250	3,722,924
Interim ordinary dividend of 4.5 cents (2004 - 4 cents) per fully paid share was paid on 15 February 2005	2,000,250	1,193,674
Final ordinary dividend for 30 June 2004 of 10 cents (2003 – 1.5 cent) paid 30 September 2004	<u>3,722,924</u>	<u>406,092</u>
	<u>10,869,424</u>	<u>5,322,690</u>

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity during the year not otherwise dealt with in this report.

After balance date events

The directors are not aware of any matter or circumstance subsequent to 30 June 2005 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The directors are confident that its established niche business philosophy and low cost structure will assist the consolidated entity in the current stockbroking environment.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to significant environmental regulation in respect of its operations.

Euroz Limited
Directors' report
(continued)

Information on directors

Director	Experience	Special responsibilities and qualifications	Particulars of directors' interests in shares and options of Euroz Limited	
			Ordinary shares	Options exercised during the year
P Diamond Director	Mr Diamond has worked in the stockbroking industry since 1986.	Executive Chairman Chairman of Audit Committee Chairman of Remuneration Committee He holds a Bachelor of Business Degree (BBus) and is a member of the Australian Society of Accountants (ASA).	4,500,000	-
A McKenzie Director	Mr McKenzie has worked in the stockbroking industry since 1991.	Managing Director Member of Audit Committee Member of Remuneration Committee Holds a Bachelor of Economics Degree, is an Associate of the Securities Institute of Australia and is a Fellow of the Australian Institute of Company Directors.	4,500,000	-
J Hughes Director	Mr Hughes has worked in the stockbroking industry since 1986.	Member of the Remuneration Committee .	4,500,000	65,000
S Gherbaz Director	Mr Gherbaz has worked in the stockbroking industry since 1986.	Member of the Audit Committee .	451,000	231,000

Meetings of directors

The numbers of meetings of the company's board of directors held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

Director	Directors Meetings			Committee Meetings		
	Number eligible to attend	Number attended	Audit Number eligible to attend	Number Attended	Remuneration Number eligible to attend	Number attended
Peter Diamond	19	18	2	2	11	11
Andrew McKenzie	19	16	2	2	11	11
Jay Hughes	19	17	-	-	11	11
Shane Gherbaz	19	19	2	2	-	-

Directors & Executives Emoluments

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations. The board undertakes regular reviews of its performance and the performance of the board against expectations made at the start of the year. Performance related bonuses are available to executives based on their performance and that of the company.

Remuneration Policy

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been three methods applied in achieving this aim, the first being a participation in the profit share pool, the second being commission and the third being HOR incentive. The company believes this policy to have been effective in increasing shareholder wealth over the past four years.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years.

	2001	2002	2003	2004	2005
	\$	\$	\$	\$	\$
Revenue	4,870,020	5,722,611	10,026,219	28,482,793	42,267,600
Net profit after tax	758,964	1,247,744	718,714	6,185,712	9,227,516
Share price at year end	0.52	0.60	0.60	0.93	1.59
Dividends paid or recommended	743,833	1,115,851	1,214,370	4,916,598	7,146,500

The objective of the company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The Board / Remuneration Committee ensure that executive rewards satisfy the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linked
- transparency
- capital management.

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

Directors' fees

No directors fees are paid.

Base pay

Directors and executives are offered a competitive base and participation in the Profit Share pool. Base pay for senior executives is reviewed semi-annually by the Remuneration Committee to ensure that executive's pay is competitive with the market, and is also reviewed upon promotion or additional responsibilities.

There is no guarantee of base pay increases fixed in any senior executive or directors contracts.

Executives are offered a competitive salary that comprises of a base salary inclusive of superannuation and a combination of some of the following, dependant on the terms of the individual employment contract.

- Participation in the profit share pool
- Commission
- HOR incentive

Equity based payments

The entitlement to equity based remuneration ceased on July 28 2003.

Commission

Executives that do not participate in the profit share pool are paid commission on the income they have generated for the company. This is calculated on a sliding scale set out in the employment contract. Any salary paid to the employee is deducted from the commission payment.

Short-term incentives

Cash incentives (Profit Share) are calculated on 30% of pre tax profit from Euroz Securities Limited and are payable in December and or June. Using this criteria ensures reward is only available when value has been created for shareholders. The distribution of the profit share is leveraged to performance as described below.

Euroz Limited
Directors' report
(continued)

Profit share pool

The Remuneration Committee determines the allocation of the 30% pre-tax profit on an ongoing basis. In consultation with relevant department heads the committee uses the following informal criteria to assist in the allocation

- Ability to perform individual tasks within the relevant department
- Ability to add value and innovate beyond the job standard specifications
- Development of new and existing client relationships
- Ability to interact with other relevant departments as part of a larger team approach
- Relevant industry salary benchmarking
- General requirements to attract and retain staff.

The three executives on the Remuneration Committee are also entitled to participate in the profit share pool. In these circumstances two members assess the performance of the third member.

Head of Retail (HOR) incentive

The calculation of this payment is based on the income generated by the members of the Retail Desk and overall management of the Retail Desk.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of Euroz Limited and each of the specified executives of the consolidated entity are set out in the following tables. Amounts disclosed for remuneration of directors and specified executives exclude insurance premiums of \$137,500 paid by the consolidated entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out further in the directors' report.

Executive directors of Euroz Limited

2005	Primary			Post-employment	
	Base salary	Profit Share/bonus	Other benefits	Super-annuation	Total
	\$	\$	\$	\$	\$
P Diamond - Director	256,102	544,000	15,442	11,002	826,546
A McKenzie - Director	228,402	544,000	17,168	38,702	828,272
J Hughes - Director	256,102	544,000	18,467	11,002	829,571
S Gherbaz - Director	129,051	85,000	11,203	21,002	246,256

Current directors did not receive any directors fees from the consolidated entity.

Executive directors of Euroz Limited (continued)

2004	Primary			Post-employment	
	Base salary	Profit Share/bonus	Other benefits	Super-annuation	Total
	\$	\$	\$	\$	\$
P Diamond - Director	241,102	425,000	12,661	11,002	689,765
A McKenzie - Director	230,883	409,867	13,849	34,439	689,038
J Hughes - Director	239,459	425,000	16,454	11,002	691,915
S Gherbaz - Director	130,046	84,786	10,555	36,755	262,142

Current directors did not receive any directors fees from the consolidated entity.

Euroz Limited
Directors' report
(continued)

Specified executives of the consolidated entities

2005	Primary				Post-employment	Equity	
Name	Base Salary	Profit Share/Bonus	Other Benefits	Commission	Super-annuation	Options	Total
	\$	\$	\$	\$	\$	\$	\$
R Caldwell - Director*	65,344		3,294	304,064	14,655	-	387,357
G Chessell - Director*	189,518	544,000	4,089		11,002	-	748,609
S Yeo - Director*	89,054	60,697	14,254	316,261	17,105	-	497,371
K Paganin - Director*	152,316	544,000	17,295		38,703	-	752,314
D Young - Director*	112,325	544,000	14,472		95,980	-	766,777
O Foster - Director*	119,614	370,000	3,782		11,002		504,398
P Rees - Director ***	28,986				2,609	155,000	186,595

* Directors of Euroz Securities Limited

*** Director of Westoz Funds Management Pty Ltd

2004	Primary				Post-employment	Equity	
Name	Base Salary	Profit Share/Bonus	Other Benefits	Commission	Super-annuation	Options	Total
	\$	\$	\$	\$	\$	\$	\$
R Caldwell - Director*	86,149	-	6,215	249,587	18,878	-	360,829
G Chessell - Director*	148,383	350,000	3,702	-	11,002	-	513,087
S Suleski - Director*	138,728	110,000	1,910	-	11,002	-	261,640
S Yeo - Director*	109,128	60,068	11,295	213,282	14,785	-	408,558
K Paganin - Director*	118,098	323,980	13,289	-	36,754	102,400	594,521
D Young - Director*	186,732	269,853	10,293	-	91,149	-	558,027

* Directors of Euroz Securities Limited

Service Agreements

Remuneration and other terms of employment for the directors and specified executives are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and other benefits. Other major provisions of the agreements relating to remuneration are set out below.

Peter Diamond, *Chairman*

- Term of contract - ongoing employment contract
- Base Salary, inclusive of superannuation for the year ended 30 June 2005 of \$267,104 (2004 - \$252,104) plus profit share, to be reviewed annually by the Remuneration Committee.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Andrew McKenzie, *Managing Director*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$267,104 (2004 - \$265,322) plus profit share, to be reviewed annually by the Remuneration Committee.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Jay Hughes, *Director*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$267,104 (2004 - \$250,461) plus profit share, to be reviewed annually by the Remuneration Committee.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Service Agreements (continued)

Shane Gherbaz, *Directors, Company Secretary*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$152,104 (2004 - \$166,801) plus profit share, to be reviewed annually by the Remuneration Committee.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Greg Chessell, *Director - Euroz Securities*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$200,250 (2004 - \$159,385) plus profit share, to be reviewed annually by the Remuneration Committee.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Karl Paganin, *Director Euroz Securities*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$210,000 (2004 - \$154,852) plus profit share, to be reviewed annually by the Remuneration Committee.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Doug Young, *Director Euroz Securities*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 \$210,000 (2004 - \$277,881) plus profit share, to be reviewed annually by the Remuneration Committee.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Richard Caldwell, *Director Euroz Securities*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$80,000 (2004 - \$105,027) plus commission.
- Payment on termination of employment by the employer, other than for gross misconduct - commission earned.

Simon Yeo, *Director Euroz Securities*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$80,000 (2004 - \$123,913) plus HOR bonus and commission.
- Payment on termination of employment by the employer, other than for gross misconduct - commission earned.

Oliver Foster, *Director Euroz Securities*

- Term of contract - ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$161,002 plus profit share.
- Payment on termination of employment by the employer, other than for gross misconduct - three months salary.

Phil Rees, *Director Westoz Funds Management Pty Ltd*

- Term of contract – ongoing employment contract minimum period 1 year
- Base salary. Inclusive of superannuation for the year ended 30 June 2005 of \$200,000
- Payment on termination of employment by the employer other than for gross misconduct – one months salary.

Share-based compensation

500,000 options were issued to directors or specified executives during the year ended June 30 2005.

Grant date	Expiry date	Exercise price	Value per option at grant date
14 April 2005	14 April 2006	\$1.20	\$0.31

These options over ordinary shares in the company were provided to the following specified executive of the consolidated entity. When exercisable, each option is convertible into one ordinary share of Euroz Limited

Name	Number of options granted during the year
Specified executive of the consolidated entity	
P Rees	500,000

The amount disclosed for remuneration relating to options is the assessed fair value of options at the date they were granted during the year ended 30 June 2005. Fair values have been assessed using the Black-Scholes option pricing model including the exercise price, the term of the option, the current price and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the options.

Share-based compensation (cont)

The model inputs for determining the value of the options granted during the year ended 30 June 2005:

Exercise price	\$1.20
Grant Date	14 April 2005
Expiry date	14 April 2006
Shares price at grant date	\$1.51
Expected price volatility of the company's shares	35%
Expected dividend yield	16 cents
Risk-free interest rate	4%

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Euroz Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out on the following page.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Euroz Limited						
J Hughes	65,000	-	(65,000)	-	-	-
S Gherbaz	231,000	-	(231,000)	-	-	-
Specified executives of the consolidated entity						
G Chessell	130,000	-	(130,000)	-	-	-
K Paganin	500,000	-	(500,000)	-	-	-
P Rees	-	500,000	-	-	500,000	500,000

Share holdings

The numbers of shares in the company held during the financial year by each director of Euroz Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Euroz Limited				
Ordinary shares				
P Diamond	4,500,000	-	-	4,500,000
A McKenzie	4,500,000	-	-	4,500,000
J Hughes	4,435,000	65,000	-	4,500,000
S Gherbaz	220,000	231,000	-	451,000
Specified executives of the consolidated entity				
Ordinary shares				
R Caldow	1,113,200	-	570,000	1,683,200
G Chessell	1,113,200	130,000	100,000	1,343,200
S Yeo	1,052,200	-	370,000	1,422,200
K Paganin	1,300,000	500,000	-	1,800,000
D Young	1,045,591	-	371,000	1,416,591
O Foster	75,000	85,000	251,000	411,000

Loans to directors and executives

No loans were made to directors of Euroz Limited and the specified executives of the consolidated entity, including their personally-related entities during the year.

Euroz Limited
Directors' report
(continued)

Other transactions with directors and specified executives

Karl Paganin, a director of Euroz Securities Limited has a brother who is a partner in the law firm Steinepreis Paganin. During the year ended 30 June 2005, the consolidated entity received legal advisory services from Steinepreis Paganin. These services were on normal terms and conditions.

Aggregate amounts of the above types of transactions:

	2005 \$	2004 \$
Amounts recognised as expense		
Legal Fees	<u>53,102</u>	<u>24,481</u>

During the year ended 30 June 2005 the directors and specified executives transacted share business through Euroz Securities Limited on normal terms and conditions.

Aggregate amounts of the above transactions with directors and specified executives of the consolidated entity:

	2005 \$	2004 \$
Amounts recognised as revenue		
Brokerage earned by Euroz Securities Limited on directors' accounts	<u>27,332</u>	<u>11,256</u>

Shares issued on the exercise of options

During the year 4,178,600 options were exercised and converted to ordinary shares raising \$2,064,130. 600,000 options were on issue at June 30 2005.

Indemnifying Officers

During the financial year, Euroz Limited paid a premium of \$137,500 to insure the directors and secretaries of the company and its Australian-based controlled entities. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to such proceedings during the year.

Non-Audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non audit service during the year is compatible with the general standard of independence for auditors imposed under the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to the commencement to ensure they do not adversely affect the integrity, and objectivities of the auditor; and
- The nature of the services, provided do not compromise the general principles relating to auditor independence as set out in the institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended June 30 2005:

	\$
Taxation services	12,100
Advisory services	26,400

Auditor

Mack & Co were appointed auditors during the year and continue in office in accordance with section 327 of the Corporations Act 2001.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended June 30 2005 has been received and follows the directors report.

Mack & Co continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

Peter Diamond
Director

Andrew McKenzie
Director

Date:

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF EUROZ LIMITED**

I declare that to the best of my knowledge and belief, during the year ended June 30 2005 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Mack & Co
Chartered Accountants
2nd Floor, 35 Havelock Street
West Perth WA 6005

K.D. Law, Partner

Date

As the framework of how the Board of directors of Euroz Limited ("Company") carries out its duties and obligations, the Board has considered the ten principles of corporate governance as set out in the ASX Good Corporate Governance and Best Practice Recommendations.

The essential corporate governance principles are:

1. Lay the foundation for management and oversight
2. Structure the board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Encourage enhanced performance
9. Remunerate fairly and responsibly
10. Recognise the legitimate interests of stakeholders

1. Lay the foundation for management and oversight

Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.

Besides governing the Company, members of the board are also executives of the Company and play an integral part in the day-to-day management of the Company's activities.

Roles and Responsibilities

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

2. Structure the board to add value

Recommendation 2.1: A majority of the board should be independent directors.

Recommendation 2.2: The chairperson should be an independent director.

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

Recommendation 2.4: The board should establish a nomination committee.

Membership

The board's membership and structure is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The board currently consists of 4 members; all of whom are executive directors. Refer to the Directors' Report for details of each director's profile.

Chairman and Managing Director

The roles of the Chairman and the Managing Director are separate. The Chairman is responsible for leading the Board in its duties, facilitating effective discussions at board level. The Managing Director is responsible for the efficient and effective operation of the Company.

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.

Skills

Directors are required to have a solid understanding of financial markets. All directors meet this requirement. They bring a range of skills and backgrounds to the Board including financial services (stockbroking and investment banking), accountancy, auditing, technology and marketing.

Experience

The directors, collectively, have 71 years experience in the financial services industry.

Meetings

The board meets at least once a month on a formal basis.

Independent professional advice

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 is not unreasonably withheld.

3. Promote ethical and responsible decision making

Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent) and any other key executives as to:

3.1.1 The practices necessary to maintain confidence in the company's integrity

3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

Standards

The Company is committed to 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 Company policies. Each staff member is issued with the Company's Policies and Procedures manual at the beginning of their employment with the Company.

Dealing in Company Securities

As part of its 'Policy and Procedures', employees are required to have written approval prior to the execution of any trade on the ASX, not just those in the securities of the Company. 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 of Directors 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 the Company, 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.

4. Safeguard integrity in financial reporting

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

Recommendation 4.2: The board should establish an audit committee.

Recommendation 4.3: Structure the audit committee so that it consists of

- Only non-executive directors
- A majority of independent directors
- An independent chairperson, who is not chairperson of the board
- At least three members.

Recommendation 4.4: The audit committee should have a formal charter.

Integrity of Company's Financial Condition

The Company's Financial Controller and Company Secretary report in writing to the Audit Committee that the consolidated financial statements of the Company and its controlled entities for the half and full financial year present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

Audit Committee

Members of the Audit Committee are Peter Diamond, Andrew McKenzie and Shane Gherbaz.

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

5. Make timely and balanced disclosure

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.

Being a listed entity on the ASX, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company advises the market of all information required to be disclosed under the Rules which the Board believes would have a material affect on the price of the Company's securities.

The Company Secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). 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 ASX, analysts, brokers, shareholders, the media and the public.

All shareholders receive a copy of the Company's annual report.

6. Respect the rights of shareholders

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company is committed to keeping shareholders fully informed of significant developments at the Company. In addition to public announcements of its financial statements and significant matters, the Company provides the opportunity for shareholders to question the board and management 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.

7. Recognise and manage risk

Recommendation 7.1: The board or appropriate board committee should establish policies on risk oversight and management.

Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that:

7.2.1 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.

7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board oversees the Company's risk profile. The financial position of the Company and matters of risk are considered by the Board on a daily basis. The main area of exposure for the Company is failure of trade settlements by clients and counter-parties. Settlements and exposure are monitored on a daily basis. Investments made by the Company are done so under criteria determined by the board. The Company's investments are monitored by the 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. To satisfy certain of the requirements of a Participant of the ASX, the Company is required to submit monthly reports to the ASX which determine and show such things as solvency, capital liquidity ratios, counter-party exposure, large exposure risk and position risk.

The financial controller and company secretary state 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.

8. Encourage enhanced performance

Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

Given the specific nature of the Company's activities and that all board members are executives of the Company, performance evaluation is an on-going process. Achievement of goals and business development and compliance issues is evaluated regularly on an informal basis.

Share Ownership

Directors and employees of the Company are encouraged to have a financial interest in the Company. This way Directors and employees participate in increased shareholder value on the same basis as all other shareholders.

9. Remunerate fairly and responsibly

Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of the policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

Recommendation 9.2: The board should establish a remuneration committee.

Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

Principles used to determine the nature and amount of remuneration

The objective of the company'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 rewards satisfy the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability the shareholders
- Performance linked
- Transparency
- Capital management

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

Remuneration Committee

Members of the Remuneration Committee are Peter Diamond, Andrew McKenzie and Jay Hughes.

Equity-based executive remuneration

There is no equity-based remuneration to executives of the Company except for the payment of options to one executive of Euroz Securities Ltd made in this financial year as part of his employment contract.

Directors' Remuneration

Further information on directors' and executives' remuneration is set out in the directors' report and note 24 to the financial statements.

The three members of the remuneration committee are also executives and board members. These three members also participate in the profit sharing pool. In these circumstances, two members evaluate the other.

10. Recognise the legitimate interests of stakeholders

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

Besides its accountability to its shareholders, the Company has expectations from a diverse group of stakeholders. The Company's policies and procedures manual outlines expectations of Directors and employees in dealing with the Company's obligations to these interested parties. It outlines responsibilities with regard to areas such as the law, the Company, the Market, Clients, ASX Listing Rules and ASX Market Rules.

Departure from Best Practice Recommendations

From 1 July 2004 to 30 June 2005, the Company complied with each of the Ten Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council, other than in relation to the table below.

General comment: The Company is not included in the ASX/S&P All Ordinaries Index and, as such, is excepted from certain of the recommendations regarding non-executive directors being on the Board and Committees. Furthermore, given the small size of the Company and the specialized financial services industry (Stockbroking) that the Company deals within, the criteria for inclusion of non-executive directors makes it difficult to attract suitable candidates; criteria such as not being a director on another company's board and low remuneration by way of director fees. However, the Board of Directors continues to review these matters.

Council Recommendation	Notification of Departure	Explanation for Departure
1.1	The board has formalised a charter.	The board was operated within its charter.
2.1	The Company has no independent directors.	Refer to the general comment above.
2.2	The Company's chairperson is not an independent director.	Refer to the general comment above.
2.3	OK	
2.4	The board does not have a nomination committee.	The whole board carries out the duties which would otherwise be undertaken by the nomination committee. The board can see no efficiencies to be gained by having a separate nomination committee given the size of the board.
3.1	The Company has at formalised a code of conduct.	The Company has an extensive Policy and Procedure manual for directors and employees of the Company - a subset of which outlines matters of conduct.

Euroz Limited
Corporate governance statement
(continued)

4.3	The audit committee has no non-executive directors, no majority of independent directors and a chairperson who is not independent and who is also chairperson of the board.	Refer to the general comment above.
4.4	The audit committee has formalised a charter.	The board considers that the audit committee acted in accordance with appropriate business practices.
5.1	The Company has formalised a written policy on disclosure.	The Company has operated its disclosure requirements according to its policy.
7.1	The Company has a formalised a written policy on risk management.	The Company has operated its risk management according to its policy. The whole board carries out the duties which would otherwise be undertaken by a risk management committee.
8.1	The process for evaluation of the board, individual directors and key executives has been formalised.	Performance of the board, individual directors and key executives has been conducted
9.3	N/A	The Company has no non-executive directors.
9.4	Payment of equity-based executive remuneration to an executive was not made in accordance with thresholds set in plans approved by shareholders.	No thresholds have been set in plans approved by shareholders. The Company has no intention of making further equity-based payments to executives as part of their remuneration package.
10.1	The Company has a formal Code of Conduct.	The Company has an extensive Policy and Procedure manual for directors and employees of the Company - a subset of which outlines matters of conduct.

Contents

	Page
Financial report	
Statements of financial performance	22
Statements of financial position	23
Statements of cash flows	24
Notes to the financial statements	25
Directors' declaration	50
Auditor's report	51

Euroz Limited
Statement of financial performance
for the year ended 30 June 2005

		Consolidated		Parent entity	
	Notes	2005	2004	2005	2004
		\$	\$	\$	\$
Revenue from ordinary activities	3	42,267,600	28,482,793	13,640,347	7,627,961
Employee benefits expense		(12,670,214)	(9,819,088)	-	-
Depreciation and amortisation expenses	4	(199,399)	(193,701)	-	-
Regulatory expenses		(442,849)	(397,825)	(57,244)	(39,175)
Consultancy expenses		(650,359)	(590,973)	(60,641)	(35,546)
Conference and seminar expenses		(533,736)	(418,436)	-	-
Brokerage & underwriting expense		(935,307)	(1,136,319)	-	-
Communication expenses		(183,407)	(168,994)	-	-
Write-off of costs incurred in setting up Westoz Funds Management Pty Ltd		(101,817)	-	(101,817)	-
Carrying amount of principal trading stock sold		(8,084,535)	(4,601,035)	-	-
Carrying amount of investments sold		(4,118,547)	(855,620)	(4,118,547)	(855,620)
Other expenses from ordinary activities		(1,081,302)	(1,049,048)	(11,000)	(2,959)
ASX membership fee written off	4	-	(250,000)	-	-
Profit from ordinary activities before related income tax expense	4	13,266,128	9,001,754	9,291,098	6,694,661
Income tax expense	5	(4,038,612)	(2,816,042)	(320,683)	(212,705)
Profit from ordinary activities after related income tax expense		<u>9,227,516</u>	<u>6,185,712</u>	<u>8,970,415</u>	<u>6,481,956</u>
Total changes in equity attributable to members of Euroz Limited other than those resulting from transactions with owners as owners		<u>9,227,516</u>	<u>6,185,712</u>	<u>8,970,415</u>	<u>6,481,956</u>
Basic earnings per share	32	Cents	Cents		
		21.51	20.30		
Diluted earnings per share	32	20.30	17.70		

The above Statements of financial performance should be read in conjunction with the accompanying notes.

Euroz Limited
Statement of financial position
As at 30 June 2005

		Consolidated		Parent entity	
	Notes	2005 \$	2004 \$	2005 \$	2004 \$
Current assets					
Cash assets	6,22	20,552,956	21,318,049	11,404,527	10,317,137
Receivables	7,22	21,807,792	20,618,652	210,937	1,721,758
Inventories	8	1,319,508	294,984	-	-
Other	9	401,805	304,280	88,831	-
Total current assets		<u>44,082,061</u>	<u>42,535,965</u>	<u>11,704,295</u>	<u>12,038,895</u>
Non-current assets					
Other financial assets	10,22	8,199,671	1,061,789	18,699,672	11,061,789
Property, plant and equipment	11	557,734	564,762	-	-
Deferred tax assets	12	226,612	203,169	226,612	203,169
Total non-current assets		<u>8,984,017</u>	<u>1,829,720</u>	<u>18,926,284</u>	<u>11,264,958</u>
Total assets		<u>53,066,078</u>	<u>44,365,685</u>	<u>30,630,579</u>	<u>23,303,853</u>
Current liabilities					
Payables	13	21,602,236	20,635,334	37,500	29,899
Current tax liabilities	14	1,639,054	2,076,975	1,639,055	2,076,975
Provisions	15	5,325,155	3,895,270	5,146,250	3,722,924
Total current liabilities		<u>28,566,445</u>	<u>26,607,579</u>	<u>6,822,805</u>	<u>5,829,798</u>
Non-current liabilities					
Deferred tax liabilities	16	87,991	27,855	87,991	27,855
Provisions	17	413,296	262,589	-	-
Total non-current liabilities		<u>501,287</u>	<u>290,444</u>	<u>87,991</u>	<u>27,855</u>
Total liabilities		<u>29,067,732</u>	<u>26,898,023</u>	<u>6,910,796</u>	<u>5,857,653</u>
Net assets		<u>23,998,346</u>	<u>17,467,662</u>	<u>23,719,783</u>	<u>17,446,200</u>
Equity					
Contributed equity	18	21,682,371	16,944,512	21,682,371	16,944,512
Retained profits	19	2,315,975	523,150	2,037,412	501,688
Total equity	20	<u>23,998,346</u>	<u>17,467,662</u>	<u>23,719,783</u>	<u>17,446,200</u>

The above Statements of financial position should be read in conjunction with the accompanying notes.

Euroz Limited
Statement of cash flows
for the year ended 30 June 2005

	Notes	Consolidated 2005 \$	2004 \$	Parent entity 2005 \$	2004 \$
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		25,047,249	21,106,678	9,053	-
Payments to suppliers and employees (inclusive of goods and services tax)		(15,622,493)	(12,939,762)	(127,630)	(86,078)
		9,424,756	8,166,916	(118,577)	(86,078)
Proceeds from sale of house options		107,728	-	-	-
Dividends received		56,506	8,310	8,339,256	6,259,089
Interest received		1,107,152	678,154	458,250	202,933
Proceeds from sale of trading shares		10,055,960	5,352,176	-	-
Net movement in client balances		-	(266,779)	-	-
Payments for setting up Westoz		-	-	(101,817)	-
Income taxes paid/(returned)		(4,439,840)	(780,800)	786,204	(33,301)
Payments for trading shares		(9,109,059)	(4,890,170)	-	-
Net cash inflow (outflow) from operating activities	30	7,203,203	8,267,807	9,363,316	6,342,643
Cash flows from investing activities					
Payments for investments		(11,256,429)	(1,384,614)	(11,256,430)	(1,384,614)
Payments for investments in controlled entity		-	-	(500,000)	(2,750,000)
Payments for property, plant and equipment		(193,371)	(107,463)	-	-
Proceeds from disposal of PPE		1,000	-	-	-
Proceeds from sale of investments		4,754,010	1,435,417	4,754,010	1,435,417
Net cash (outflow) from investing activities		(6,694,790)	(56,660)	(7,002,420)	(2,699,197)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		4,737,859	4,737,870	4,737,859	4,737,870
Proceeds from borrowings		-	-	-	3,000,000
Repayment of borrowings		-	-	-	(3,000,000)
Dividends paid	21	(6,011,365)	(1,599,766)	(6,011,365)	(1,599,766)
Net cash inflow from financing activities		(1,273,506)	3,138,104	(1,273,506)	3,138,104
Net increase in cash held		(765,093)	11,349,251	1,087,390	6,781,550
Cash at the beginning of the financial year		21,318,049	9,968,798	10,317,137	3,535,587
Cash at the end of the financial year	6	20,552,956	21,318,049	11,404,527	10,317,137
Non-cash financing and investing activities	31				

The above statements of cash flows should be read in conjunction with the accompanying notes.

Contents

	Page
Note 1. Summary of significant accounting policies	26
Note 2. Segment information	32
Note 3. Revenue	33
Note 4. Profit from ordinary activities	34
Note 5. Income tax	35
Note 6. Current assets - Cash assets	37
Note 7. Current assets - Receivables	37
Note 8. Current assets - Inventories	37
Note 9. Current assets - Other	38
Note 10. Non-current assets - Other financial assets	38
Note 11. Non-current assets - Property, plant & equipment	39
Note 12. Non-current assets - Deferred tax assets	40
Note 13. Current liabilities - Payables	40
Note 14. Current liabilities - Current tax liabilities	40
Note 15. Current liabilities - Provisions	40
Note 16. Non-current liabilities - Deferred tax liabilities	40
Note 17. Non-current liabilities - Provisions	41
Note 18. Contributed equity	41
Note 19. Retained profits	42
Note 20. Equity	42
Note 21. Dividends	43
Note 22. Financial instruments	43
Note 23. Remuneration of auditors	44
Note 24. Contingent liabilities	45
Note 25. Commitments for expenditure	45
Note 26. Employee benefits	46
Note 27. Related parties	46
Note 28. Investments in controlled entities	47
Note 29. Events occurring after reporting date	47
Note 30. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities	48
Note 31. Non-cash financing and investing activities	48
Note 32. Earnings per share	49
Note 33. Company details	49

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(r).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Euroz Limited ('company' or 'parent entity') as at 30 June 2005 and the results of all controlled entities for the year then ended. Euroz Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Euroz Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision.

As a consequence, Euroz Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime. The impact on the income tax expense for the year is disclosed in note 5.

(c) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Note 1. Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Brokerage revenue earned from share trading on behalf of clients is recognised on completion of the transactions. That is the day the security is traded not the day of settlement.

Underwriting, management fees and corporate retainers are brought to account when the fee in respect of the services provided is receivable.

Share trading revenue from the sale of stocks in the Jobbing account is recognised on the day the security is traded. Revenue comprises the gross proceeds on sale of the security.

Interest income is recognised as it accrues.

(e) Receivables

All trade debtors relating to brokerage and principal trading are recognised as current receivables as they are due for settlement no more than 3 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(f) Inventories

Inventories are stocks held in the operating (jobbing) account at year end. All inventory is held at the lower of cost or market value.

(g) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted.

(h) Investments

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements are initially bought to account at cost. Stock held in the inventory (Jobbing) account is also brought to account at cost. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

If the fair value of an investment is below its initial cost, a provision is made against the investment to reduce its carrying amount to its fair value.

Note 1. Summary of significant accounting policies (continued)

(i) Depreciation of property, plant and equipment

Each class of property, plant and equipment is carried at cost of fair value less, where applicable, any accumulated depreciation.

PROPERTY

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis.

The carrying amount of the plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding artwork) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The depreciation rates used for each class of depreciable assets:

Class of Fixed Assets	Depreciation Rate
Leasehold improvements	4-5%
Plant and equipment	5-33%

Artwork is not depreciated, but is reviewed annually for impairment.

(j) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 5 years.

(k) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

Other operating lease payments are charged to the statements of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(l) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Dividends

Provision is made for the amount of any dividend declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

(n) Employee share options

The fair value of options in the shares of the company issued to directors or executives is included in the amounts disclosed in the financial report for the aggregate remuneration. No expense is recognised in the financial statements in relation to the granting of these options.

Note 1. Summary of significant accounting policies (continued)**(o) Employee benefits****(i) Wages, salaries and annual leave**

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Superannuation

Contributions are made by the consolidated entity to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(p) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(q) Earnings per share**(i) Basic earnings per share**

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Australian Equivalents to International Financial Reporting Standards (A-IFRS)

The Australian Accounting Standards Board (AASB) has adopted A-IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB have issued Australian equivalents to IFRS, and the Urgent Issues Group have issued abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with A-IFRS for the first time are required to restate comparative financial statements to amounts reflecting the application of A-IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The choices that are available are in relation to the application of AASB 132 and AASB 139 on Financial Instruments. AASB 1 states that the application of the above standards maybe deferred until 1 July 2005. The consolidated financial entity has elected to defer application of AASB 132 and 139 however describe the expected impact as outlined below.

A-IFRS is expected to impact on the statement of financial position of the consolidated financial entity as follows:

1) AASB 132 Financial Instruments: Presentation and Disclosure.

The current classification of financial instruments issued by entities in the consolidated entity will not change.

Note 1. Summary of significant accounting policies (continued)

(r) Australian Equivalents to International Financial Reporting Standards (A-IFRS) (continued)

AASB 139 Financial Instruments: Recognition and Measurement.

Currently, investments and trading securities are recorded at the lower of cost or net realisable value. Revenue is only recognised on sale of these securities.

AASB 139 requires the classification of financial assets held by the consolidated entity being subject to classification as either held for trading, available for sale or loans and receivables, and depending upon classification, measured at fair value or amortised cost.

Upon adoption of AASB 139 the classification of financial instruments for the consolidated entity is likely to be:-

Current Assets – Inventories to be classified as held for trading securities. The effect of this is that the securities are required to be fair value accounted with the increment or decrement adjusted against the statement of financial performance. The securities are also subject to impairment testing on an annual basis. The likely adjustments had the exemption not been elected at June 30 2005 the inventories would have been valued at the market value of the listed securities at year end. The market value of the securities included in inventory was \$1,653,000.

At June 30 2005 the following adjustment would have resulted:-

Market value of listed securities included in inventory	1,653,000
Cost as per Note 8 Inventories	1,319,508
Unrealised Profit	<u>333,492</u>

Adjustment required

The adjustment would have increased the statement of financial performance by the unrealised profit of \$333,492 at June 30 2005. The adjustment would have been posted against opening retained earnings.

For tax effect purposes the unrealised profit of \$333,492 would be assessed at the prevailing tax rate being 30% resulting in an increase both the income tax expense in the statement of financial performance and the deferred tax liability in the statement of financial position of \$100,048.

Non Current Assets – Investments to be classified as available for sale securities. The effect of this is that the investments are required to be fair value accounted with the increment or decrement adjusted against equity in the statement of financial position. The securities are subject to an annual impairment test. If the security is impaired an entry is made to derecognise the security in the equity section of the statement of financial position and transfer the impairment loss to the statement of financial performance. The likely adjustments had the consolidated entity not applied the exemption is that the securities would have been valued at the market value of the listed securities at year end. The market value of the listed securities was \$4,005,500.

The consolidated entity held an investment in an unlisted public company at a cost of \$5,000,000. This investment in turn held cash, investments in bank bills and no listed securities at year end. The company had not commenced its investment program and was valued at cost. This amount will be subject to annual impairment testing.

At June 30 2005 the following adjustment would have resulted:-

Market value of listed securities included in investments	4,005,500
Cost as per Note 10 Investments	3,199,671
Unrealised Gain	<u>805,829</u>

Note 1. Summary of significant accounting policies (continued)

(r) Australian Equivalents to International Financial Reporting Standards (A-IFRS) (continued)

Adjustment required

The adjustment would have increased non current assets in the statement of financial position by the unrealised profit of \$805,829 at June 30 2005. For tax effect purposes the unrealised gain of \$805,829 would be assessed at the prevailing tax rate being 30% resulting in an increase in the deferred tax liability in the statement of financial position of \$241,749. The difference between the unrealised gain recognised in non current assets and the deferred tax liability is \$564,080. This would result in a net increase in equity as an asset revaluation reserve.

Share Based Payments

Share based compensation forms part of the remuneration of certain employees and other interest parties of the consolidated entity. The consolidated entity does not currently recognise an expense for any share options granted to employees under A-GAAP. Under A-IFRS, particularly AASB 2, the consolidated entity will be required to recognise an expense for such share based compensation. Share based compensation is to be measured at the fair value of share options issued determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non market based vesting conditions are not met. The consolidated entity will not retrospectively recognise share based payments vested before 1 January 2005. As permitted by AASB 1 *First time adoption of Australian Equivalents to International Financial Reporting Standards*. Therefore AASB 2 will apply to all share based payments since November 7 2002 which have not vested at January 1 2005. In April 2005 the consolidated entity issued 600,000 options to employees and other parties for no consideration. The fair value of the options at the date of exercise was calculated as \$186,000 and would therefore have been required to be expensed in the statement of financial performance and would give rise to an option premium reserve in equity of the statement of financial position of the same amount. There is no tax effect expected.

Impairment of Assets

Under *Australian Equivalents to International Financial Reporting Standards AASB 136 Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. Value in use will be assessed by reference to discounted cashflow. There is expected to be no transitional adjustment in respect of AASB 136. This would be applied to plant and equipment and leasehold improvements.

Income Taxes

Under *Australian Equivalents to International Financial Reporting Standards AASB 112 Income Taxes* the consolidated entity will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in the Statement of Financial Position and tax-based balance sheet. The consolidated entity elected to enter the consolidated regime for income tax purposes from July 1 2003. The effect of the adoption of *Australian Equivalents to International Financial Reporting Standards* is that wholly owned entities in the consolidated group will be required to recognise their own deferred tax balances directly, and only the current tax liability or asset will be assumed by the head entity.

(s) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(t) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Note 2. Segment information

Business Segments

The consolidated entity operates in one geographical segment for secondary reporting, being Australia. The consolidated entity operates in two business segments for primary reporting, being as follows:

Stockbroking

Stockbroking business offering trading of Australian securities, post trade reporting, corporate investment opportunities, provision of company research and funds management.

Principal Trading

Principal trading relates to the purchase and sale of securities by the consolidated entity.

Primary reporting - business segments

	Stockbroking	Principal Trading	Unallocated	Consolidated
	\$	\$	\$	\$
2005				
Sales and other fees	31,000,031	10,114,187	-	41,114,218
Other revenue	-	17,250	1,136,132	1,153,382
Total segment revenue	<u>31,000,031</u>	<u>10,131,437</u>	<u>1,136,132</u>	<u>42,267,600</u>
Segment result	10,308,492	2,046,903		12,355,395
Unallocated revenue less unallocated expenses				910,733
Profit from ordinary activities before income tax expense				13,266,128
Income tax expense				(4,038,612)
Profit from ordinary activities after income tax expense				<u>9,227,516</u>
Segment assets	51,519,957	1,319,510		52,839,467
Unallocated assets				226,611
Total assets				<u>53,066,078</u>
Segment liabilities	23,833,491			23,833,491
Unallocated liabilities				5,234,240
Total liabilities				<u>29,067,731</u>
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	1,222,247			1,222,247
Depreciation and amortisation expense	199,399			199,399
Other non-cash expenses	-			-
2004				
Sales and other fees	21,005,250	5,352,176	-	26,357,426
Other revenue	1,435,417	3,968	685,982	2,125,367
Total segment revenue	<u>22,440,667</u>	<u>5,356,144</u>	<u>685,982</u>	<u>28,482,793</u>
Segment result	7,753,469	755,109	-	8,508,578
Unallocated revenue less unallocated expenses				493,176
Profit from ordinary activities before income tax expense				9,001,754
Income tax expense				(2,816,042)
Profit from ordinary activities after income tax expense				<u>6,185,712</u>
Segment assets	43,867,532	294,984	-	44,162,516
Unallocated assets				203,169
Total assets				<u>44,365,685</u>
Segment liabilities	21,070,269	-	-	21,070,269
Unallocated liabilities				5,827,754
Total liabilities				<u>26,898,023</u>
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	1,492,077	-	-	1,492,077
Depreciation and amortisation expense	193,701	-	-	193,701
Other non-cash expenses	250,000	-	-	250,000

Notes to and forming part of the segment information

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment, net of related provisions. Segment liabilities consist primarily of trade and other creditors and provisions. Segment assets and liabilities do not include income taxes.

Note 3. Revenue

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenue from operating activities				
Brokerage	13,406,955	10,556,400	-	-
Underwriting and management fees	11,830,483	9,844,650	-	-
Proceeds on sale of principal trading shares	10,114,187	5,352,176	-	-
Corporate retainers	809,995	604,200	-	-
House options	107,728	-	-	-
	<u>36,269,348</u>	<u>26,357,426</u>	<u>-</u>	<u>-</u>
Revenue from outside the operating activities				
Interest	1,099,237	678,154	459,581	202,933
Dividends	56,506	8,311	8,339,256	5,989,611
Other revenue	999	3,485	-	-
Proceeds on sale of investments	<u>4,841,510</u>	<u>1,435,417</u>	<u>4,841,510</u>	<u>1,435,417</u>
	<u>5,998,252</u>	<u>2,125,367</u>	<u>13,640,347</u>	<u>7,627,961</u>
Revenue from ordinary activities	<u>42,267,600</u>	<u>28,482,793</u>	<u>13,640,347</u>	<u>7,627,961</u>

Note 4. Profit from ordinary activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Net gain on disposal of investments	<u>722,963</u>	<u>579,797</u>	<u>722,963</u>	<u>579,797</u>
Expenses				
Cost of sales of principal trading	8,084,535	4,601,035	-	-
Depreciation				
Plant and equipment	<u>107,095</u>	<u>103,453</u>	<u>-</u>	<u>-</u>
Total depreciation	<u>107,095</u>	<u>103,453</u>	<u>-</u>	<u>-</u>
Amortisation				
Leasehold improvements	<u>92,304</u>	<u>90,248</u>	<u>-</u>	<u>-</u>
Total amortisation	<u>92,304</u>	<u>90,248</u>	<u>-</u>	<u>-</u>
Other charges against assets				
Write down of ASX membership fee (note 1(o))	-	250,000	-	-
Reversal of provision for doubtful debts	(100,000)	50,000	-	-
Other Provisions				
Movement in employee entitlements	<u>85,723</u>	<u>137,371</u>	<u>-</u>	<u>-</u>
Total other provisions	<u>85,723</u>	<u>137,371</u>	<u>-</u>	<u>-</u>
Rental expense relating to operating leases				
Minimum lease payments	<u>187,317</u>	<u>262,589</u>	<u>-</u>	<u>-</u>
Total rental expense relating to operating leases	<u>187,317</u>	<u>262,589</u>	<u>-</u>	<u>-</u>

Note 5. Income tax

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Income tax expense				
The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	13,266,128	9,001,754	9,291,098	6,694,661
Income tax calculated @ 30%	3,979,838	2,700,526	2,787,329	2,008,398
Non-deductible entertainment	35,204	35,343	-	-
Write off ASX licence	-	75,000	-	-
Imputation credits	3,082	49	1,070,225	769,583
Non deductible capital expenses	30,545	-	30,545	-
Non-deductible expenses	216	81	-	-
Prior year adjustment - FBT	-	(3,538)	-	-
Timing differences not previously recognised	-	-	-	-
Inter-corporate dividend rebate	(10,273)	(161)	(3,567,417)	(2,565,276)
Under (over) provision in prior year	-	8,742	-	-
Income tax expense attributable to profit from ordinary activities before impact of tax consolidation	4,038,612	2,816,042	320,683	212,705
Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)			12,275,028	8,292,362
Income tax calculated @ 30%			3,682,508	2,487,709
Tax effect of permanent differences:				
Entertainment expense			35,204	35,343
Write off ASX licence			-	75,000
Non-deductible expenses			216	81
Prior year adjustment - FBT			-	(3,538)
Income tax adjusted for permanent differences				2,594,595
Under (over) provision in previous year			-	8,742
Income tax expense – tax consolidated group (excluding parent entity)			3,717,928	2,603,337
			4,038,611	2,816,042
Compensation received from tax consolidated group entities		-	(3,717,928)	(2,603,337)
Income tax expense attributable to profit from ordinary activities	4,038,612	2,816,042	320,683	212,705

Note 5. Income tax (continued)

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Aggregate income tax expense comprises:				
Current taxation provision	4,001,919	2,928,404	4,001,919	2,928,404
Deferred income tax provision	60,136	(135)	60,136	27,855
Future income tax benefit	(23,443)	(112,227)	(23,443)	(194,019)
Net income tax attributable to wholly-owned tax consolidated entities	-	-	(3,717,930)	(2,549,535)
	<u>4,038,612</u>	<u>2,816,042</u>	<u>320,682</u>	<u>212,705</u>

Tax losses

No part of the future income tax benefit shown in note 12 is attributable to tax losses. The directors advise that the potential future income tax benefit at June 30 2005 in respect of tax losses not brought to account is nil.

Tax consolidation legislation

Euroz Limited and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as of July 1 2003. The accounting policy on implementation of the legislation is set out in note 1(b). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse Euroz Limited for any current income tax payable by Euroz Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Euroz Limited. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Euroz Limited.

The wholly-owned entities have fully compensated Euroz Limited for deferred tax liabilities assumed by Euroz Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Euroz Limited.

On entering tax consolidation on 1 July 2003, Euroz Securities Limited transferred net deferred tax assets of \$53,802 to Euroz Limited. Euroz Limited has compensated Euroz Securities for this transfer by way of a reduction of the tax related loan by Euroz Securities Limited to Euroz Limited as shown at note 7.

Note 6. Current assets - Cash assets

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash at bank and on hand	17,532,758	14,818,049	10,394,428	10,317,137
Deposits at call	<u>3,020,198</u>	<u>6,500,000</u>	<u>1,010,099</u>	<u>-</u>
	<u>20,552,956</u>	<u>21,318,049</u>	<u>11,404,527</u>	<u>10,317,137</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:

Balances as above	<u>20,552,956</u>	<u>21,318,049</u>	<u>11,404,527</u>	<u>10,317,137</u>
-------------------	-------------------	-------------------	-------------------	-------------------

Deposits at call

The deposits are bearing floating interest rates between 3.80% and 4.87% (2004 – 4.05% and 4.68%).

Note 7. Current assets - Receivables

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trade debtors	21,807,792	20,716,812	-	9,053
Less: Provision for doubtful debts	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
		20,616,812	-	9,053
Other debtors	-	-	202,751	-
Intercompany tax related loan receivable	-	-	-	1,710,865
Goods and services tax (GST) receivable	<u>-</u>	<u>1,840</u>	<u>8,186</u>	<u>1,840</u>
	<u>21,807,792</u>	<u>20,618,652</u>	<u>210,937</u>	<u>1,721,758</u>

Other debtors

These amounts generally arise from transactions outside the consolidated entity's usual operating activities.

Note 8. Current assets - Inventories

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trading securities - listed	<u>1,319,508</u>	<u>294,984</u>	<u>-</u>	<u>-</u>

Net fair value

The aggregate net fair value of trading securities in listed corporations at June 30 2005 is \$1,653,000 based on the market value at that date.

Note 9. Current assets – Other

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Prepayments	134,537	237,464	-	-
Accrued income	267,268	66,816	88,831	-
	<u>401,805</u>	<u>304,280</u>	<u>88,831</u>	<u>-</u>

Note 10. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Investments traded on organised markets				
Shares in other corporations - at cost	3,199,671	1,061,789	3,199,672	1,061,789
Investment in un-listed company – at cost	5,000,000	-	5,000,000	-
Other (non-traded) investments				
Shares in controlled entities - at cost (note 28)	-	-	10,500,000	10,000,000
	<u>8,199,671</u>	<u>1,061,789</u>	<u>18,699,672</u>	<u>11,061,789</u>

Net fair value

The aggregate net fair value of investments in listed corporations at June 30 2005 is \$4,005,500 (2004 - \$1,363,050) based on the market value at that date.

Non-current assets pledged as security

See note 31 for information on non-current assets pledged as security by the parent entity or its controlled entities.

Note 11. Non-current assets - Property, plant & equipment

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Land & buildings				
Leasehold improvements				
At cost	463,325	451,773	-	-
Less: Accumulated amortisation	(215,392)	(123,088)	-	-
Total land and buildings	<u>247,933</u>	<u>328,685</u>	<u>-</u>	<u>-</u>
Plant and equipment				
Software				
At cost	29,655	30,000	-	-
Less: Accumulated depreciation	(3,419)	(30,000)	-	-
	<u>26,236</u>	<u>-</u>	<u>-</u>	<u>-</u>
Office equipment				
At cost	502,163	381,601	-	-
Less: Accumulated depreciation	(347,836)	(287,076)	-	-
	<u>154,327</u>	<u>94,525</u>	<u>-</u>	<u>-</u>
Furniture, fixtures & fittings				
At cost	236,136	206,034	-	-
Less: Accumulated depreciation	(106,898)	(64,482)	-	-
	<u>129,238</u>	<u>141,552</u>	<u>-</u>	<u>-</u>
Total plant and equipment	<u>309,801</u>	<u>236,077</u>	<u>-</u>	<u>-</u>
	<u><u>557,734</u></u>	<u><u>564,762</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements	Plant and equipment	Total
	\$	\$	\$
2005			
Consolidated			
Carrying amount at 1 July 2004	328,685	236,077	564,762
Additions	11,552	182,319	193,871
Disposals	-	(1,500)	(1,500)
Depreciation/amortisation expense (note 4)	<u>(92,304)</u>	<u>(107,095)</u>	<u>(199,399)</u>
Carrying amount at 30 June 2005	<u>247,933</u>	<u>309,801</u>	<u>557,734</u>
2004			
Consolidated			
Carrying amount at 1 July 2003	404,626	246,374	651,000
Additions	14,307	93,156	107,463
Depreciation/amortisation expense (note 4)	<u>(90,248)</u>	<u>(103,453)</u>	<u>(193,701)</u>
Carrying amount at 30 June 2004	<u>328,685</u>	<u>236,077</u>	<u>564,762</u>

Note 12. Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Future income tax benefit	<u>226,612</u>	<u>203,169</u>	<u>226,612</u>	<u>203,169</u>

Note 13. Current liabilities - Payables

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trade creditors	21,417,342	20,066,899	37,500	29,899
Other payables and accruals	<u>184,894</u>	<u>568,435</u>	<u>-</u>	<u>-</u>
	<u>21,602,236</u>	<u>20,635,334</u>	<u>37,500</u>	<u>29,899</u>

Note 14. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Provision for taxation	<u>1,639,054</u>	<u>2,076,975</u>	<u>1,639,055</u>	<u>2,076,975</u>

Note 15. Current liabilities - Provisions

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Dividends	5,146,250	3,722,924	5,146,250	3,722,924
Employee entitlements	<u>178,905</u>	<u>172,346</u>	<u>-</u>	<u>-</u>
	<u>5,325,155</u>	<u>3,895,270</u>	<u>5,146,250</u>	<u>3,722,924</u>

Note 16. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Provision for deferred income tax	<u>87,991</u>	<u>27,855</u>	<u>87,991</u>	<u>27,855</u>

Note 17. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Provisions - lease incentive	413,296	262,589	-	-

Note 18. Contributed equity

	Parent entity		Parent entity	
	2005	2004	2005	2004
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares				
Issued and paid up capital - consisting of ordinary shares	44,750,000	37,229,239	21,682,371	16,944,512

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2003	Opening Balance	26,947,839		12,206,642
1-8-2003	Options converted	95,000	\$0.50	47,500
22-8-2003	Options converted	30,000	\$0.50	15,000
10-9-2003	Options converted	40,000	\$0.45	18,000
25-9-2003	Options converted	869,200	\$0.45	391,140
27-10-2003	Options converted	322,600	\$0.50	161,300
22-12-2003	Options converted	50,000	\$0.50	25,000
25-2-2004	Options converted	1,487,200	\$0.50	743,600
23-3-2004	Options converted	6,947,400	\$0.45	3,126,330
23-3-2004	Options converted	140,000	\$0.50	70,000
15-4-2004	Options converted	200,000	\$0.45	90,000
11-6-2004	Options converted	100,000	\$0.50	50,000
1 July 2004	Opening Balance	37,229,239		16,944,512
22-7-2004	Options converted	310,100	\$0.50	17,099,562
27-7-2004	Options converted	42,500	\$0.50	17,120,812
29-7-2004	Options converted	25,000	\$0.50	17,133,312
4-8-2004	Options converted	443,000	\$0.50	17,354,812
17-8-2004	Options converted	447,451	\$0.50	17,578,538
25-8-2004	Options converted	234,104	\$0.50	17,695,590
2-9-2004	Options converted	1,199,250	\$0.50	18,295,215
7-9-2004	Options converted	155,500	\$0.50	18,372,965
9-9-2004	Options converted	25,000	\$0.50	18,385,465
21-9-2004	Options converted	67,500	\$0.45	18,415,840
8-10-2004	Options converted	429,200	\$0.45	18,608,980
8-10-2004	Options converted	200,000	\$0.50	18,708,105
12-10-2004	Capital raising	3,092,161	\$0.80	21,182,833
26-10-2004	Options converted	9,200	\$0.45	21,186,973
26-10-2004	Capital raising	250,000	\$0.80	21,386,973
5-11-2004	Options converted	40,000	\$0.50	21,406,973
9-11-2004	Options converted	123,300	\$0.50	21,468,623
19-11-2004	Options converted	62,495	\$0.50	21,499,871
1-12-2004	Options converted	61,000	\$0.50	21,530,371
8-12-2004	Options converted	4,000	\$0.50	21,532,371
8-3-2005	Options converted	300,000	\$0.50	21,682,371
30 June 2005	Balance	44,750,000		21,682,371

Note 18. Contributed equity (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to the options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out below

Options on issue at start of year	4,178,600
Options exercised during the year	(4,178,600)
Options issued on April 14 2005	<u>600,000</u>
Balance on issue at end of year	<u><u>600,000</u></u>

The options on issue at year end are exercisable on April 14 2006 at an exercise price of \$1.20 each.

Note 19. Retained profits

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Accumulated profit/(losses) at the beginning of the financial year	523,150	(339,872)	501,688	(657,578)
Net profit attributable to members of Euroz Limited	9,227,516	6,185,712	8,970,415	6,481,956
Dividends provided for or paid	<u>(7,434,691)</u>	<u>(5,322,690)</u>	<u>(7,434,691)</u>	<u>(5,322,690)</u>
Retained profits / (accumulated losses) at the end of the financial year	<u><u>2,315,975</u></u>	<u><u>523,150</u></u>	<u><u>2,037,412</u></u>	<u><u>501,688</u></u>

Note 20. Equity

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Total equity at the beginning of the financial year	17,467,662	11,866,770	17,446,200	11,549,064
Total changes in equity recognised in the statements of financial performance	9,227,516	6,185,712	8,970,415	6,481,956
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	4,737,859	4,737,870	4,737,859	4,737,870
Dividends provided for or paid	<u>(7,434,691)</u>	<u>(5,322,690)</u>	<u>(7,434,691)</u>	<u>(5,322,690)</u>
Total equity at the end of the financial year	<u><u>23,998,346</u></u>	<u><u>17,467,662</u></u>	<u><u>23,719,783</u></u>	<u><u>17,446,200</u></u>

Note 21. Dividends

	Parent entity	
	2005	2004
	\$	\$
Ordinary shares		
Final dividend declared and paid for the year ended 30 June 2004 (2003 – 1.5 cents)	288,191	406,092
Interim dividend for the half year ended 31 December 2004 of 4.5 cents (2004 - 4 cents) per fully paid share paid on 15 February 2005		
Fully franked based on tax paid @ 30%	2,000,250	1,193,674
Final dividend declared and provided for at 30 June 2005 of 11.5 cents (2004 - 10 cents) per fully paid ordinary share		
Fully franked based on tax paid @ 30%	<u>5,146,250</u>	<u>3,722,924</u>
Total dividends provided for or paid	<u>7,434,691</u>	<u>5,322,690</u>

Franked dividends

The franked portions of the dividends recommended after 30 June 2005 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.

	Consolidated entity	
	2005	2004
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>2,405,863</u>	<u>1,033,115</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

Note 22. Financial instruments

(a) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts, with the exception of investments and trading securities, the fair value of which is disclosed in notes 10 and 8 respectively.

(ii) Off-balance sheet

There are no off-balance sheet financial assets and financial liabilities.

(b) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(c) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Note 22. Financial instruments (continued)

	Weighted average interest rate %	Floating interest rate \$	Non interest bearing \$	Total \$
2005				
Financial assets				
Cash and deposits	4.33	20,552,956	-	20,552,956
Inventories	-	-	1,319,508	1,319,508
Receivables and accrued income	-	-	22,209,597	22,209,597
Other financial assets - investments	-	-	8,199,671	8,199,671
		<u>20,552,956</u>	<u>31,728,776</u>	<u>52,281,732</u>
Financial liabilities				
Trade and other creditors	-	-	21,602,236	21,602,236
Net financial assets		<u>20,552,956</u>	<u>10,126,540</u>	<u>30,679,496</u>
2004				
Financial assets				
Cash and deposits	4.63	21,318,049	-	21,318,049
Inventories	-	-	294,984	294,984
Receivables and accrued income	-	-	20,685,468	20,685,468
Other financial assets - investments	-	-	1,061,789	1,061,789
		<u>21,318,049</u>	<u>22,042,241</u>	<u>43,360,290</u>
Financial liabilities				
Trade and other creditors	-	-	20,635,334	20,635,334
Net financial assets		<u>21,318,049</u>	<u>1,406,907</u>	<u>22,724,956</u>

Note 23. Remuneration of auditors

	Consolidated		Parent entity	
	2005 \$	2004 \$	2005 \$	2004 \$
Assurance services				
Audit services				
Audit and review of financial reports for the company				
Fees paid to PricewaterhouseCoopers Australian firm	55,000	46,000	31,680	15,000
Fees paid to Mack & Co firm	<u>19,250</u>	<u>-</u>	<u>8,250</u>	<u>-</u>
Total remuneration for audit services	<u>74,250</u>	<u>46,000</u>	<u>39,930</u>	<u>15,000</u>
Taxation services				
Tax compliance services				
Fees paid to PricewaterhouseCoopers Australian firm	12,100	7,850	8,800	2,000
Fees paid to Mack & Co firm	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total remuneration for taxation services	<u>12,100</u>	<u>7,850</u>	<u>8,800</u>	<u>2,000</u>
Advisory services				
Compilation of financial reports and associated services				
Fees paid to PricewaterhouseCoopers Australian firm	23,650	16,250	23,650	5,500
Fees paid to Mack & Co firm	<u>2,750</u>	<u>-</u>	<u>2,750</u>	<u>-</u>
Total remuneration for advisory services	<u>26,400</u>	<u>16,250</u>	<u>26,400</u>	<u>5,500</u>

Note 24. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2004 in respect of guarantees.

Details and estimates of maximum amounts of contingent liabilities are as follows:

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Secured guarantees in respect of:				
(a) operating lease of a controlled entity	<u>500,000</u>	<u>450,000</u>	<u>50,000</u>	<u>-</u>

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 25. Commitments for expenditure

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Other commitments				
Commitments for the cost of services supplied to the consolidated entity but not recognised as liabilities, payable:				
Within one year	220,000	280,000	-	-
Later than one year but not later than 5 years	<u> </u>	<u>220,000</u>	<u>-</u>	<u>-</u>
		<u>500,000</u>		<u>-</u>
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	211,237		-	-
Later than one year but not later than 5 years	929,503	882,652		
Later than 5 years	<u>678,180</u>	<u>970,917</u>	<u>-</u>	<u>-</u>
Commitments not recognised in the financial statements	<u>1,818,920</u>	<u>1,853,569</u>	<u>-</u>	<u>-</u>

The current lease on the premises at Level 14, 1 William Street is for the period of 10 years commencing on 1 February 2003 and expiring on 31 January 2013.

Note 27. Related parties

Disclosures relating to directors and specified executives are set out in the directors report.

The wholly-owned group consists of Euroz Limited and its wholly-owned controlled entities, Euroz Securities Limited, Detail Nominees Pty Ltd, Zero Nominees Pty Ltd, Euroz Corporate Pty Ltd, and Westoz Funds Management Pty Ltd (Westoz Funds Management Pty Ltd changed its name from Euroz Funds Management Pty Ltd during the year). Ownership interests in these controlled entities are set out in note 28.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties consists of:

- (i) Ultimate Holding Company
- Loans advanced by Euroz Limited
 - Loans repaid to Euroz Limited
 - Payments of dividends to Euroz Limited
 - Transactions between Euroz Limited and its wholly-owned Australian controlled entities under the accounting tax sharing agreements described in Note 5

46

Note 27. Related parties (continued)

Aggregate amounts brought to account in relation to other transactions with each class of other related parties:

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Loans advanced to				
Controlled entities	-	3,000,000	-	-
Loan repayments from				
Controlled entities	-	3,000,000	-	-

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

- (a) controlled entities - note 28

Note 28. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding		Cost of parent entity's investment	
			2005	2004	2005	2004
			\$	%	\$	\$
Euroz Securities Limited	Australia	Ordinary	100	100	10,000,000	10,000,000
Detail Nominees Pty Limited	Australia	Ordinary	100	100	-	-
Zero Nominees Pty Limited	Australia	Ordinary	100	100	-	-
Euroz Corporate Pty Limited	Australia	Ordinary	100	100	-	-
Westoz Funds Management Pty Ltd	Australia	Ordinary	100	100	500,000	-

The ultimate parent entity in the wholly owned group is Euroz Limited.

Note 29. Events occurring after reporting date

No matter or circumstance has arisen subsequent to 30 June 2005 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years: or
- (b) the results of those operations in future financial years: or
- (c) the consolidated entity's state of affairs in future financial years.

Note 30. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Profit from ordinary activities after income tax	9,227,516	6,185,712	8,970,415	6,481,956
Depreciation and amortisation	199,399	193,701	-	-
Net (gain) loss on sale of non-current assets	(635,463)	(579,797)	(635,463)	(579,797)
Reversal of writedown of investments in controlled entities	-	-	-	-
Write down of investments	-	-	-	-
Decrease (increase) in trade debtors and other receivables	(1,089,140)	(13,609,805)	1,421,990	(1,450,787)
Decrease/(increase) in inventories	(1,024,524)	(294,984)	-	-
Decrease/(increase) in future income tax benefit	(23,443)	(112,227)	(23,443)	(194,019)
(Decrease)/increase in trade creditors and other liabilities	973,461	13,891,541	7,601	(8,051)
Increase/(decrease) in provision for income taxes payable	(437,921)	2,065,486	(437,920)	2,065,486
Increase/(decrease) in provision for deferred income tax	60,135	(135)	60,136	27,855
(Increase)/decrease in prepayments	(97,525)	(34,274)	-	-
ASX licence	-	250,000	-	-
Provision for doubtful debts	(100,000)	50,000	-	-
Provision for Rent	150,707	262,589	-	-
Net cash inflow from operating activities	<u>7,203,203</u>	<u>8,267,807</u>	<u>9,363,316</u>	<u>6,342,643</u>

Note 31. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Bank overdrafts	3,000,000	3,000,000	-	-
Unused at balance date				
Bank overdrafts	3,000,000	3,000,000	-	-

Euroz Securities Ltd, a wholly owned subsidiary of Euroz Limited, has a bank overdraft facility as at 30 June 2005 for up to \$3,000,000 (\$nil drawn down at 30 June 2005). The facility may be drawn down at any time, is repayable on demand and interest is incurred at the standard variable rate. The facility is secured by a fixed and floating charge over the assets of Euroz Limited and Euroz Securities Limited.

Note 32. Earnings per share

	Consolidated	
	2005 cents	2004 Cents
Basic earnings per share	21.51	20.3
Diluted earnings per share	20.30	17.7

	Consolidated	
	2005 Number	2004 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	<u>42,905,524</u>	<u>30,502,594</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	<u>45,350,000</u>	<u>35,023,725</u>

The profit figures used to calculate the earnings per share for both the basic and diluted calculations was the same as the profit figure from the statement of financial performance.

Note 33. Company details

The registered office and principal place of business address of the company is:

Euroz Limited
Level 14 The Quadrant
1 William Street
PERTH WA 6000

Euroz Limited
Directors' declaration
30 June 2005

The directors declare that:

1. the financial report comprising of the statement of financial performance, statement of financial position, statement of cash flow and notes to and forming part of the financial report, are in accordance with the Corporations Act 2001 and
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.
2. the Chief Executive Officer and Chief Financial Officer have declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and its wholly owned subsidiaries, Euroz Securities Limited and Westoz Funds Management Pty Ltd have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are a party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of this deed.

This declaration is made in accordance with a resolution of the directors.

Peter Diamond
Director

Andrew McKenzie
Director

Perth

Date:

INDEPENDENT AUDIT REPORT TO MEMBERS OF EUROZ LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Euroz Limited and the consolidated entities, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out in financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Euroz Limited and its consolidated entities is in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

Mack & Co
Chartered Accountants
2nd Floor, 35 Havelock Street
West Perth WA 6005

K.D. Law, Partner

Date