

Euroz Limited

2016 Annual Report



EUROZ

Contents

Corporate Directory	1	Funds Management	13
Executive Chairman's Report	2	Westoz Funds Management	13
Organisational Chart	3	Prodigy Investment Partners	14
Board of Directors	6	Wealth Management	16
Stockbroking and Corporate Finance	8	Entrust Private Wealth Management	16
Managing Director's Report	8	Euroz Community Activities	17
Euroz Securities Operating Divisions	9	Financial Report	19
Euroz Securities Director's Profiles	10		

Corporate Directory

Registered Office

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PERTH WA 6000
Telephone: (08) 9488 1400
Facsimile: (08) 9488 1477
Email: info@euroz.com
Website: www.euroz.com

Auditor

PKF Mack
Chartered Accountants
Level 4
35 Havelock Street
WEST PERTH WA 6005
Telephone: 08 9426 8999

Bankers

Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000

Share Registry

Computershare Investor
Services Pty Ltd
172 St Georges Terrace
PERTH WA 6000
Telephone: 1300 787 575

Securities Exchange Listings

Euroz Limited shares are listed on
the Australian Securities Exchange
(ASX: EZL).

Corporate Governance Statement

[www.euroz.com/investor-relations/
corporate-governance](http://www.euroz.com/investor-relations/corporate-governance)

Board Of Directors

Andrew McKenzie
Executive Chairman

Jay Hughes
Executive Director

Doug Young
Executive Director

Greg Chessell
Executive Director

Russell Kane
Executive Director

Simon Yeo
Executive Director

Anthony Brittain
Executive Director

Company Secretary

Chris Webster

Executive Chairman's Report

Euroz Limited is a diversified financial services company.

Euroz Limited reported a turnaround in profitability in the past year with a net profit after tax of \$2.56 million.

The Directors have declared a final fully franked dividend of 2.25 cents per share. When combined with the interim dividend of 1.75 cents this amounts to a total of 4 cents per share fully franked for the full year.

This turnaround in profitability in the past financial year was driven by a second half improvement in Euroz Securities and a rebound in our resource related markets.

Our Western Australian focus has delivered excellent returns to shareholders over time and through a number of business cycles. In our 16 year history we have generated significant cash flow and paid over \$181.7 million in fully franked dividends to our shareholders.

In the context of our historical experience the past two years have continued to be challenging but these quieter markets have provided us the opportunity to build our funds and wealth management businesses. Developing these businesses has required capital, time and patience but we remain confident we are transforming our overall business into a much stronger, more sustainable and valuable Company.

Our strategy during the past two difficult years has been twofold:

- Retain our core team of experienced staff so we can enjoy the excellent transactional upside all our businesses experience in strong commodities and equities markets.
- Establish and grow our recurring revenues in wealth and funds management which will not only protect us during inevitable downturns in our markets but create significant shareholder value over time.

This diversification strategy has been funded and launched during very difficult times and being able to pay modest dividends of 4 cents per share fully franked for this past financial year is a reflection of the underlying strength of our businesses.

Stockbroking

Euroz Securities

Our Euroz Securities business experienced a solid uplift in profitability versus the previous year driven by an improvement in corporate revenues.

Our team delivered Equity Capital Market ("ECM") raisings of \$306.6 million versus \$143 million in the previous year.

Broking volumes and ECM activity in our markets over the past year were still well below normal long term averages but we can report an improved pipeline of activity in the new financial year with initial public offerings and mergers and acquisition mandates in both the resources and industrial sectors.

A number of these larger raisings did not settle until July 2016 which has given us an excellent start to the new financial year.

Funds Management

Westoz Funds Management

The Listed Investment Companies Westoz Investment Company ("WIC") and Ozgrowth Limited ("OZG") are interlinked with their investment universe of Western Australia and Western Australian connected companies. Whilst commodity prices have rebounded in the second half, Western Australia continues to feel the wider effects of the downturn from the past resources boom.

An improved second half helped WIC and OZG report gross investment returns of 0.4% and 2.6% respectively for the financial year.

Our significant long term investments in WIC and OZG will continue to have a material effect on our reported profitability. During the past financial year, despite positive performance, the slightly lower share prices of WIC and OZG affected our Group profitability by \$4.8 million.

Investors should be reminded of the potential performance fees these funds can generate and that increases in the share prices of WIC and OZG can also have a very positive effect on our profitability.

Prodigy Investment Partners

Prodigy Investment Partners ("PIP") was established in July 2014 as a platform to create a multi boutique funds management business.

The first of these boutique partnerships, Flinders Investment Partners was launched in July 2015. This specialist small companies manager is headed by Andrew Mouchacca and Richard Macdougall.

We are pleased the Flinders Emerging Companies Fund has been approved by Zenith and Lonsec and most importantly returned 23.9% from inception (31 August 2015) to 30 June 2016. These independent research approvals, establishment of the fund on a number of wrap platforms, excellent first year performance by the fund and the overwhelmingly positive feedback our distribution team are receiving from the market are significant milestones. It takes time to establish a brand and track record and we are confident funds will steadily flow into this product.

The second partnership, Dalton Street Capital, was launched in May 2016. Dalton Street is headed by former senior Credit Suisse executives Alan Sheen and Nick Selvaratnam. We believe the strong growth in alternative asset classes will continue and this absolute return fund has the track record and credentials to capitalise on this trend.

Our Prodigy strategy has the potential to add significant value to our Group and whilst it will take time and patience to evolve we have absolute confidence in the first class team that will deliver on our objectives.

Wealth Management

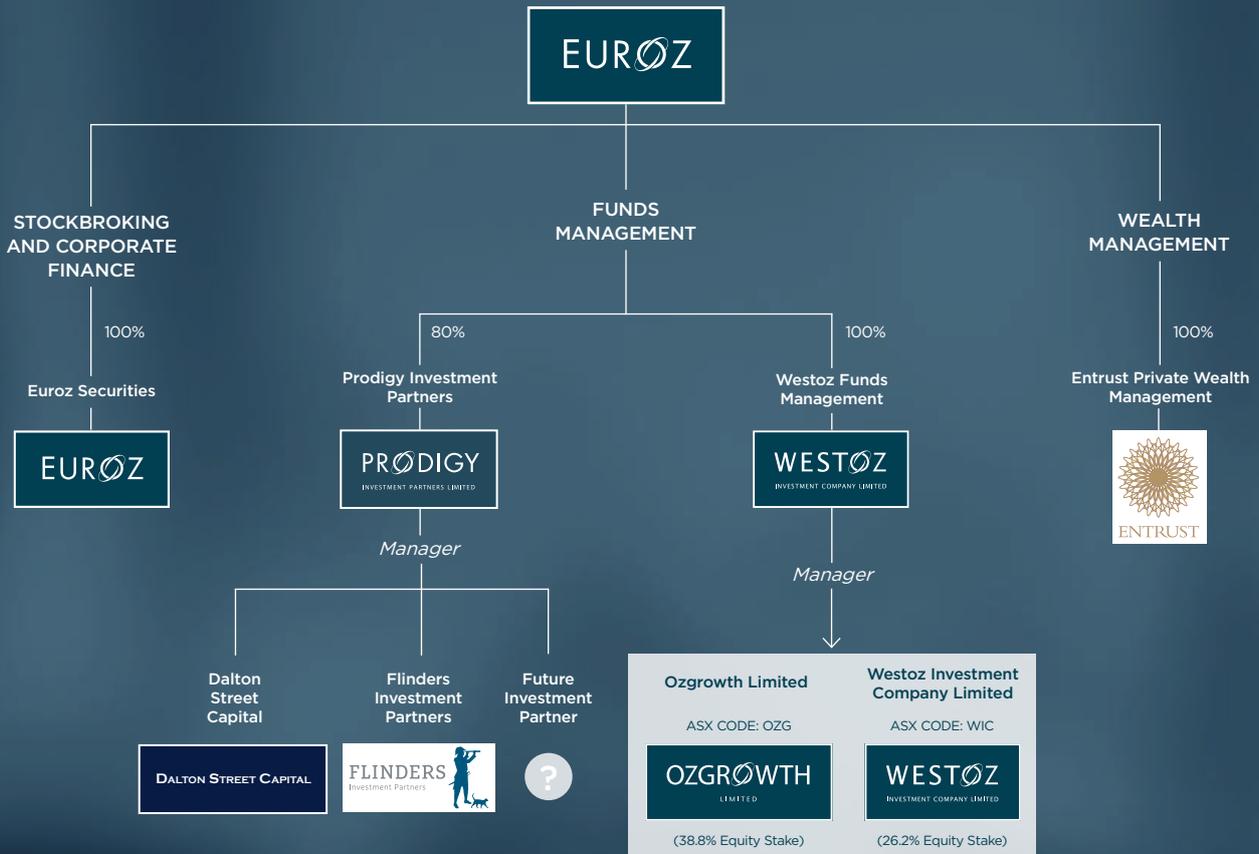
Entrust Private Wealth Management

Entrust was acquired in July 2016 to provide a wealth management platform for our business. We aim to grow this business organically and believe we have an excellent offering to attract quality advisers.

EUROZ LIMITED

ASX CODE: EZL

A diversified financial services company



We are excited by the wealth management expertise Entrust has bought to the firm and in particular the opportunity to offer professional and sophisticated advice to clients across all of our businesses.

During the year we have integrated the operations of Entrust with our wider business and achieved a number of forecast business synergies.

Entrust has a significant high net worth client base with FUM of \$581 million at 30 June 2016 which combined with existing Euroz Securities FUM creates a business currently managing \$762 million for clients.

Summary

The Directors are pleased with the progress achieved to transform our business over the past year. We have managed to maintain profitability and pay dividends whilst we build a number of new businesses, all in a Western Australian market which on balance is still relatively subdued.

As we evolve, growing our total funds under management (FUM) across all of our businesses is a key objective and will be an important measure of our future success. Total group FUM as at 30 June 2016 was \$962 million.

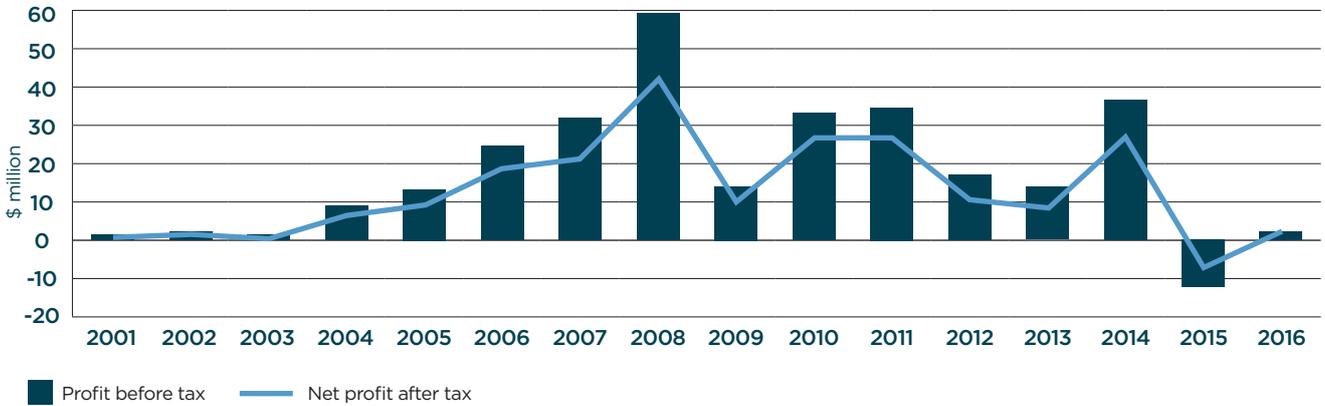
Our strong staff ownership of 42% has been critical in our past success and remains the foundation for our team approach to all of our businesses.

I would like to thank our staff, clients and shareholders for their patience and support in building a Company with an increasing base of underlying revenues whilst still retaining transaction based upside across a wider variety of diversified businesses.

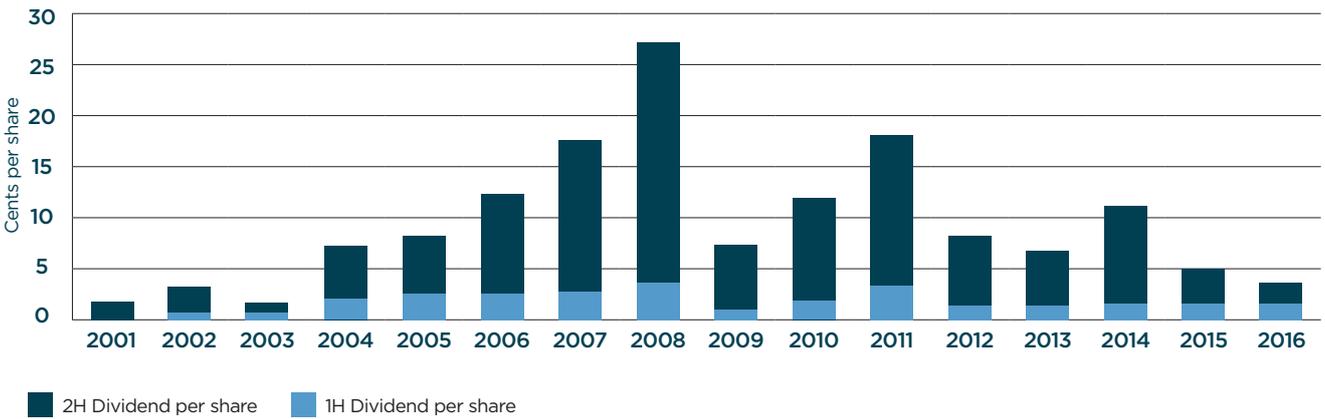
ANDREW MCKENZIE
Executive Chairman



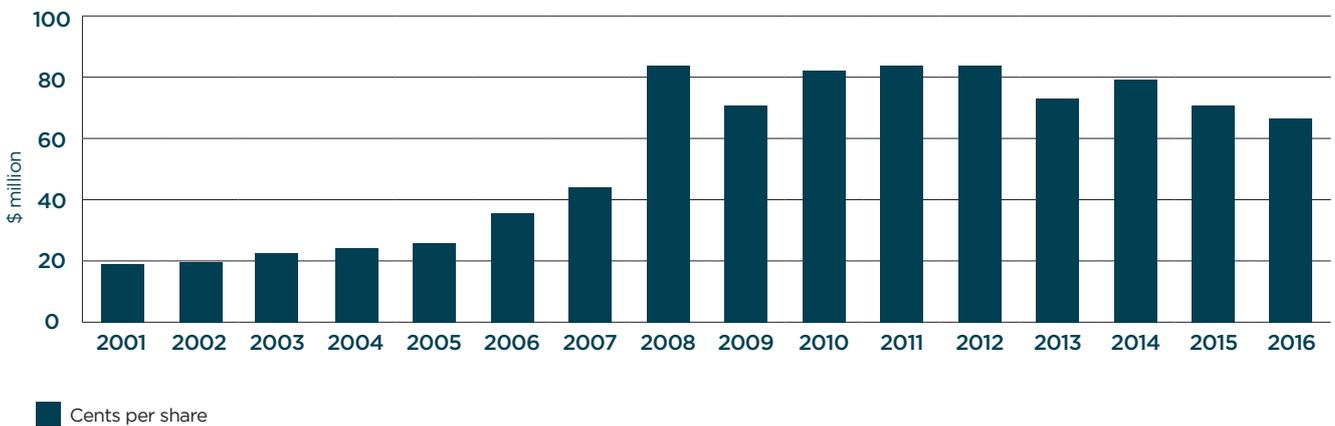
Euroz Limited profit before tax & net profit after tax



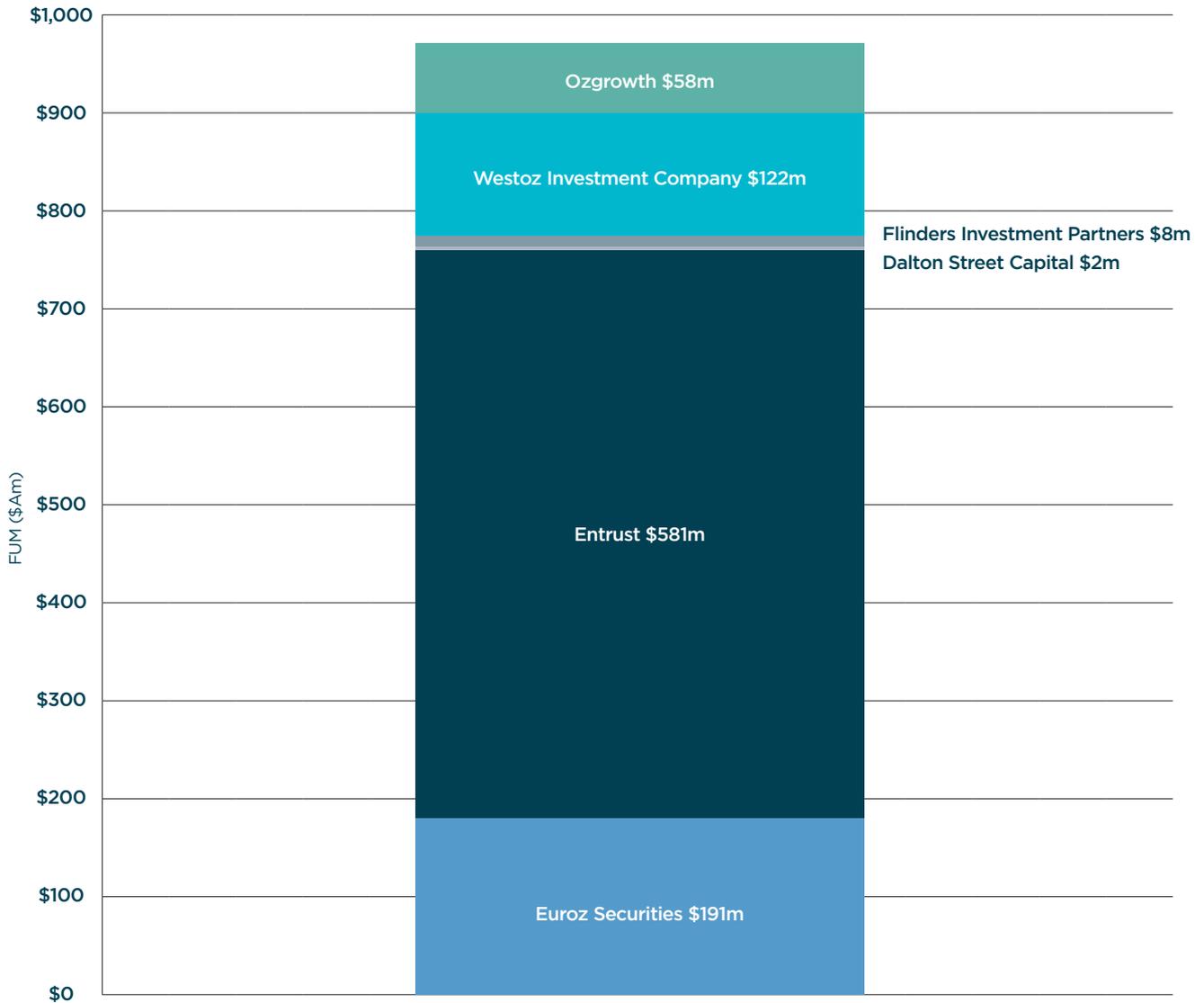
Euroz Limited dividend history



Euroz Limited NTA per share



Euroz Group Funds Under Management (FUM)*



Total \$962 MILLION FUM

*As at 30 June 2016

Board of Directors



Andrew McKenzie /
Executive Chairman

Andrew is Executive Chairman of Euroz Limited and Euroz Securities, an Executive Director of Westoz Funds Management, Prodigy Investment Partners, Flinders Investment Partners, and Dalton Street Capital. He is a board member of the Stockbrokers Association of Australia (SAA) and the PLC Foundation, as well as a PLC Council member. Andrew holds a Bachelor of Economics from the University of Western Australia (UWA), is a member (Master Stockbroking) of the Stockbrokers Association of Australia and was previously an Associate of the Financial Services Institute of Australasia (FINSIA) and the Australian Institute of Company Directors (AICD).



Jay Hughes /
Executive Director

Jay has worked in stockbroking since 1986, starting his career on the trading floor. He is Executive Chairman of Westoz Investment Company and Ozgrowth and an Executive Director of Westoz Funds Management, Euroz Securities and Prodigy Investment Partners. He is an Institutional Dealer specialising in promoting Australian stocks to international clients. Jay holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia (FINSIA). He was recognised as an affiliate of the ASX in December 2000 and was admitted in May 2004 as a Practitioner Member (Master Stockbroking) of the Stockbrokers Association of Australia (SAA).



Doug Young /
Executive Director

Doug has over 30 years of corporate finance experience, covering mergers and acquisitions, debt and equity raisings in domestic and international financial markets, corporate restructuring and other corporate finance transactions. Doug is an Executive Director of Euroz Limited and Euroz Securities. He holds a Bachelor of Commerce from the University of Western Australia (UWA) and is a fellow and graduate of the Financial Services Institute of Australasia (FINSIA). Doug is Chairman of the Audit Committee.



Greg Chessell /
Executive Director

Greg is the Head of Research at Euroz Securities and is our senior resources analyst. He spent 10 years working as a geologist in WA prior to entering the stockbroking industry in 1995. Greg is an Executive Director of Euroz Limited and Euroz Securities. Greg holds a Bachelor of Applied Science in Geology from the University of Technology, Sydney (UTS) and a Graduate Diploma in Business from Curtin University. Greg is a member of the Audit Committee.

Board of Directors



Russell Kane /
Executive Director

Russell has worked in the stockbroking industry since 1994, and joined Euroz Securities in 2001. Russell is a Director of Euroz Limited and Euroz Securities. He holds a Bachelor of Business from Edith Cowan University and is responsible for servicing both domestic institutions and high net worth clients, with a particular emphasis on WA based resources and industrials stocks. Russell is a Responsible Executive of Euroz Securities.



Simon Yeo /
Executive Director

Simon has worked in the Stockbroking industry since 1993. In November 2000 he established the Private Client Division of Euroz Securities before moving to a specialised role within our Institutional Sales team in 2013. Simon is an Executive Director of Euroz Limited and Euroz Securities. Simon holds a Bachelor of Commerce from the University of Western Australia (UWA) and was previously a chartered accountant and Member of the Institute of Chartered Accountants (CA). He is also on the board of The Australian Chamber Orchestra (ACO). Simon is a member of the Audit Committee.



Anthony Brittain /
Executive Director

Anthony is the Chief Operating and Financial Officer and an Executive Director of Euroz Limited, Euroz Securities, Entrust Private Wealth Management, Prodigy Investment Partners, Flinders Investment Partners and Dalton Street Capital. Prior to joining Euroz, Anthony spent 7 years at a WA stockbroker and 7 years in London and Singapore with a UK fund manager. Anthony holds a Bachelor of Commerce from the University of Western Australia (UWA), is a member of the Institute of Chartered Accountants (CA), holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia (FINSIA), is a Graduate of the Australian Institute of Company Directors and is a member (Master Stockbroking) of the Stockbrokers Association of Australia (SAA).



Stockbroking and Corporate Finance



Managing Director's Report

The 2016 Financial Year is best described as a story of two halves for Euroz Securities.

The first half saw a continuation of the previous year's theme of low commodity prices, a depressed Western Australian economy and continued overall poor sentiment which weighed heavily on our trading and corporate activity.

Since January, driven by higher gold and base metal prices, we have witnessed a significant and sustained turnaround in our core area of the market, resulting in greatly improved corporate activity and an improvement in trading activity.

For the year, Euroz Securities recorded a Net Profit after Tax of \$3.5 million versus the 2015 contribution of \$1.8 million.

Whilst this renewed sentiment in our investment world is clearly well received and looks to continue for the foreseeable period, Euroz Securities is actively seeking to smooth out our earnings profile by growing recurring base revenue streams, while still maintaining our proven and significant leverage to Western Australian transactional business.

The integration of Entrust Private Wealth Management has been an important component in growing our wealth management business. Our Private Client Advisers now have access to all the tools and knowledge to offer their clients a full suite of professional financial services.

A Euroz Securities Private Client Adviser can offer their clients a quality suite of the best in class wealth management offerings and direct access to our in-house core WA focussed research and corporate products.

Our research team has again been at the forefront of bringing in new, profitable, investment ideas to the group, with coverage on 23 new stocks being initiated over the period.

The institutional sales team has witnessed a renewed interest in resources and mining related stocks seeing clients returning to the sector.

Corporate revenues were also stronger in the second half of the financial year. Euroz Securities raised over \$300 million of new equity for some 20 companies in FY'16 versus \$142 million the previous year.

In summary, the core Euroz Securities team has remained in place over what has been a relatively tough period. That team is now poised and ready to execute significant transactions coming into what looks like an improving macro environment in our core areas of focus.

ROB BLACK
Managing Director

Stockbroking and Corporate Finance

Euroz Securities Operating Divisions

Research

- Team of seven experienced analysts with access to the latest online news and financial information
- Based on fundamental analysis, strict financial modelling and regular company contact
- Goal: Identify and maximise equity investment opportunities for our clients
- Approach: Intimate knowledge of the companies we cover
- Coverage: Broad cross section of mostly WA connected industrial and resource companies
- Research Products
 - » Morningnote: Overnight market updates
 - » Company Reports: Detailed analysis on companies as opportunities emerge
 - » Weekly Informer: Compilation of all company reports throughout the preceding week
 - » Quarterly and/or Semiannual Review: Regular coverage on midcap companies in book format

Private Client Dealing

- Team of highly experienced and qualified private client advisers
- Extensive research support - high quality research on WA based resource and industrial companies enable our advisers to provide quality investment and trading advice
- Access to highly rated, independent blue chip, international and macro research.
- Specialised broking allows
 - » Close interaction between research analysts and private client advisers
 - » Timely communication of ideas with clients
- Sophisticated investors are able to participate in many of our corporate capital raisings
- We pride ourselves on offering a tailored service to our clients based on:
 - » Quality research
 - » Personalised service
 - » Wealth creation
- Client services
 - » Exclusive web based research
 - » Web based access to market leading IRESS products
 - » Portfolio Administration Services

Corporate Finance

- Our corporate business is focused on developing strong, long term relationships with our clients
- Clients are provided with specialised Corporate Advisory services in:
 - » Capital Raisings
 - » Mergers and Acquisitions
 - » Strategic Planning and Reviews
 - » Privatisation and Reconstructions
- Established track record in raising equity capital via:
 - » Initial Public Offerings (IPO)
 - » Placements
 - » Rights Issues

Institutional Sales

- Largest institutional dealing desk based in Western Australia
- Team of nine institutional dealers with an extensive client base of Australian and International investors
- Distribution network strength - long standing relationships with major institutional investors in the small to mid cap market
- Western Australia's geographic isolation makes it difficult for institutional investors to maintain close contact with companies based here - investors can rely on our "on the ground" information
- Institutional dealing team "highly focused" on providing the following services:
 - » Quality advice and idea generation
 - » Efficient execution
 - » Regular company contact
 - » Site visits
 - » Roadshows

Stockbroking and Corporate Finance

Euroz Securities Director's Profiles



Rob Black /
Managing Director

Rob has been working in the stockbroking industry since 1995 and has spent time based in Sydney, Melbourne and London. Rob is Head of Institutional Sales and is responsible for servicing domestic and international institutions. He is also a Director of Entrust Private Wealth Management. Rob holds a Bachelor of Business in Finance and Accounting, and is a graduate of the Australian Institute of Company Directors (AICD).



Andrew Clayton /
Executive Director

Andrew is a research analyst specialising in resource companies. He has worked in the stockbroking industry since 1994. Andrew holds a Bachelor of Science (Hons) in Geology from Melbourne University, as well as a Diploma in Finance from the Financial Services Institute of Australia (FINSIA).



Ben Laird /
Executive Director

Ben has worked in the stockbroking industry since 2001. He is a research analyst responsible for covering industrial companies. He holds a Bachelor of Science, a Post Graduate Diploma in Finance from the Financial Services Institute of Australasia (FINSIA) and a Chartered Financial Analyst (CFA) designation.



Brian Bates /
Executive Director

Brian has over 16 years experience in stockbroking, investment and superannuation management. Brian is a qualified Chartered Accountant, which he attained during employment with Ernst and Young, and holds a Bachelor of Commerce. Brian is a senior member of our Private Client Division and offers a comprehensive wealth management service to high net worth individuals.



Brian Beresford /
Executive Director

Brian is the Head of Corporate Finance. Prior to joining Euroz in 2011, Brian was a Partner at PwC where he led the Corporate Finance and M&A practice in Western Australia. He has provided corporate advice to clients across the resources, mining services, engineering and technology sectors for over 20 years. Brian holds a Masters in Finance from London Business School, and a Bachelor of Commerce and Bachelor of Laws from the University of Western Australia (UWA).



Chris Webster /
Executive Director

Chris is the Head of Private Clients, and also a Director of Entrust Private Wealth Management. Chris has worked in the Financial Services Industry since 2003 holding a variety of positions in Sales, Operations, Risk and Compliance with Euroz in Perth and Deutsche Bank in London. Chris holds a Bachelor of Commerce from the University of Western Australia (UWA), a Graduate Diploma of Applied Finance and a Graduate Diploma of Applied Corporate Governance. Chris is a Master Practitioner of the Stockbrokers Association of Australia (MSAA) and an Associate of the Governance Institute of Australia (ACIS).

Stockbroking and Corporate Finance

Euroz Securities Director's profiles (continued)



Gavin Allen /
Executive Director

Gavin is a senior research analyst with 12 years experience specialising in detailed analysis of mid cap industrial stocks. Prior to joining Euroz, Gavin was a senior manager in the Corporate Finance division of a major accounting firm, specialising in the financial analysis of mergers and acquisitions. Gavin holds a Bachelor of Commerce, is a member of the Institute of Chartered Accountants in Australia (CA) and holds a Chartered Financial Analyst (CFA) designation..



Jamie Mackie /
Executive Director

Jamie has been working in the stockbroking industry since 1998. Jamie is a senior member of our Private Client Division and services high net worth investors. He holds a Bachelor of Commerce from Curtin University and a Graduate Diploma from the Financial Services Institute of Australasia (FINSIA).



Jon Bishop /
Executive Director

Jon is a resource analyst focused upon both the mining and oil and gas sectors. He has more than 10 years technical and commercial experience within the petroleum and minerals industries. Jon has 10 years experience in the finance industry. Jon holds a Bachelor of Science (Hons) in Geology from the University of Western Australia (UWA), as well as a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia (FINSIA).



Lucas Robinson /
Executive Director

Lucas has been advising in the stockbroking industry since 1998. Lucas is a senior member of our Private Client Division and manages a variety of clients including high net worth investors. He holds a Bachelor of Commerce from the University of Western Australia (UWA) with a double major in Finance and Marketing and a minor in Business Law.



Nick McGlew /
Executive Director

Nick has over 15 years experience in mergers, acquisitions, corporate and commercial law and corporate finance with major firms in Australia and the United States. He holds a Bachelor of Economics from the University of Western Australia (UWA), a Bachelor of Laws from Bond University and a Master of Laws from New York University (NYU). Nick is a senior member of our Corporate Finance Department.



Peter Schwarzbach /
Executive Director

Peter has been working in the stockbroking industry since 2006 and is a member of our Institutional Sales Department. He holds a Bachelor of Commerce from the University of Western Australia (UWA) and has completed a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia (FINSIA). Peter is also a Chartered Accountant and prior to joining Euroz was a senior accountant at a Perth chartered accounting firm.

Stockbroking and Corporate Finance

Euroz Securities Director's profiles (continued)



Tony Kenny

Executive Director

Tony has worked in stockbroking since 1996, starting his career at Porter Western Limited and served as a partner of the business until it was acquired by Macquarie Bank. Prior to joining Euroz Tony was a founding partner and an Executive Director of Blackswan Equities. Tony is a senior member of our Private Client Division. Tony is also a Director of Precision Funds Management Pty Ltd and the Precision Opportunities Fund Ltd.



Tim Weir

Executive Director

Tim has completed a Bachelor of Business in Economics and Finance. He began his stockbroking career with Porter Western Limited in 1993 as a Private Client Adviser and served as a partner of the business until it was acquired by Macquarie Bank in 1999. Tim is a senior member of our Private Client Division. He manages a high net worth client base and served as an Executive Director at Blackswan Equities Ltd prior to joining Euroz. Tim is also a Director of Precision Funds Management Pty Ltd and the Precision Opportunities Fund Ltd.



Tim Lyons

Executive Director

Tim has worked in the stockbroking industry for over 25 years and is a senior member of our Private Client Division. Tim was previously Executive Chairman of Blackswan Equities where his role included maintaining the firm's corporate relationships and servicing his high net worth private client base. Tim was also a partner at Porter Western Limited until it was acquired by Macquarie Bank.

The Directors of Euroz Limited are also Directors of Euroz Securities Limited.

Funds Management

Westoz Funds Management

Westoz Funds Management Pty Ltd (“WFM”) is responsible for \$180 million of funds under management as at 30 June 2016. It manages funds under mandate from two listed investment companies; Westoz Investment Company Limited (“WIC”) and Ozgrowth Limited (“OZG”).

WIC commenced its investment activities in May 2005, with OZG commencing in January 2008. Both investment mandates focus on the generation of positive portfolio returns from investment in small to mid cap ASX listed securities, generally with a connection to Western Australia. Both portfolio’s have produced returns in excess of comparable equity benchmarks.

WIC and OZG have now paid \$128 million in fully franked dividends to shareholders since inception.



Phil Rees

Executive Director

Phil is an Executive Director of the manager and is responsible for the operation and development of the manager’s business.

Phil has worked in a range of roles focused on Australian investment markets for the last 28 years. He has previously managed large institutional investment portfolios and developed several early stage investment opportunities until he joined Westoz in April 2005.



Dermot Woods

Executive Director

Dermot is an Executive Director of the manager and oversees the construction of its investment portfolios.

Dermot joined Westoz Funds Management in 2007. He has previously worked as an industrial analyst for Euroz Securities and prior to this role, as a fund manager specialising in European equities.

Funds Management

Prodigy Investment Partners

Prodigy Investment Partners Limited (Prodigy) is a multi-boutique investment management business. Prodigy is an 80/20 partnership between Euroz and Mr Steve Tucker.

Prodigy looks to partner with talented investment management executives in an innovative partnership business model. Prodigy's focus is on creating boutiques that employ limited capacity, high value adding strategies. We believe these strategies are increasingly attractive to the market, and with limited capacity, allow us to include a performance based component in the pricing.

Prodigy has two partner boutique managers: Flinders Investment Partners and Dalton Street Capital.

Flinders is a specialist Small Companies investment manager, with principals Andrew Mouchacca, Richard Macdougall and Naheed Rahman. The Flinders Emerging Companies Fund has posted excellent returns versus the market and its competitors since it began in August 2015. Significant progress has been made in positioning Flinders to gain market share in specific retail and institutional markets over the past year.

Dalton Street Capital is a specialist Absolute Return investment manager, established in May 2016. Its principals are Alan Sheen and Nick Selvaratnam, who were colleagues at Credit Suisse. Dalton Street's approach is predominantly quantitatively based. Alan has successfully run this strategy for over 10 years, delivering strong absolute returns, with low correlation to traditional asset classes. We believe that this is an attractive strategy in the high net wealth and retiree markets.

Prodigy Investment Partners



Steve Tucker
Executive Chairman

Steve has over 25 years' experience in financial services. Steve started his career with MLC, and worked in superannuation, ran MLC's advice networks, led MLC Investments and finally took over as CEO in 2004. Steve was appointed to the Group Executive of NAB in 2009, responsible for MLC and NAB Wealth. Most recently Steve founded Prodigy Investment Partners, where he is Executive Chairman as well as Chariman of Flinders Investment Partners and Dalton Street Capital. Steve is also Independent Chairman of Koda Capital, and a Non Executive Director of The Banking and Finance oath.



Lewis Bearman
Chief Operating Officer

Lewis brings over 30 years of financial services experience. He held senior roles at Perennial Investment Partners (2003 to 2014), including Chief Operating Officer and Chief Executive Officer. Lewis spent 17 years with County Investment Management (later becoming INVESCO), where he held senior positions in their operations, funds management, fixed income and foreign exchange teams. Lewis joined Prodigy Investment Partners in 2015 as Chief Operating Officer, and is a Director of Prodigy and Flinders Investment Partners.



Andrew Bruce
Sales and Marketing
Director

Andrew has over 30 years' industry experience. He has held senior roles with Prudential Group and National Australia Bank's investment management business, where he was responsible for Sales and Marketing. Andrew moved to boutique manager Perennial Investment Partners in 2002 as one of the original partners, responsible for global institutional sales and client management. In 2015, he joined Prodigy as Sales and Marketing Director.



Guy Ballard
Director of Distribution

Guy has worked in Financial Services for over 15 years. In this time he held senior distribution roles with both BT Financial Group (2001 - 2005) and MLC (2006 - 2016) where his key focus was developing and executing the sales strategy for the asset management, platform and margin lending businesses targeting the Independent Financial Advice market. Guy joined Prodigy in 2016 as Director of Distribution and is responsible for FUM growth across our boutiques.

Funds Management

Flinders Investment Partners



Andrew Mouchacca

Partner and Portfolio Manager

Flinders Investment Partners

Andrew began his career in investment management in 1999. Before establishing Flinders, Andrew was Senior Investment Manager with the institutional focused fund manager Contango Asset Management (1999-2014). He was the Portfolio Manager of the Small Companies Fund (2009 - 2014) and specialised in the analytical coverage of a range of sectors. His analytical experience has focused on the emerging companies through his involvement in dedicated products in both the small and microcap universe.



Richard Macdougall

Partner and Portfolio Manager

Flinders Investment Partners

Richard began his career in investment management in 1985. Before establishing Flinders, Richard was a Partner and Portfolio Manager with the Australian Equities boutique Perennial Growth (2005 to 2015). Prior to this, Richard was a founding executive of Contango Asset Management and a Director of Salomon Smith Barney Australia. He has spent time offshore including roles as Head of Research at ANZ Securities New Zealand and Managing Director of ANZ Securities UK.



Naheed Rahman

Partner and Deputy Portfolio Manager

Flinders Investment Partners

Naheed began his career in investment management in 2006. Prior to Flinders, Naheed was an Investment Analyst at Contango Asset Management for over seven years, working closely with Andrew Mouchacca, where he covered several sectors primarily with an emerging companies focus. He began his career at Warakirri Asset Management as a Portfolio Analyst, conducting fund manager research as well as the dealing of securities.

Dalton Street Capital



Alan Sheen

Partner and Portfolio Manager

Dalton Street Capital

Alan is a co-founder of Dalton Street Capital. Most recently, Alan was Head of Proprietary Trading for Credit Suisse Australia managing systematic investing and trading across the Asia Pacific region. Alan's previous roles included Portfolio Manager at AMP Capital Investors, Chief Investment Officer at Challenger Ltd and Chief Investment Officer and Managing Director at Austock Asset Management. In these roles Alan has been responsible for managing very large portfolios and businesses. Alan commenced trading equities, futures and options in 1996.



Nick Selvaratnam

Partner and Portfolio Manager

Dalton Street Capital

Nick is a co-founder of Dalton Street Capital. Nick is a highly awarded equities analyst and business manager, most recently Managing Director and Head of Equities with Credit Suisse. Nick has over 24 years of direct experience in investment banking across equities research, sales, trading and equity capital markets as well as managing successful top-tier teams across cash equities (research, sales & trading), derivatives, prime services and capital markets. Nick's experience prior to investment banking includes 8 years as a Chartered Accountant in England and Australia.

Wealth Management

Entrust Private Wealth Management

Entrust Private Wealth Management Pty Ltd (Entrust) commenced in 2002 and provides its clients with financial planning and tailored investment advice. Entrust has client funds under management of \$581m at 30 June 2016.

Entrust was acquired by Euroz Limited in July 2015. Entrust employs 26 staff, including 11 advisers, 4 para-planners and a portfolio administration team.

During the 2016 financial year (FY16) the management team focus was on maintaining operational performance, delivering cost synergies through integration with Euroz, rolling out a private wealth offering across Euroz Securities, evaluating adviser acquisition opportunities and progressing organic growth opportunities.

We are pleased to report the integration with Euroz has been seamless and a significant part of the cost synergies have been realised with the balance to be realised in 2017 financial year. Euroz now provide IT, compliance and finance functions to Entrust which allows our team to focus on client service delivery and important growth initiatives. The Entrust result for FY16 was impacted by various one off costs associated with the merger.

Entrust's primary focus is to continue organic growth opportunities in the HNW and Not for Profit sector and leverage the existing capability in the SMSF sector, the fastest growing component of the Australian superannuation system. Entrust can also see substantial scope for value adding adviser acquisition opportunities that complement the existing business by utilising the strength of the Euroz balance sheet and brand in the Perth market.



Graeme Yukich

Executive Chairman

Graeme has been advising clients on their financial needs for over 22 years. He graduated from the University of Western Australia (UWA) in 1984, completed his professional year while working for Ernst and Whinney. Graeme was admitted as a Chartered Accountant by the Institute of Chartered Accountants (CA) in 1988. In 1990, he completed a Diploma in Financial Planning from Deakin University.



Andrew Fry

Managing Director

Andrew joined Entrust in January 2003 and was appointed a Director in November of that year. He holds a Bachelor of Commerce and was admitted as a Chartered Accountant by the Institute of Chartered Accountants (CA) in 1996.

Andrew has over 20 years experience in stockbroking and wealth management.



Brad Gordon

Director

Brad joined Entrust as a Senior Investment Adviser in January 2003 and was appointed a Director in November of that year. He has over 23 years experience in the financial services industry, stockbroking, financial planning and trustee services. Brad is a Senior Associate of the Financial Services Institute of Australasia (FINSIA), a member of the Financial Planning Association (FPA) and also a member of the Australian Institute of Company Directors (AICD).

Euroz Community Activities

Euroz Charitable Foundation

Euroz are proudly West Australian focused and we believe we have an obligation to give back to Western Australian charities in need.

In 2007, the Euroz Charitable Foundation was formed in a Private Ancillary Fund (PAF) structure through which Euroz could make donations, invest these funds and make distributions to worthy charities and contribute to the broader community.

The businesses within Euroz and many of our staff members have made consistent donations to the Foundation.

The funds of the Foundation continue to contribute and make a difference to Western Australian charities.

During the past 9 years the Euroz Charitable Foundation has donated in excess of \$830,000 to a broad range of charities in Western Australia. In addition to financial support, employees of the Euroz Group are encouraged to volunteer their time to charities in and around their communities.

The Euroz Charitable Foundation has been delighted to support the following charities, amongst others, during the past financial year:





2016

Financial Report For the year ending 30 June

CONTENTS

Directors' Report	20
Auditor's Independence Declaration	33
Consolidated Statement of Profit or Loss and Other Comprehensive Income	34
Consolidated Statement of Financial Position	35
Consolidated Statement of Changes In Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Financial Statements	38
Directors' Declaration	71
Independent Auditor's Report	72

Directors' Report

The Directors present their report on the consolidated group consisting of Euroz Limited and the entities it controlled at the end of, or during the year ended 30 June 2016.

The following persons were Directors of Euroz Limited ("Euroz") at any time during or since the end of the financial year and up to the date of this report:

Executive Chairman

Andrew McKenzie - Executive Chairman

Executive Directors

Jay Hughes - Director

Doug Young - Director

Greg Chessell - Director

Russell Kane - Director

Simon Yeo - Director

Anthony Brittain - Director (appointed 27 November 2015)

Company Secretary

Chris Webster held the position of Company Secretary at the end of the financial year. Chris was appointed Company Secretary in January 2013. Chris has worked in the Financial Services Industry since 2003 holding a variety of positions in Sales, Operations, Risk and Compliance with Euroz in Perth and Deutsche Bank in London.

Principal activities

During the year the principal activities of Euroz consisted of:

- (a) Stockbroking;
- (b) Funds Management;
- (c) Investing; and
- (d) Wealth Management.

Review of results

The consolidated group has incurred a consolidated pre-tax profit of \$2.1 million (2015 loss: \$12.2 million) for the year ended 30 June 2016.

The consolidated net profit after tax was \$2.6 million compared with the 2015 year consolidated net loss after tax of \$7.1 million. This result represents basic earnings per share of 1.61 cents versus loss of 4.66 cents in the 2015 year.

The Directors have declared a final dividend of 2.25 cents per share fully franked which, combined with the interim dividend of 1.75 cents per share, represents a total dividend of 4.0 cents per share fully franked.

Review of operations

	Segment revenues		Segment results	
	2016	2015	2016	2015
	\$	\$	\$	\$
Stockbroking & Corporate Activities	25,191,033	25,787,206	3,323,044	723,910
Principal Trading	4,470,979	3,882,298	1,058,429	(112,170)
Funds Management	1,840,837	3,440,074	(1,852,145)	1,634,124
Investment Income	4,342,621	5,789,203	(592,331)	(9,376,516)
Wealth Management	6,079,397	-	624,021	-
	41,924,867	38,898,781	2,561,018	(7,130,652)

These results have been achieved through modest contributions from most divisions of the business in difficult market conditions.

Directors' Report

Operating and financial review

The purpose of this review is to set out information that shareholders may require to assess Euroz's operations, financial position, and business strategies and prospects for future financial years. This information complements and supports the report presented herein.

Disclosure of operations

The consolidated group is principally involved in the following activities:

- (a) Stockbroking & Corporate Activities;
- (b) Funds Management;
- (c) Investing; and
- (d) Wealth Management

Our operations are conducted over several locations with Perth, Western Australia being our main office. Other offices are in Sydney, New South Wales and Melbourne, Victoria focusing on Funds Management opportunities. Details of our operations are outlined below:

(a) Stockbroking & Corporate Activities

Our stockbroking operation comprises 4 main divisions as follows:

i. Equities Research

- Highly rated research from market leading research team of 7 analysts
- Our views are highly regarded by Australian and international institutional investors
- Access to the latest online news and financial information
- Based on fundamental analysis, strict financial modelling and regular company contact
 - Goal: Identify and maximise equity investment opportunities for our clients
 - Approach: Intimate knowledge of the companies we cover
 - Coverage: Broad cross section of mostly WA based industrial & resource companies
- Research Products:
 - Morning Note: Overnight market updates
 - Company Reports: Detailed analysis on companies as opportunities emerge
 - Weekly Informer: Compilation of all company reports throughout the preceding week
 - Quarterly and / or Semi-annual Review: Regular coverage on mid-cap companies in book format

ii. Institutional Sales

- One of the largest institutional small to mid-cap dealing desks in the Australian market
- Extensive client base of Australian and International institutional investors with strong relationships with small company fund managers
- Distribution network strength - long standing relationships with major institutional investors in the small to mid-cap market
- Western Australia's geographic isolation makes it difficult for institutional investors to maintain close contact with companies based here - investors can rely on our "on the ground" information
- Institutional dealing team "highly focused" on providing the following services:
 - Quality advice and idea generation
 - Efficient execution
 - Regular company contact
 - Site visits
 - Roadshows

iii. Private Clients

- A unique and predominantly "high net worth" client base (s.708 compliant investors)
- Significant capacity to support new issues and construct quality retail share registers
- Exposure to high net worth clients via in-house conferences and one-on-one presentations
- Team of highly experienced and qualified private client advisers providing a broader investment offering for clients of Euroz. With a wealth management service which provides, strategic investment advice, superannuation advice, investment management and portfolio administration service
- Funds Under Management (FUM) of \$191 million with the majority on our in-house portfolio administration service
- Extensive research support - high quality research on WA based resource and industrial companies enable our advisers to provide quality investment and trading advice
- Specialised broking allows:
 - Close interaction between research analysts and private client advisers
 - Timely communication of ideas with clients
- Sophisticated investors are able to participate in many of our corporate capital raisings

Directors' Report

Operating and financial review (continued)

iv. Corporate Finance

- Our corporate finance business is focused on developing strong, long term relationships with our clients.
- Clients are provided with specialised Corporate Advisory services in:
 - Equity Capital Raisings and Underwriting
 - Mergers and Acquisitions
 - Strategic Planning and Reviews
 - Privatisation and Reconstructions
- Established track record in raising equity capital via:
 - Initial Public Offerings (IPO)
 - Placements
 - Rights Issues

(b) Funds Management

Westoz Funds Management Pty Ltd ("WFM") is responsible for \$180 million of FUM at 30 June 2016. It manages funds under mandate from two listed investment companies; Westoz Investment Company Limited ("WIC") and Ozgrowth Limited ("OZG"). Both companies have enjoyed competitive portfolio returns since inception.

WIC commenced its investment activities in May 2005, with OZG commencing in January 2008. Both investment mandates focus on the generation of the target level of returns from investment in small to mid-cap ASX listed securities, generally with a connection to Western Australia. Both portfolios have produced returns in excess of comparable equity benchmarks.

WIC and OZG have now paid \$128.3 million in dividends to shareholders since inception.

Prodigy Investment Partners Limited ("Prodigy") (formerly Westoz Investment Management Limited) is a funds management partnership formed with Euroz owning 80% and Mr Steve Tucker, Executive Chairman, owning 20%. The first boutique funds management partnership, Flinders Investment Partners Pty Ltd ("Flinders") was launched in August 2015 via the Flinders Emerging Companies Funds. The second boutique, Dalton Street Capital Pty Ltd ("Dalton") was launched in May 2016 via the Dalton Street Absolute Return Fund.

(c) Investing

Euroz Limited owns significant shareholdings in Westoz Investment Company Limited (WIC.ASX) totalling 26.41% and Ozgrowth Limited. (OZG.ASX) totalling 38.81%. The investment focus of these funds is on small to mid-cap ASX listed securities, generally with a connection to Western Australia.

Euroz Limited has seed investment positions with Flinders Emerging Companies Fund and Dalton Street Absolute Return Fund.

(d) Wealth Management

On 13 July 2015, Euroz Limited completed the acquisition of 100% of the ordinary shares of Entrust Private Wealth Management Pty Ltd ("Entrust") for a consideration of 5,450,000 Euroz shares, fair valued to \$5,450,000 and cash consideration totalling \$2,350,000, giving a total consideration of \$7,800,000.

Entrust has a 13 year track record as a leading wealth management business. The past year has seen the integration of these operations with the rest of our businesses to realise operational synergies and develop strong links with our stockbroking operations.

Disclosure of operations — Profit

Net profit after tax for Financial Year (FY) 2016 was \$2.6 million up from a loss of \$7.1 million in FY 2015.

The Directors are pleased that our Euroz Securities and Westoz Funds Management divisions remained modestly profitable despite difficult market conditions in our Western Australian and resource related markets.

The market value of our investments in the WIC and OZG can have a material impact on our reported profitability. Shareholders should be aware that non-cash fluctuations in these investments at each reporting date do not affect our underlying profitability, cash generation or ability to pay dividends.

Disclosure of operations — Sales

Revenue has increased by 7.7% from \$38.9 million to \$41.9 million predominantly driven by the acquisition of Entrust, second half of the year improvement in Euroz Securities Limited and a rebound in our resource related markets.

Stockbroking & corporate activities

Stockbroking and corporate activities revenue was down by 2.3% from \$25.8 million in FY2015 to \$25.2 million in FY 2016 as result of lower brokerage volumes. Reduced brokerage in equities trading reflects the depressed equities market volumes in small to mid-cap equities. The decrease was however offset by an increase in the Equity Capital Market ("ECM") raisings in our Corporate Finance division. Euroz Securities was involved in 22 (2015: 7) ECM transactions this year raising \$306.6 million (2015: \$143 million).

(a) Principal Trading

Revenue from Principal Trading increased by 15.2% from \$3.9 million in FY 2015 to \$4.5 million in FY 2016.

(b) Funds Management

Revenue from Funds Management decreased by 46.5% from \$3.4 million in FY 2015 to \$1.8 million in FY 2016, reflecting lower FUM and higher cash allocations.

(c) Investment Income

Investment income decreased by 25.0% from \$5.8 million in FY 2015 to \$4.3 million in FY 2016 due to the decrease in market values in WIC and OZG.

Directors' Report

Stockbroking & corporate activities (continued)

(d) Wealth Management

Wealth management income since the acquisition of Entrust was \$6.1 million.

Disclosure of business strategies and prospects — Growth

This year's result was achieved in particularly challenging market conditions in the first half and the Directors are pleased that we were still able to generate underlying profits before fair value movements on investments and pay 4 cents per share in fully franked dividends for the year.

With effect from 13 July 2015, Euroz acquired Entrust. This was a major growth initiative that seeks to leverage an established wealth management business with long term ongoing revenues as a platform for further acquisitions and organic growth.

Prodigy launched two separate boutique funds Flinders Investment Partners and Dalton Street Capital for both retail and wholesale investors. The long term strategy for these, is to provide a steady base of diverse ongoing management fee revenues with potential performance fee upside.

The Directors believe that Euroz has now laid the foundations for our strategy to build a more consistent base of underlying recurring revenues through our growing wealth and funds management businesses whilst still retaining the transaction based upside of our traditional stockbroking business.

Disclosure of business strategies and prospects—Material business risks

The past year continues the trend of extremely volatile trading conditions. Like many businesses we have experienced solid trading months which are often then undermined by any combination of uncertainties. These may take the form of economic concerns, political instability, inflation and growth concerns, and / or alternating commodity price movements.

Given this backdrop and the increasingly competitive landscape it has created, we are pleased with our overall results for the financial year. Our entire team has worked hard to manage our costs and generate profits and dividends for shareholders.

Financial position

The net assets of the consolidated group has increased from \$111.3 million at 30 June 2015 to \$113.8 million at 30 June 2016.

The Company and consolidated group's financial performance has enabled it to continue to pay dividends to shareholders during the year while maintaining a healthy working capital ratio. The consolidated group's working capital, being current assets less current liabilities, has decreased from \$44.8 million in 2015 to \$35.5 million in 2016.

During the past eight years the Company has invested in expanding each of its business units to secure its long term success. In particular it has increased its strategic investments in the investment products of Westoz Funds Management Pty Ltd, launched the multi boutique Prodigy model and acquired

Entrust as a platform for our future wealth management ambitions.

Our Company remains in an extremely sound financial position with cash and investments of \$100.2 million (including the security deposit of \$5 million) as at 30 June 2016. We have Net Tangible Assets (NTA) of 65 cents per share and no debt.

Euroz has a proud history of consistent profits and dividends having paid \$181.7 million in fully franked dividends in the last 16 years.

The Directors believe the Company is in a strong and stable financial position to expand and grow its current operations.

	2016	2015
Earnings per share	Cents	Cents
Basic earnings per share	1.61	(4.66)
Diluted earnings per share	1.61	(4.66)

Dividends – Euroz Limited

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

	2016	2015
	\$	\$
Interim ordinary dividend of 1.75 cents (2015: 1.75 cents) per fully paid ordinary share was paid on 15 January 2016.	2,816,281	2,694,038
Provision for final ordinary dividend for 30 June 2016 of 2.25 cents (2015: 3.25 cents) per fully paid ordinary share paid on 5 August 2016.	3,622,711	5,192,129
	6,438,992	7,886,167

Of the total dividends paid during the year, \$6,129 (2015: \$9,458) was paid to the Euroz Share Trust (in relation to the Euroz Performance Rights Plan) and is undistributed. Therefore, it has been eliminated on consolidation.

Significant changes in the state of affairs

On 13 July 2015, Euroz Limited completed the acquisition of 100% of the ordinary shares of Entrust Private Wealth Management for a consideration of 5,450,000 Euroz shares, fair valued to \$5,450,000 and cash consideration totalling \$2,350,000, giving a total consideration of \$7,800,000.

Share options

There were no options on issue at 30 June 2016 and 30 June 2015.

Environmental regulation

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

Directors' Report

Events after reporting date

The Directors are not aware of any matter or circumstance subsequent to 30 June 2016 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Directors are confident that a strong statement of financial position and established business platforms will support the Company in increasingly volatile market conditions.

Further information on likely developments in the operations of the consolidated group 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 group.



Directors' Report

Information on Directors			Particulars of Directors' interests in shares of Euroz Limited
Director	Experience	Special responsibilities and qualifications	Ordinary shares*
A McKenzie Executive Chairman	Mr McKenzie has worked in the stockbroking industry since 1991.	Member of Remuneration Committee Member of Underwriting Committee Holds a Bachelor of Economics Degree, is a member (Master Stockbroking) of the Stockbrokers Association of Australia and Fellow of the Australian Institute of Company Directors.	11,973,458
J Hughes Director	Mr Hughes has worked in the stockbroking industry since 1986.	Chairman of Remuneration Committee Member of Underwriting Committee Holds a Graduate Diploma in Applied Finance and Investment from FINSIA and is a member (Master Stockbroking) of the Stockbrokers Association of Australia.	12,148,319
D Young Director	Mr Young has worked in corporate finance since 1984.	Chairman of Audit & Risk Committee Member of Underwriting Committee Holds a Bachelor of Commerce degree from the University of Western Australia and a Graduate Diploma in Applied Finance from FINSIA, is a Fellow of FINSIA and a Fellow of the Australian Society of Certified Practising Accountants.	4,632,043
G Chessell Director	Mr Chessell has worked in the stockbroking industry since 1996.	Member of Audit & Risk Committee Head of Research of our 100% owned subsidiary Euroz Securities and is our senior resources analyst. Holds a Bachelor of Applied Science in geology and a Graduate Diploma Business qualification.	4,464,905
R Kane Director	Mr Kane has worked in the stockbroking industry since 1994.	Member of Underwriting Committee Institutional Dealer in our 100% owned subsidiary, Euroz Securities responsible for servicing both domestic institutions and high net worth clients. Holds a Bachelor of Business from Edith Cowan University.	2,982,155
S Yeo Director	Mr Yeo has worked in the stockbroking industry since 1993.	Member of Audit & Risk Committee Established the Private Client division of our 100% owned subsidiary, Euroz Securities, which he headed up until October 2013 before moving to a specialised role within the Institutional Dealing team. Holds a Bachelor of Commerce degree from UWA.	4,113,192
A Brittain Director (appointed 27 Nov 2015)	Mr Brittain has worked in the funds management and stockbroking industries since 1992.	Member of Compliance Committee Member of Underwriting Committee Chief Operating and Financial Officer Holds a Bachelor of Commerce degree from the University of Western Australia, is a member of the Chartered Accountants Australia and New Zealand (CA), holds a Graduate Diploma in Applied Finance and Investment from FINSIA, is a Graduate of the Australian Institute of Company Directors and is a member (Master Stockbroking) of the Stockbrokers Association of Australia (SAA).	459,585

*Total shares includes shares granted under the Performance Rights Plan

Directors' Report

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

Director	Directors Meetings		Committee Meetings			
	Number eligible to attend	Number attended	Audit		Remuneration	
Number eligible to attend			Number attended	Number eligible to attend	Number attended	
Andrew McKenzie	25	25	-	-	2	2
Jay Hughes	25	22	-	-	2	2
Doug Young	25	21	2	2	-	-
Greg Chessell	25	22	2	2	-	-
Russell Kane	25	23	-	-	-	-
Simon Yeo	25	23	2	2	-	-
Anthony Brittain (appointed 27 Nov 2015)	13	13	-	-	-	-

Remuneration Report (audited)

This Remuneration Report outlines the Key Management Personnel (KMP) remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report KMP of Euroz are defined as those persons having authority for the strategic management and direction of the group including any Director (whether executive or otherwise) of the parent company.

Key Management Personnel Remuneration

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 KMP based on their performance and that of the Company.

Remuneration Policy

The remuneration policy has been designed to align the interests of shareholders, Directors and executives. Euroz remunerates its Directors, executives and other employees by way of a fixed base salary, commission and a combination of short and long term incentives. The Company believes this policy to have been effective in increasing shareholder wealth since inception.

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.

	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$
Revenue (including gains on fair value movements in investment entities)	97,609,657	45,979,616	78,176,940	38,898,781	41,924,867
Net profit / (loss) after tax	11,760,189	11,122,304	26,547,100	(7,130,652)	2,561,018
Share price at year end	1.15	1.00	1.30	1.00	0.79
Dividends paid or recommended	11,895,469	9,352,340	16,261,272	7,886,167	6,438,992

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

Directors' Report

Directors' fees

No Directors fees are paid to Executive Directors.

Non-Executive Directors are paid a fixed base salary and superannuation for their role on the Board.

Base pay

All Directors and executives are offered a competitive base salary and superannuation. Base pay for senior executives is reviewed semi annually by the Remuneration Committee to ensure it 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 short term incentives, dependant on the terms of the individual employment contract:

- Participation in the profit share pool
- Commission
- Discretionary Bonus

Profit share pool

Directors and executives of Euroz Securities are invited to participate in the profit share pool. The Remuneration Committee determines the allocation of up to 40% 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 profit share payment is made as a combination of cash (75%) and equity (25%) in the Performance Rights Plan as detailed below in Equity Based Payments.

The three executives on the Remuneration Committee (Andrew McKenzie, Jay Hughes and Robert Black, Executive Directors of Euroz Securities) are also entitled to participate in the profit share pool. In these circumstances two members assess the performance of the third member.

Commission

Private Client Advisers are paid a commission on top of a base salary and superannuation. This is calculated on a sliding scale. Eligible Private Client Advisers are also invited to participate in the Performance Rights Plan based on certain performance hurdles set out in the employment contract.

Discretionary bonus

Executives and other staff members who do not participate in the profit share pool are paid a discretionary bonus based on the profitability of the Company. Similar to the profit share pool, the distribution of the discretionary bonus is also leveraged to the individual's performance and is made as a combination of cash (75%) and equity (25%) in the Performance Rights Plan as detailed below in Equity Based Payments.

Equity based payments

A Performance Rights Plan was established in 2014 as a long term incentive to assist in the reward, retention and motivation of Directors, executives and staff members. Eligible employees are invited to participate in this plan and are awarded a Performance right at the beginning of the year. There are three separate long term incentives depending on the individual employment contract as below:

- Profit share
- Discretionary bonus
- Commission

The Performance Right represents a right to be issued a number of ordinary shares in Euroz to reflect 25% of the profit share or the discretionary bonus that is paid to the participant. Private Client Advisers who are paid a commission may also be paid 5% of their total monthly brokerage and/or Portfolio Administration Revenue or 25% of any corporate referral fee in equity. The shares issued will only vest to the employee after 3 years subsequent service following the initial year of service.

Directors' Report

Details of remuneration

Details of the nature and amount of each element of the emoluments of each KMP of Euroz are set out in the following tables.

2016	Short-term			Post	Share Based	Total	Performance related
	Base salary	Profit Share/ bonus	Other benefits	Employment	Payment		
	\$	\$	\$	\$	Performance Rights	\$	%
Andrew McKenzie	195,000	180,000	21,507	30,000	41,250	467,757	47%
Jay Hughes	190,000	180,000	20,402	35,000	41,250	466,652	47%
Doug Young	190,000	112,500	23,386	35,000	26,875	387,761	36%
Greg Chessell	190,000	120,000	16,189	35,000	26,875	388,064	38%
Russell Kane	205,692	142,500	15,697	19,308	33,750	416,947	42%
Simon Yeo	205,692	120,000	17,043	19,308	28,750	390,793	38%
Robert Black	182,648	157,189	15,036	17,662	35,000	407,535	47%
Phil Rees	166,138	59,689	9,342	34,172	24,375	293,716	29%
Anthony Brittain	170,311	74,689	16,108	30,000	18,750	309,858	30%
Total	1,695,481	1,146,567	154,710	255,450	276,875	3,529,083	

Current Directors did not receive any Directors fees.

2015	Short-term			Post	Share Based	Total	Performance related
	Base salary	Profit Share/ bonus	Other benefits	Employment	Payment		
	\$	\$	\$	\$	Performance Rights	\$	%
Andrew McKenzie	234,904	90,000	25,495	30,000	26,250	406,649	22%
Jay Hughes	234,904	90,000	18,659	30,000	26,250	399,813	23%
Doug Young	230,120	60,000	26,088	34,783	17,500	368,491	16%
Greg Chessell	230,120	52,500	14,432	34,783	16,875	348,710	15%
Russell Kane	246,120	75,000	14,852	18,783	21,875	376,630	20%
Simon Yeo	246,120	75,000	17,692	18,783	18,750	376,345	20%
Robert Black	240,228	82,500	14,245	18,783	21,875	377,631	22%
Phil Rees	214,946	45,000	12,788	34,450	19,375	326,559	14%
Anthony Brittain	213,627	52,500	15,781	30,000	12,500	324,408	16%
Total	2,091,089	622,500	160,032	250,365	181,250	3,305,236	

Current Directors did not receive any Directors fees.

Directors' Report

Service agreements

Remuneration and other terms of employment for the Key Management Personnel are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses and other benefits. Notwithstanding the agreed salary in the service agreement, the base salary may be reduced or increased based on trading conditions. Other major provisions of the agreements relating to remuneration are set out below.

Andrew McKenzie, *Executive Chairman*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 of \$225,000 (2015- \$225,000) plus profit share,
- 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 2016 of \$225,000 (2015 - \$225,000) plus profit share,
- Payment on termination of employment by the employer, other than for gross misconduct - three months' salary.

Doug Young, *Director*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 \$225,000 (2015 - \$225,000) plus profit share,
- Payment on termination of employment by the employer, other than for gross misconduct - three months' salary.

Greg Chessell, *Director*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 of \$225,000 (2015 - \$225,000) plus profit share,
- Payment on termination of employment by the employer, other than for gross misconduct - three months' salary.

Russell Kane, *Director*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 of \$225,000 (2015 - \$225,000) plus profit share,
- Payment on termination of employment by the employer, other than for gross misconduct - three months' salary.

Simon Yeo, *Director*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 of \$225,000 (2015 - \$225,000) plus profit share,
- Payment on termination of employment by the employer, other than for gross misconduct - three months' salary.

Anthony Brittain, *Director*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 of \$200,000 (2015 - \$200,000) plus bonus,
- Payment on termination of employment by the employer, other than for gross misconduct - three months' salary.

Rob Black, *Director Euroz Securities, Entrust Private Wealth Management*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 of \$200,000 (2015 - \$200,000) 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*

- Term of contract - ongoing employment contract,
- Base salary, inclusive of superannuation for the year ended 30 June 2016 of \$200,000 (2015 - \$200,000) plus bonus,
- Payment on termination of employment by the employer, other than for gross misconduct - three months' salary.

Directors' Report

Shareholdings of Key Management Personnel

The movement during the reporting year in the number of shares in Euroz Limited held, directly, indirectly or beneficially, by each member of KMP, including related parties, is as follows:

2016	Balance at 1 July 2015	Received via PRP (i)	Granted as remuneration	Bought & (sold)	Balance at 30 June 2016
Ordinary shares					
A McKenzie	11,083,823	74,855	-	754,780	11,913,458
J Hughes	11,083,823	74,855	-	989,641	12,148,319
D Young	4,524,647	46,954	-	60,442	4,632,043
G Chessell	4,035,468	50,176	-	379,261	4,464,905
R Kane	2,756,911	59,294	-	155,950	2,972,155
S Yeo	3,883,289	49,903	-	180,000	4,113,192
R Black	3,033,446	66,010	-	250,000	3,349,456
P Rees	1,264,674	25,224	-	28,861	1,318,759
A Brittain	427,214	31,394	-	977	459,585
	42,093,295	478,665	-	2,799,912	45,371,872

2015	Balance at 1 July 2014	Received via PRP (i)	Granted as remuneration	Bought & (sold)	Balance at 30 June 2015
Ordinary shares					
A McKenzie	10,500,000	87,433	-	496,390	11,083,823
J Hughes	10,500,000	87,433	-	496,390	11,083,823
D Young	4,350,000	58,289	-	116,358	4,524,647
G Chessell	3,580,000	55,789	-	399,679	4,035,468
R Kane	2,623,000	72,861	-	61,050	2,756,911
S Yeo	3,750,000	63,289	-	70,000	3,833,289
R Black	2,600,000	73,446	-	360,000	3,033,446
P Rees	1,200,000	62,861	-	1,813	1,264,674
A Brittain	383,400	42,388	-	1,426	427,214
	39,486,400	603,789	-	2,003,106	42,093,295

(i) These shares are held by the Euroz Share Trust and are currently vesting in accordance with the Euroz Performance Rights Plan (PRP).

Directors' Report

Performance Rights held by Key Management Personnel

The movement during the reporting period in performance rights in Euroz Limited held, directly, indirectly or beneficially, by each KMP, including related parties, is as follows:

2016	Granted as remuneration	Vested
Performance Rights		
A McKenzie	1	(1)
J Hughes	1	(1)
D Young	1	(1)
G Chessell	1	(1)
R Kane	1	(1)
S Yeo	1	(1)
R Black	1	(1)
P Rees	1	(1)
A Brittain	1	(1)
	9	(9)

2015	Granted as remuneration	Vested
Performance Rights		
A McKenzie	1	(1)
J Hughes	1	(1)
D Young	1	(1)
G Chessell	1	(1)
R Kane	1	(1)
S Yeo	1	(1)
R Black	1	(1)
P Rees	1	(1)
A Brittain	1	(1)
	9	(9)

These performance rights were issued in accordance with the Performance Rights Plan.

Share based compensation

A performance right was issued to KMPs as part of their annual bonus / profit share plan. The fair value of each right is calculated as 25% of each member's bonus entitlement. The performance rights (and subsequent shares) are subject to a 4 year vesting period. Total fair values of performance rights issued in the year amounts to \$501,189 (2015: \$391,197).

Loans Key Management Personnel

No loans were made to Directors of Euroz Limited and the KMPs of the consolidated group, including their personally related entities during the year.

Remuneration Report - end.

Directors' Report

Indemnifying officers and auditor

During the financial year, Euroz Limited paid a premium of \$388,421 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 group. Euroz has not indemnified the auditor or paid any insurance premium on behalf of the auditor.

Proceedings on behalf of the 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 following non-audit services were provided by the group's auditor, PKF Mack. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. PKF Mack received or is due to receive the following amounts for the provision of non-audit services:

	\$
Tax Compliance and other services	45,450

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and follows the Directors' Report.

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



ANDREW MCKENZIE
Executive Chairman



DOUG YOUNG
Director

Date: 25 August 2016

Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF EUROZ LIMITED

In relation to our audit of the financial report of Euroz Limited for the year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF MACK

SIMON FERMANIS
PARTNER

25 AUGUST 2016
WEST PERTH,
WESTERN AUSTRALIA

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PKF Mack is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2016 \$	2015 \$
Revenue	4	41,924,867	38,898,781
Loss on fair value movement on investments		(5,247,301)	(21,136,859)
Employee benefits expense		(19,603,342)	(15,371,583)
Depreciation and amortisation expenses		(165,793)	(116,253)
Regulatory expenses		(199,375)	(273,781)
Consultancy expenses		(905,619)	(1,630,230)
Conference and seminar expenses		(731,882)	(802,157)
Brokerage and underwriting expense		(4,724,972)	(3,749,935)
Communication expenses		(296,672)	(236,640)
Carrying amount of principal trading securities sold		(3,480,060)	(3,826,809)
Other expenses		(4,481,274)	(3,973,477)
Profit / (Loss) before income tax expense	5	2,088,577	(12,218,943)
Income tax (expense) / benefit	6	472,441	5,088,291
Profit / (Loss) after income tax expense for the year		2,561,018	(7,130,652)
Other comprehensive income			
<i>Other comprehensive income net of tax</i>		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,561,018	(7,130,652)
Profit / (Loss) for the year is attributable to:			
Non-controlling interest		(999,399)	(91,257)
Owners of Euroz Limited		3,560,417	(7,039,395)
		2,561,018	(7,130,652)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(999,399)	(91,257)
Owners of Euroz Limited		3,560,417	(7,039,395)
		2,561,018	(7,130,652)
Basic earnings per share	34	1.61	(4.66)
Diluted earnings per share	34	1.61	(4.66)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	7	34,202,416	45,041,470
Trade and other receivables	8	1,549,678	1,384,626
Inventories	9	5,826,554	5,582,420
Other current assets	10	1,148,305	1,029,116
Total current assets		42,726,953	53,037,632
Non-current assets			
Long term receivable	11	5,000,000	5,000,000
Investments	12	8,050,076	-
Investment entities at fair value	13	47,121,275	53,769,308
Plant and equipment	14	485,863	317,822
Deferred tax assets	15	8,575,166	5,096,470
Intangible assets	16	10,152,312	2,833,112
Total non-current assets		79,384,692	67,016,712
Total Assets		122,111,645	120,054,344
Current liabilities			
Trade and other payables	17	1,204,171	1,525,486
Current tax liabilities	18	444,699	-
Short term provisions	19	5,541,116	6,552,049
Total current liabilities		7,189,986	8,077,535
Non-current liabilities			
Deferred tax liabilities	20	815,465	397,177
Long term provisions	21	276,344	322,220
Total non-current liabilities		1,091,809	719,397
Total liabilities		8,281,795	8,796,932
Net assets		113,829,850	111,257,412
Equity			
Issued capital	22	105,226,509	99,533,415
Reserves	22	1,159,364	658,175
Retained earnings		8,159,633	11,032,079
Equity attributable to the owners of Euroz Limited		114,545,506	111,223,669
Non-controlling interest		(715,656)	33,743
Total equity		113,829,850	111,257,412

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Issued capital	Share based payment reserve	Retained earnings	Non-controlling interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	90,924,294	266,978	25,948,183	-	117,139,455
Loss for the period	-	-	(7,039,395)	(91,257)	(7,130,652)
Total comprehensive income for the period	-	-	(7,039,395)	(91,257)	(7,130,652)
<i>Transactions with owners, recorded directly in equity</i>					
Shares issued during the period	9,034,366	-	-	125,000	9,159,366
Treasury shares	(425,245)	-	-	-	(425,245)
Share based payments	-	391,197	-	-	391,197
Dividends to equity holders	-	-	(7,876,709)	-	(7,876,709)
Total contributions by and distributions to owners	8,609,121	391,197	(7,876,709)	125,000	1,248,609
Balance at 30 June 2015	99,533,415	658,175	11,032,079	33,743	111,257,412
Balance at 1 July 2015	99,533,415	658,175	11,032,079	33,743	111,257,412
Profit for the period	-	-	3,560,417	(999,399)	2,561,018
Total comprehensive income for the period	-	-	3,560,417	(999,399)	2,561,018
<i>Transactions with owners, recorded directly in equity</i>					
Shares issued during the period	6,870,312	-	-	250,000	7,120,312
Treasury shares	(933,008)	-	-	-	(933,008)
Share buy back	(244,210)	-	-	-	(244,210)
Share based payments	-	501,189	-	-	501,189
Dividends to equity holders	-	-	(6,432,863)	-	(6,432,863)
Total contributions by and distributions to owners	5,693,094	501,189	(6,432,863)	250,000	11,420
Balance at 30 June 2016	105,226,509	1,159,364	8,159,633	(715,656)	113,829,850

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		33,061,485	28,725,358
Payments to suppliers and employees (inclusive of goods and services tax)		(31,613,563)	(27,221,891)
		1,447,922	1,503,467
Interest received		784,177	1,674,775
Proceeds from sale of trading shares		4,470,767	3,842,298
Income taxes (paid)		(1,664,629)	(4,037,828)
Payments for trading shares		(3,047,431)	(6,959,128)
Net cash flows (used in) / from operating activities	33	1,990,807	(3,976,416)
Cash flows from investing activities			
Payments for investment in WIC & OZG		(215,102)	(648,477)
Payments for managed investment schemes		(7,000,000)	-
Dividends received		4,008,239	5,191,190
Payments for plant and equipment		(383,812)	(223,226)
Proceeds for plant and equipment		49,978	-
Payments for treasury shares		(933,007)	(425,245)
Cash acquired on the acquisition of a business		(1,529,978)	5,824,004
Net cash flows from / (used in) investing activities		(6,003,682)	9,718,246
Cash flows from financing activities			
Dividends paid		(6,581,969)	(13,957,051)
Share buy-back		(244,210)	-
Payments of financial liabilities		-	(2,131,781)
Net cash flows from / (used in) financing activities		(6,826,179)	(16,088,832)
Net decrease in cash and cash equivalents		(10,839,053)	(10,347,002)
Cash and cash equivalents at 1 July		45,041,470	55,388,472
Cash and cash equivalents at 30 June	7	34,202,416	45,041,470

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

CONTENTS

Note 1. Statement of significant accounting policies	39
Note 2. Significant accounting estimates and judgements	46
Note 3. Segment information	46
Note 4. Revenue	49
Note 5. Profit/(Loss) before income tax expense	49
Note 6. Income tax	49
Note 7. Cash and cash equivalents	51
Note 8. Trade and other receivables	51
Note 9. Inventories	52
Note 10. Other current assets	52
Note 11. Long term receivable	52
Note 12. Investments	52
Note 13. Investment entities at fair value	53
Note 14. Plant and equipment	53
Note 15. Deferred tax assets	54
Note 16. Intangible assets	54
Note 17. Trade and other payables	55
Note 18. Current tax liabilities	55
Note 19. Short term provisions	56
Note 20. Deferred tax liabilities	56
Note 21. Long term provisions	56
Note 22. Contributed equity	56
Note 23. Dividends	58
Note 24. Financial instruments	59
Note 25. Remuneration of auditors	61
Note 26. Contingent liabilities	61
Note 27. Commitments for expenditure	62
Note 28. Employee benefits	62
Note 29. Related parties	62
Note 30. Investments in controlled entities	64
Note 31. Business combination	65
Note 32. Events subsequent to reporting date	66
Note 33. Reconciliation of cash flows from operating activities	66
Note 34. Earnings per share	66
Note 35. Deed of cross guarantee	67
Note 36. Parent entity disclosures	70
Note 37. Company details	70

Notes to the Financial Statements

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements as issued by the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for “for-profit” oriented entities.

This financial report has been authorised by the Directors to be issued on 25 August 2016. The Directors have the power to amend and reissue the financial statements.

Euroz Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The financial report of Euroz Limited and controlled entities (the group or consolidated group), complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Separate financial information of the parent company has been included in Note 36 as permitted by amendments to the Corporations Act 2001. The financial report is presented in Australian dollars which is the group’s functional and presentation currency. Amounts are rounded to the nearest dollar in accordance with Corporations (Rounding in Financial / Directors’ Reports) Instrument 2016/191.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies

(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 2016 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 group.

Subsidiaries are all those entities over which the consolidated group has control. The consolidated group controls an entity when the consolidated group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the consolidated group.

A change in ownership interest without the loss of control is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated group. All controlled entities have a 30 June financial year end.

(b) Income tax

The income tax expense or benefit for the period is the tax payable on that period’s taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity’s which intend to settle simultaneously.

Notes to the Financial Statements

Note 1. Statement of significant accounting policies (continued)

Euroz Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. The group formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(d) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. 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.
- Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST), where applicable.

(e) Receivables

Trade receivables are recognised as current receivables as they are generally settled within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised when some doubt as to collection exists.

All trade receivables relating to brokerage and principal trading have been transferred to Pershing Securities Australia Pty Ltd ("Pershing") who provides a trust account facility as part of the clearing and settlement service.

(f) Inventories

Inventories are stocks held in the operating (jobbing) account at year end. All inventory is held at fair value. Refer to Note 1 (u) (i) financial assets at fair value through profit or loss.

(g) Investments

Controlled entities are accounted for in the consolidated financial statements as set out in Note 1 (a), excluding investment entities (which are deemed to be controlled) which are accounted for at fair value at reporting date.

Other securities are accounted for at fair value at reporting date. Unrealised gains/losses on securities held for short term investment are accounted for as set out in Note 1 (u) (i) financial assets at fair value through profit or loss. Unrealised gains/losses on securities held for long term investment are accounted for as set out in Note 1 (u) (iii) available-for-sale financial assets.

(h) Plant and equipment

Each class of plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Notes to the Financial Statements

Note 1. Statement of significant accounting policies (continued)

(h) Plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the residual values commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	25%
Plant and equipment	25 - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

(i) Leasehold improvements

The cost of improvements to or on leasehold properties are amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated group, whichever is the shorter.

(j) Leases

Other operating lease payments are charged to the statement of profit or loss in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(k) Trade and other creditors

Trade and other creditors also include other liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

All trade creditors relating to brokerage and principal trading have been transferred to Pershing who provides a trust account facility as part of the clearing and settlement service.

(l) Dividends

Provision is made for the amount of any dividend declared and authorised by the Directors on or before the end of the financial year, but not distributed at reporting date.

(m) Options

The fair value of options in the shares of the Company issued to Directors and other parties is recognised as an expense in the financial statements in relation to the granting of these options.

(n) 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. Employee benefits payable later than one year

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. There have been no changes to the method used to calculate this liability.

iii. Superannuation

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

iv. Employee benefit on costs

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

v. Options/performance rights

The fair value of options/performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

The fair value of options at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of performance rights are estimated at grant date based on expectations of the bonus that will be paid at year end to eligible employees. Each performance right is subject to a 4 year vesting condition.

vi. Profit-sharing

The consolidated group recognises a liability and an expense for profit-sharing based on a formula that takes into consideration the profit attributable to the Company's employees after certain adjustments.

Notes to the Financial Statements

Note 1. Statement of significant accounting policies (continued)

(n) Employee benefits (continued)

vii. Termination benefits

The consolidated group recognises a liability and an expense when the group demonstrates a commitment to either terminate the employee before the normal retirement date or provide termination benefits as a result of an offer made to the employee prior to retirement date.

(o) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents 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.

(p) 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.

(q) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment

of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(r) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated group for similar financial instruments.

(s) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax 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.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve.

Notes to the Financial Statements

Note 1. Statement of significant accounting policies (continued)

(u) Financial instruments

The consolidated group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the consolidated group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated group commits itself to either the purchase or sale of the asset (i.e.: trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The consolidated group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

iii. Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets.

Purchases and sales of investments are recognised on trade-date being the date on which the consolidated group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale investments revaluation reserve are recognised in equity in the "available for sale revaluation reserve". When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains and losses from investment securities.

Notes to the Financial Statements

Note 1. Statement of significant accounting policies (continued)

(u) Financial instruments (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing methods refined to reflect the issuer's specific circumstances.

iv. Impairment of financial assets

The consolidated group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

(v) Current / non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of

a business, are included in the cost of the acquisition as part of the purchase consideration.

(x) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(y) Intangible asset

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

(z) New standards and interpretations

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against the early adoption of any of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

The consolidated group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have a significant impact on the financial performance or position of the consolidated group.

Notes to the Financial Statements

(z) New standards and interpretations (continued)

AASB No.	Title	Application date of standard \$	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2014
AASB 2010-7	Amendments arising from Accounting Standards arising from AASB 9 (December 2010)	1 January 2018	September 2012
AASB 2014-1	Amendments to Australian Accounting Standards Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E - Financial Instruments	Part D - 1 January 2016 Part E - 1 January 2018	June 2014
AASB 2014-3	Amendments to Australian Accounting Standard - Accounting for Acquisition of Interest in Joint Operations [AASB 1 & AASB 11]	1 January 2016	August 2014
AASB 2014-4	Amendments to Australian Accounting Standard - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	August 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 January 2018	December 2014
AASB 2014-7	Amendments to Australian Accounting Standard Arising From AASB 9 (December 2014)	1 January 2018	December 2014
AASB 2014-9	Amendments to Australian Accounting Standard - Equity Method in Separate Financial Statements	1 January 2016	December 2014
AASB 2014-10	Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture	1 January 2018	December 2014
AASB 2015-1	Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	January 2015
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	1 January 2016	January 2015
AASB 2015-5	Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception	1 January 2016	January 2015
AASB 2015-6	Amendments to Australian Accounting Standards - Extending Related Party Disclosures to NFP Public Sector Entities	1 July 2016	March 2015
AASB 2015-7	Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities	1 July 2016	July 2015
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	1 January 2018	October 2015
AASB 2015-9	Amendments to Australian Accounting Standards - Scope and Application Paragraphs	1 January 2016	November 2015
AASB 2015-10	Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128.	1 January 2018	December 2015
AASB 2016-1	Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	February 2016
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017	March 2016
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 January 2018	May 2016
AASB 2016-4	Amendments to Australian Accounting Standards - Recoverable Amount of a Non-Cash Generating Specialised Assets of Not-for-Profit Entities	1 January 2017	June 2016
AASB 14	Regulatory Deferral Account	1 January 2016	June 2014
AASB 15	Revenues from Contracts with Customers	1 January 2018	October 2015
AASB 16	Leases	1 January 2019	February 2016
AASB 1056	Superannuation Entities	1 July 2016	June 2014
AASB 1057	Application of Australian Accounting Standards	1 January 2016	November 2015

Notes to the Financial Statements

Note 2. Significant accounting estimates and judgements

Estimates and judgements incorporated in the financial statements are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates and judgments

i. Impairment

At each reporting date, the consolidated group compares the carrying values and market values of investment entities to determine whether there is any indication of impairment. If impairment indicators exist, any excess of the investment entity's carrying value over the recoverable amount is expensed to the statement of profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

ii. Classification of inventories

The consolidated group has decided to classify investments in listed securities as held for trading. These securities are accounted for at fair value. Any increments or decrements in their value at year end are charged or credited to the statement of profit or loss.

iii. Taxation

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences and tax losses, are recognised only where it is considered more likely than not they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences are recognised to the extent that there are future profits.

iv. Goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, the goodwill on acquisition of Blackswan Equities Limited is allocated to private client broking cash-generating unit which represents the lowest level at which it is monitored for internal management purposes. At 30 June 2016, goodwill totalling \$2,833,112 has been allocated to the private client broking cash-generated unit. The assumptions used for determining the recoverable amount are based on past experience and expectations for the future. Projected cash flows for each cash-generated unit are discounted using an appropriate discount rate and a value in use is determined over a 5 year life. The discount rate deemed applicable at 30 June 2016 amounted to 9.81%. The Board have assessed that there is no indication the goodwill is impaired.

In addition, the goodwill on the acquisition of Entrust totalling \$5,597,365 has been allocated to the performance of this company as a whole. The assumptions used for determining the recoverable amount are based on past experience and expectations for the future. Projected cash flows for each cash-generated unit are discounted using an appropriate discount rate and a value in use is determined over a 5 year life. The discount rate deemed applicable at 30 June 2016 amounted to 9.81%. The Board have assessed that there is no indication the goodwill is impaired.

v. Intangible assets

Upon acquisition of Entrust, Euroz acquired \$1,721,835 in other intangible assets consisting 3 separate assets. These assets were tested for impairment. The assumptions used for determining the recoverable amount was based on past experience and expectations for the future. Projected cash flows for each cash-generated unit were discounted using an appropriate discount rate and a value in use was determined over a 5 year life. The discount rate deemed applicable at 30 June 2016 amounted to 9.81%. The Board have assessed that there is no indication these assets goodwill are impaired.

Note 3. Segment information

Identification of reportable segments

The consolidated group has identified its operating segments based on the internal reports that are reviewed and used by the executive team (the chief operating decision makers) in assessing performance and in allocating resources.

Types of products and services

Stockbroking & Corporate Activities

Stockbroking business offering trading of Australian securities, corporate finance and the provision of company research.

Principal trading

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

Funds management

The consolidated group provides advice and the execution of mandates in relation to funds management.

Investments

The consolidated group invests in listed and unlisted securities from which it derives dividends.

Wealth Management

The consolidated group provides wealth management services including the administration of funds under management.

Basis of accounting for purpose of reporting by operating segments

The accounting policies used by the consolidated group in reporting segments internally are consistent with those adopted in the financial statements of the consolidated group, unless otherwise stated.

Notes to the Financial Statements

Note 3. Segment information (continued)

Segment assets and liabilities

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset.

Liabilities are allocated to segments where there is a direct nexus between the liability and the operations of the segment.

	Stockbroking & Corporate Activities	Principal Trading	Funds Management	Investment Income	Wealth Management	Unallocated	Total
	\$	\$	\$	\$	\$	\$	\$
2016							
Sales and other fees	24,742,067	4,470,767	1,796,959	-	6,026,121	-	37,035,914
Interest revenue	448,066	212	43,878	323,958	2,591	-	818,705
Other revenues	900	-	-	4,018,663	50,685	-	4,070,248
Total segment revenue	25,191,033	4,470,979	1,840,837	4,342,621	6,079,397	-	41,924,867
Segment net operating profit/(loss) after tax	3,323,044	1,058,429	(1,852,145)	(592,331)	624,021	-	2,561,018
Depreciation and amortisation	155,541	-	10,252	-	-	-	165,793
Gain/(Loss) on fair value of investments	-	565,758	-	(5,813,059)	-	-	(5,217,301)
Segment assets	31,240,962	5,826,554	4,064,447	77,673,140	3,306,541	-	122,111,645
Fair value of investments	-	5,826,554	-	-	55,171,351	-	60,997,905
Capital expenditure	383,812	-	-	-	-	-	-
Segment liabilities	2,723,922	114,551	445,541	4,374,091	623,690	-	8,281,795
Cash flow information							
Net cash flow from operating activities	1,784,369	1,423,336	(1,840,918)	-	624,021	-	1,990,808
Net cash flow from investing activities	(383,812)	16,195	49,978	(5,686,044)	-	-	(6,003,683)
Net cash flow from financing activities	-	-	-	-	-	(6,826,179)	(6,826,179)

Notes to the Financial Statements

Note 3. Segment information (continued)

Segment performance

	Stockbroking & Corporate Activities \$	Principal Trading \$	Funds Management \$	Investment Income \$	Unallocated \$	Total \$
2015						
Sales and other fees	25,074,027	3,842,298	3,380,405	-	-	32,296,730
Interest revenue	713,179	-	59,669	638,013	-	1,410,861
Other revenues	-	40,000	-	5,151,190	-	5,191,190
Total segment revenue	25,787,206	3,882,298	3,440,074	5,789,203	-	38,898,781
Segment net operating profit/(loss) after tax	723,910	(112,170)	1,634,124	(9,376,516)	-	(7,130,652)
Depreciation and amortisation	113,149	-	3,104	-	-	116,253
Gain/(Loss) on fair value of investments	-	(1,025,513)	-	(20,111,346)	-	(21,136,859)
Segment assets	34,462,677	5,582,420	3,059,467	76,949,780	-	120,054,344
Fair value of investments	-	-	-	53,769,308	-	53,769,308
Capital expenditure	142,666	-	80,560	-	-	223,226
Segment liabilities	3,192,734	-	360,307	5,243,891	-	8,796,932
Cash flow information						
Net cash flow from operating activities	(859,586)	(3,116,830)	-	-	-	(3,976,416)
Net cash flow from investing activities	5,681,338	40,000	(80,560)	4,502,713	(425,245)	9,718,246
Net cash flow from financing activities	-	-	-	-	(16,088,832)	(16,088,832)

Entity-wide disclosures

The consolidated group predominately operates with in the geographical region of Australia. Therefore, the total revenue and non-current assets are reflected on the face of the financial statements.

During the year ended 30 June 2016 approximately 14% (2015: 19%) of the consolidated group's external revenue was derived from management fees and dividends from Ozgrowth Limited and Westoz Investment Company Limited.

Notes to the Financial Statements

Note 4. Revenue

	2016	2015
	\$	\$
Revenue from operating activities		
Brokerage	14,344,812	16,626,934
Underwriting and management fees	11,260,910	11,005,474
Wealth Management fees	5,153,627	-
Proceeds on sale of principal trading shares	4,454,572	3,842,298
Corporate retainers	1,752,399	822,023
	36,966,320	32,296,729
Other income		
Interest received	818,705	1,410,862
Other revenue	131,603	-
Dividend received	4,008,239	5,191,190
	4,958,547	6,602,052
Total Revenue	41,924,867	38,898,781

Note 5. Profit before income tax expense

	2016	2015
	\$	\$
Rental expenses relating to operating lease	1,992,946	1,837,796
Superannuation expense	1,054,437	797,118
Share based payments – PRP	501,189	391,197
Share based payments – Other	250,000	125,000
Write-off of fixed assets	-	131,977
Write-off of investment	-	15,000

Note 6. Income tax

	2016	2015
	\$	\$
The components of tax expense comprise:		
Current tax	1,632,285	1,691,318
Deferred tax	(2,104,726)	(6,779,609)
	(472,441)	(5,088,291)

Notes to the Financial Statements

Note 6. Income tax (continued)

	2016	2015
	\$	\$
Numerical reconciliation between tax expense and pre-tax accounting profit		
Income tax using company's tax rate of 30% (2015: 30%)	626,573	(3,665,683)
Add tax effect of:		
- other non-allowable items	145,725	121,703
- other	-	13,046
	772,298	(3,530,934)
Less tax effect of:		
- other	57,153	-
- franked dividends received	1,187,586	1,557,357
	(472,441)	(5,088,291)
The applicable weighted average effective tax rates are as follows:	(22.62%)	(41.64%)
Reconciliations		
i. Gross movements		
<i>The overall movement in the deferred tax account is as follows:</i>		
Balance at 1 July	4,699,929	(2,079,680)
Recognised in statement of profit or loss	3,059,772	6,779,609
Balance at 30 June	7,759,701	4,699,929
ii. Deferred tax liability		
<i>Movement in temporary differences during the year</i>		
Fair value gain adjustments		
Balance at 1 July	(26,700)	2,907,263
Recognised in the statement of profit or loss	402,194	(2,933,963)
Balance at 30 June	375,494	(26,700)
Other		
Balance at 1 July	423,877	134,199
Recognised in the statement of profit or loss	16,064	289,678
Balance at 30 June	439,971	423,877
	815,465	397,177

Notes to the Financial Statements

Note 6. Income tax (continued)

	2016	2015
	\$	\$
iii. Deferred tax assets		
<i>Movement in temporary differences during the year</i>		
Fair value gain adjustments		
Balance at 1 July	3,795,921	-
Recognised in the statement of profit or loss	1,996,710	3,795,921
Balance at 30 June	5,792,631	3,795,921
Provisions		
Balance at 1 July	549,958	961,782
Recognised in the statement of profit or loss	152,332	(411,824)
Balance at 30 June	702,290	549,958
Other		
Balance at 1 July	750,591	-
Recognised in the statement of profit or loss	1,329,654	750,591
Balance at 30 June	2,080,245	750,591
	8,575,166	5,096,470

Tax consolidation legislation

Euroz Limited and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as of 1 July 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.

Note 7. Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank and on hand	34,202,416	45,041,470

Note 8. Trade and other receivables

	2016	2015
	\$	\$
Trade receivables	1,549,678	1,384,626

All trade receivables relating to brokerage and principal trading have been transferred to Pershing Securities Australia Pty Ltd (clearing participant on behalf of Euroz Securities Limited) who provides a trust account facility as part of the clearing and settlement service.

Notes to the Financial Statements

Note 9. Inventories

	2016	2015
	\$	\$
Securities in unlisted companies (at cost) (i)	527,000	527,000
Trading securities in listed companies (at cost) (i)	6,430,656	6,699,270
Fair value adjustments (ii)	(1,131,102)	(1,643,850)
Total	5,826,554	5,582,420

(i) These securities are held for trade purposes.

(ii) The fair value adjustment is based on the closing price of each investment at year end.

Note 10. Other current assets

	2016	2015
	\$	\$
Prepayments	952,541	642,814
Accrued income	195,764	161,237
Current tax asset	-	225,065
Total	1,148,305	1,029,116

Note 11. Long term receivable

	2016	2015
	\$	\$
Security deposit	5,000,000	5,000,000

Deposit held by Pershing Securities Australia Pty Ltd (clearing participant on behalf of Euroz Securities Limited).

Note 12. Investments

	2016	2015
	\$	\$
Cost of investment in managed investment scheme	7,000,000	-
Fair value adjustments (i)	1,050,076	-
Total	8,050,076	-

(i) The fair value adjustment is based on the closing unit value of the scheme.

Notes to the Financial Statements

Note 13. Investment entities at fair value

	2016	2015
	\$	\$
Listed ordinary shares in investment entities at fair value through profit or loss	47,121,275	53,769,308
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:		
Opening fair value	53,769,308	73,232,177
Additions	215,102	648,477
Revaluation increments / (decrements)	(6,863,135)	(20,111,346)
Closing fair value	47,121,275	53,769,308

Note 14. Plant and equipment

	2016	2015
	\$	\$
Leasehold improvements		
At cost	241,607	103,421
Less: Accumulated amortisation	(44,643)	(26,817)
	196,964	76,604
Software		
At cost	62,246	43,392
Less: Accumulated depreciation	(24,168)	(26,001)
	38,078	17,391
Office equipment		
At cost	242,171	193,586
Less: Accumulated depreciation	(113,959)	(109,601)
	128,212	83,985
Furniture, fixtures and fittings		
At cost	196,424	176,912
Less: Accumulated depreciation	(73,815)	(37,070)
	122,609	139,842
Total	485,863	317,822

Notes to the Financial Statements

Note 14. Plant and equipment (continued)

Reconciliations

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

	Leasehold improvements \$	Plant and equipment \$	Total \$
2016			
Carrying amount at 1 July 2015	76,604	241,218	317,822
Additions	215,560	168,252	383,812
Disposals	(49,978)	-	(49,978)
Assets written-off	(40)	(4,565)	(4,605)
Depreciation / amortisation expense	(45,182)	(116,006)	(161,188)
Carrying amount at 30 June 2016	196,964	288,899	485,863
2015			
Carrying amount at 1 July 2014	6,493	191,599	198,092
Additions	77,609	143,748	221,357
Acquired from a business combination	-	146,603	146,603
Assets written-off	-	(131,977)	(131,977)
Depreciation / amortisation expense	(7,498)	(108,755)	(116,253)
Carrying amount at 30 June 2015	76,604	241,218	317,822

Note 15. Deferred tax assets

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

	2016 \$	2015 \$
Deferred tax asset (Note 6)	8,575,166	5,096,470

Note 16. Intangible assets

	2016 \$	2015 \$
Goodwill (refer (a) below)	8,430,477	2,833,112
Other intangible assets (refer (b) below)	1,721,835	-
	10,152,312	2,833,112
(a) Goodwill		
Opening balance	2,833,112	-
Acquired on the acquisition of business (refer to note 31)	5,597,365	2,833,112
Amortisation	-	-
Balance	8,430,477	2,833,112

Notes to the Financial Statements

Note 16. Intangible assets (continued)

As referred to in note 31, Euroz Limited acquired \$5,597,365 in goodwill on the acquisition of a business during the period. The Directors deem this to be an indefinite life intangible asset and accordingly perform an impairment assessment at reporting date. Based on this assessment at 30 June 2016, no impairment was considered necessary. Note 2 (iv) contains additional information on this assessment.

	2016	2015
	\$	\$
(b) Other intangible assets		
Opening balance	-	-
Acquired on the acquisition of business (refer to note 31)	1,721,835	-
Amortisation	-	-
Balance	1,721,835	-

In addition, Euroz Limited acquired \$1,721,835 in other intangible assets on the acquisition of a business during the period. These intangibles consist of 3 separate assets as follows:

	\$
Client portfolio A	500,000
Client portfolio B	80,000
Client portfolio C	1,141,835
	1,721,835

Upon acquisition, Client portfolio A pre-acquisition had been impaired by \$358,053 (gross value - \$858,053). The carrying value of all 3 assets was assessed at reporting date for impairment and no impairment was considered necessary. Note 2 (v) contains further information on this impairment assessment.

Note 17. Trade and other payables

	2016	2015
	\$	\$
Other payables and accruals	1,204,171	1,525,486

All trade creditors relating to brokerage and principal trading have been transferred to Pershing Securities Australia Pty Ltd who provides a trust account facility as part of the clearing and settlement service.

Note 18. Current tax liabilities

	2016	2015
	\$	\$
Provision for taxation	444,699	-

Notes to the Financial Statements

Note 19. Short term provisions

	2016	2015
	\$	\$
Dividends	3,622,711	5,192,129
Employee entitlements (annual leave)	1,024,576	707,050
Employee entitlements (long service leave)	893,829	652,870
Total	5,541,116	6,552,049

Dividends

This provision represents the dividend declared by the board before the reporting date and to be paid out to shareholders subsequent to year end.

Movements in each class of provisions, other than employee benefits, are set out below:

	2016	2015
	\$	\$
Carrying amount at 1 July	5,192,129	13,702,841
Additional provisions recognised	6,438,992	7,886,167
Amounts paid out (including through dividend reinvestments)	(8,008,410)	(16,396,879)
Carrying amount at 30 June	3,622,711	5,192,129

Note 20. Deferred tax liabilities

	2016	2015
	\$	\$
Deferred tax liability (Note 6)	815,465	397,177

Note 21. Long term provisions

	2016	2015
	\$	\$
Employee entitlements (long service leave)	276,344	322,220

Note 22. Contributed equity

	2016 Shares	2015 Shares	2016 \$	2015 \$
(a) Share Capital				
Ordinary shares				
Issued and paid up capital consisting of ordinary shares (net of treasury shares)	158,574,382	152,997,812	105,226,509	99,533,415

Notes to the Financial Statements

Note 22. Contributed equity (continued)

	2016 Shares	2015 Shares
(b) Movements in ordinary share capital		
At the beginning of the reporting period	152,997,812	146,153,785
Acquisition of Treasury shares	(1,125,000)	(410,000)
Shares issued as consideration to acquire Entrust Private Wealth Management Pty Ltd	5,450,000	-
Shares issued as consideration to acquire Blackswan Equities Limited	-	5,200,000
Shares issued through dividend reinvestment scheme	1,586,570	2,054,027
Shares bought back	(335,000)	-
At the end of the reporting period	158,574,382	152,997,812

	2016 Shares	2015 Shares
(c) Movements in ordinary share capital		
At the beginning of the reporting period	99,533,415	90,924,294
Acquisition of Treasury shares	(933,008)	(425,245)
Shares issued as consideration to acquire Entrust Private Wealth Management Pty Ltd	5,450,000	-
Shares issued as consideration to acquire Blackswan Equities Limited	-	6,604,000
Shares issued through dividend reinvestment scheme	1,420,312	2,430,366
Shares bought back	(244,210)	-
At the end of the reporting period	105,226,509	99,533,415

	2016 Shares	2015 Shares	2016 \$	2015 \$
(d) Treasury shares				
Balance of treasury shares at the end of the reporting period	(2,435,000)	(1,310,000)	(2,500,958)	(1,567,950)

Treasury shares were acquired by Employee Share Trust at various times during the year. The acquisition of Treasury shares forms part of the Performance Right Plan.

(e) 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. Ordinary shares have no par value.

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.

(f) Options

There were no options on issue at 30 June 2016 (30 June 2015: NIL).

Notes to the Financial Statements

Note 22. Contributed equity (continued)

(g) Share based payments reserve

The reserve records items recognised as expenses on valuation of share based payments. The movement in the current period totalling \$501,189 (2015: \$391,197) relates to the vesting expense related to the fair value of performance rights issued in the prior year and the current year in connection with the Performance Rights Plan.

	2016	2015
	\$	\$
Balance on share based payment reserve at 1 July	658,175	266,978
Recognised during the year	501,189	391,197
Balance on share based payments reserve at 30 June	1,159,364	658,175

(h) Capital management

The Directors primary objective is to maintain a capital structure that ensures the lowest cost of capital available to the group. At reporting date, the group has no external borrowings and significant cash reserves. As the holder of AFSLs and as a participant of the ASX the group is exposed to externally imposed capital requirements, which have been complied with at year end and throughout the year.

Note 23. Dividends

	2016	2015
	\$	\$
Ordinary shares		
Interim dividend for the half year ended 31 December 2015 of 1.75 cents (2015 - 1.75 cents) per fully paid ordinary share paid on 15 January 2016. Fully franked based on tax paid @ 30%	2,816,281	2,694,038
Final dividend declared and provided for at 30 June 2016 of 2.25 cents (2015 - 3.25 cents) per fully paid ordinary share paid on 5 August 2016. Fully franked based on tax paid @ 30%	3,622,711	5,192,129
Total dividends provided for or paid	6,438,992	7,886,167

Of the total dividends paid during the year, \$6,129 (2015: \$9,458) was paid to the Euroz Share Trust (related to the Euroz Performance Rights Plan) and is undistributed. Therefore, it has been eliminated on consolidation.

Franked dividends

The franked portions of the dividends recommended after 30 June 2016 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 2016.

	2016	2015
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	15,193,768	11,279,279

These dividends are fully-franked and therefore, there are no income tax consequences for the owners of Euroz Limited.

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

- franking credits that will arise from the payment of the current tax liability
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- 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.

Notes to the Financial Statements

Note 24. Financial instruments

(a) Financial risk management

The group's financial instruments consist of deposits with banks, trade receivables and payables, short term investments and available for sale investments. Derivative financial instruments are not used by the group. Senior executives meet regularly to analyse and monitor the financial risk associated with the financial instruments used by the group.

(b) Financial risk exposure and management

i. Interest rate risk

The group has no borrowings and therefore is not exposed to interest rate risk associated with debt. The group has significant cash reserves and the interest income earned from these cash reserves will be affected by movements in the interest rate. A sensitivity analysis has been provided in the note to illustrate the effect of interest rate movements on interest income earned.

ii. Liquidity risk

The group manages liquidity risk using forward cash flow projections, maintaining cash reserves and having no borrowings or debt.

Trade and other payables are expected to be paid as follows:

	2016	2015
	\$	\$
Less than 1 month	1,204,171	1,525,486

iii. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or security, at reporting date is the carrying amount of the financial assets disclosed in the statement of financial position. There is no collateral or security held for those assets at 30 June 2016.

Credit risk arises from exposure to customers and deposits with banks. Senior management monitors its exposure to customers on a regular basis to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with Australian based banks. All trade debtors relating to brokerage and principal trading have been transferred to Pershing who provides a trust account facility as part of the clearing and settlement service. Trade receivables are usually paid within 30 days.

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2016	2015
	\$	\$
Cash and cash equivalents	34,202,416	45,041,470
Receivables	1,549,678	1,384,626
Long term deposit	5,000,000	5,000,000
	40,752,094	51,426,096

Notes to the Financial Statements

Note 24. Financial instruments (continued)

Impairment losses

None of the consolidated group's receivables are past due date (2015: Nil).

iv. Financial instruments composition and maturity analysis

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing	
	2016 %	2015 %	2016 \$	2015 \$	2016 \$	2015 \$
Financial Assets						
Cash and cash equivalents	1.77	2.19	34,202,416	45,041,470	-	-
Trade and other Receivables	-	-	-	-	1,549,678	1,384,626
Financial assets held for trading	-	-	-	-	5,826,554	5,582,420
Financial assets at fair value through profit and loss	-	-	-	-	47,121,275	53,769,308
Other investments	-	-	-	-	8,050,076	-
Long term deposit	1.0	1.25	5,000,000	5,000,000	-	-
Total financial assets			39,202,416	50,041,470	62,547,583	60,736,354
Financial Liabilities						
Trade and other payables	-	-	-	-	1,204,171	1,525,486

The following table details the consolidated entities fair value of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the assets or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
2016				
Assets				
Investments	60,707,290	290,615	-	60,997,905
Total Assets	60,707,290	290,615	-	60,997,905
2015				
Assets				
Investments	59,061,113	290,615	-	59,351,728
Total Assets	59,061,113	290,615	-	59,351,728

Notes to the Financial Statements

Note 24. Financial instruments (continued)

v. Sensitivity analysis

Assuming all variables remain constant and the interest rate fluctuated by 1% at year end the effect on the consolidated group's equity and profit as follows:

	2016	2015
	\$	\$
Increase by 1%	274,417	350,290
Decrease by 1%	(274,417)	(350,290)

Assuming all variables remain constant and the equity market fluctuated by 5% at year end the effect on the group's equity and profit is as follows:

	2016	2015
	\$	\$
Increase by 5%	3,049,895	2,967,586
Decrease by 5%	(3,049,895)	(2,967,586)

Note 25. Remuneration of auditors

	2016	2015
	\$	\$
Audit services		
Audit and review of financial reports for the Group Fees paid to PKF Mack firm	162,000	136,000
Other services		
Tax compliance services	32,950	24,500
Other services	12,500	10,000
	45,450	34,500

Note 26. Contingent liabilities

The parent entity and consolidated group had contingent liabilities at 30 June 2016 as follows:

	2016	2015
	\$	\$
<i>Secured guarantees in respect of:</i>		
Operating lease of a controlled group entity	790,180	1,321,126

As detailed in note 11 the consolidated group has a deposit with Pershing as part of Euroz Securities Limited third party clearing arrangements. This deposit totalled \$5,000,000 at reporting date (2015: \$5,000,000).

Legal proceedings were filed on 22 January 2016 in the Supreme Court of Western Australia on behalf of two former clients of Euroz Securities Limited. Euroz Securities Limited and Entrust Private Wealth Management Pty Ltd are two of four Australian Financial Services Licence (AFSL) holders jointly named in the Writ of Summons. The total value of the claim is \$2,400,000. At this point in time it is not clear what the gross and net contingent liability of this action is to Euroz Securities Limited and Entrust Private Wealth Management Pty Ltd.

Notes to the Financial Statements

Note 27. Commitments for expenditure

	2016	2015
	\$	\$
(a) Operating leases		
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	1,284,348	1,232,415
Later than one year but not later than five years	4,243,421	5,393,288
Later than five years	127,218	261,699
Commitments not recognised in the financial statements	5,654,987	6,887,402

The lease on the premises at Level 18, 54-58 Mounts Bay Road is for the period of 10 years commencing 2 July 2010 and expiring on 1 July 2020.

The licence on the premises at Level 23, Goldfields House, 1 Alfred Street, Sydney NSW is for the period of 5 years commencing 13 June 2014 and expiring on 31 October 2019.

The licence on the premises at Level 16, 385 Bourke Street, Melbourne is for the period of 8 years commencing 1 June 2015 and expiring on 31 May 2022.

Note 28. Employee benefits

	2016	2015
	\$	\$
Employee benefit and related on-costs liabilities		
Provision for employee entitlements	2,194,749	1,682,140
Aggregate employee benefit and related on costs liabilities	2,194,749	1,682,140

Note 29. Related parties

	2016	2015
	\$	\$
(a) Key Management Personnel compensation		
Short-term employee benefits	2,996,758	2,873,621
Post-employment benefits	255,450	250,365
Share based payments	276,875	181,250
	3,529,083	3,305,236

(b) Individual Key Management Personnel compensation disclosure

Information regarding individual KMP compensation and some equity instruments disclosures as required by Corporations Regulation is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no KMP has entered into a material contract with the group since the end of the previous financial year and there were no material contracts involving KMP interest existing at year end.

(c) Parent entity

The ultimate parent entity within the group is Euroz Limited.

Notes to the Financial Statements

Note 29. Related parties (continued)

(d) Share-based payments

During the year a performance right was issued to 72 employees (2015: 76 employees). This performance right entitles the holder to a number of shares in Euroz Limited calculated as 25% of their bonus entitlement for the year. At point of issue, these performance rights are subject to a 4 year vesting period. The fair value of each performance right is calculated as 25% of the individual's bonus entitlement.

(e) Wholly-owned group transactions

Wholly owned group

The wholly owned group consists of Euroz Limited and its wholly owned controlled entities. See Note 30.

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

	2016	2015
	\$	\$
Transactions with related parties consisting of:		
vi. Subsidiaries		
- Loans advanced by Euroz Limited to subsidiaries	6,089,701	8,495,488
- Payments of dividends to Euroz Limited by subsidiaries	3,450,000	1,750,000
- Payments of dividends to Euroz Securities Limited by subsidiaries	-	80,000
- Loans advanced by Prodigy Investment Partners Limited to subsidiary	-	47,819
- Loans advanced by WIM WA Resources Limited to subsidiary	19,007	-
- Management fees charged by Euroz Securities Limited to subsidiaries	1,685,229	-
- Management fees charged by Prodigy Investment Partners Limited to subsidiaries	381,654	-
ii. Other		
- Dividends received by Euroz Limited from investment entities	3,947,426	5,151,190
- Management fee received by the Euroz Group from investment entities	1,736,952	2,210,600
- Performance fee received by the Euroz Group from investment entities	6,609	-

Ownership interests in related parties

Interests held in the following classes of related parties are set out in note 30.

Other transactions with Directors and specified Executives

During the year ended 30 June 2016 the Directors and KMP transacted share business through Euroz Securities Limited on normal terms and conditions.

Aggregate amounts of the above transactions with Directors and KMP of the consolidated group:

	2016	2015
	\$	\$
Amounts recognised as revenue		
Brokerage earned on Key Management Personnel accounts	41,442	50,922

Notes to the Financial Statements

Note 30. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding		Cost of parent entity's investment	
			2016 %	2015 %	2016 \$	2015 \$
Euroz Securities Limited	Australia	Ordinary	100	100	25,000,000	25,000,000
Detail Nominees Pty Ltd	Australia	Ordinary	100	100	-	-
Zero Nominees Pty Ltd (i)	Australia	Ordinary	100	100	-	-
Westoz Funds Management Pty Ltd	Australia	Ordinary	100	100	1,450,000	1,450,000
Euroz Employee Share Trust	Australia	Ordinary	-	-	-	-
Ozgrowth Limited	Australia	Ordinary	38.81	38.77	-	-
Westoz Investment Company Limited	Australia	Ordinary	26.41	26.21	-	-
Prodigy Investment Partners Limited	Australia	Ordinary	80	80	1,500,000	500,000
Blackswan Equities Limited (i)	Australia	Ordinary	100	100	6,604,000	6,604,000
Flinders Investment Partners Pty Ltd (ii)	Australia	Ordinary	50	100	2	2
Dalton Street Capital Pty Ltd (ii)	Australia	Ordinary	50	-	2	-
Blackswan Corporate Pty Ltd (i)	Australia	Ordinary	100	100	-	-
Blackswan Wealth Management Pty Ltd (i)	Australia	Ordinary	100	100	-	-
WIM WA Resources Ltd	Australia	Ordinary	100	100	1	1
WIM Small Cap Ltd	Australia	Ordinary	100	100	1	1
Entrust Private Wealth Management Pty Ltd	Australia	Ordinary	100	-	7,800,000	-
Prodigy Flinders Pty Ltd (ii)	Australia	Ordinary	100	-	2	-
Prodigy Corporate Pty Ltd (ii)	Australia	Ordinary	100	-	2	-
Prodigy DSC Pty Ltd (ii)	Australia	Ordinary	100	-	2	-

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

- (i) Owned by Euroz Securities Limited
- (ii) Owned by Prodigy Investment Partners Limited

A brief description of each entity (unless inactive and dormant) is as follows:-

- (a) **Euroz Limited** - Group holding company listed on the Australian Securities Exchange. Euroz Limited manages cash and investments including significant positions in Ozgrowth Limited and Westoz Investment Company Limited.
- (b) **Euroz Securities Limited** - Financial Services company providing stockbroking services with a focus on Western Australian companies.
- (c) **Westoz Funds Management Pty Ltd** - Manages the mandates for two listed investment companies, Ozgrowth Limited and Westoz Investment Company Limited with a focus on investing in opportunities with a Western Australian connection.
- (d) **Zero Nominees** - Custodian company holding shares on behalf of clients of Euroz Securities Limited.
- (e) **Detail Nominees** - Dormant company that was previously used to for settlement obligation in relation to Euroz Securities.
- (f) **Euroz Employee Share Trust** vehicle established to acquire treasury shares on-market for distribution to eligible employees in connection with the Euroz Performance Rights Plan.
- (g) **Prodigy Investment Partners Limited** - A 80/20 joint venture with Mr Steve Tucker to create a multi boutique funds management business. The first boutique funds management partnership was launched in August 2015 with Flinders Investment Partners Pty Ltd. The second boutique, Dalton Street Capital Pty Ltd was launched in May 2016.
- (h) **Blackswan Equities Limited** - The activities of the Blackswan group of entities were transferred over to Euroz Securities Limited in the last financial year.
- (i) **Blackswan Corporate Pty Ltd** - The activities of the Blackswan group of entities were transferred over to Euroz Securities Limited in the last financial year.

Notes to the Financial Statements

Note 30. Investments in controlled entities (continued)

- (j) **Blackswan Wealth Management Pty Ltd** - The activities of the Blackswan group of entities were transferred over to Euroz Securities Limited in the last financial year.
- (k) **Flinders Investment Partners Pty Ltd** - Boutique fund manager specialising in investing in emerging companies.
- (l) **Entrust Private Wealth Management Pty Ltd** - Wealth management business providing wealth management and strategic financial planning advice to clients.
- (m) **Dalton Street Capital Pty Ltd** - Boutique fund manager specialising in alternative investment strategies.
- (n) **Prodigy Flinders Pty Ltd** - Entity to facilitate profit sharing arrangements with Flinders Investment Partners.
- (o) **Prodigy DSC Pty Ltd** - Entity to facilitate profit sharing arrangements with Dalton Street Capital.
- (p) **Prodigy Corporate Pty Ltd** - Entity to facilitate profit sharing arrangement with boutique entities.

*Although Ozgrowth Limited and Westoz Investment Company Limited are controlled entities, exemption from consolidation was derived from the adoption of AASB 2013-5 Investment Entities.

Note 31. Business combination

On 13 July 2015, Euroz Limited completed the acquisition of Entrust to further enhance its wealth management capabilities.

Details of the acquisition are as follows:

	Fair value \$
Assets	
Cash and cash equivalents	820,022
Receivables and other current assets	710,396
Deferred tax assets	314,176
Intangibles (refer note 16 (b))	1,721,835
	3,566,429
Goodwill on acquisition (refer note 16 (a))	5,597,365
	9,163,794
Liabilities	
Trade and other current liabilities	776,807
Current tax liabilities	60,601
Provisions	526,386
	1,363,794
Fair value of net assets acquired	7,800,000
Representing:	
Cash	2,350,000
Shares issued	5,450,000
Fair value of consideration paid to vendors	7,800,000

Notes to the Financial Statements

Note 31. Business combination (continued)

Net cash paid for subsidiary:	
Cash consideration paid	2,350,000
Less: net cash acquired	(820,022)
	1,529,978

The fair values in relation to the acquisition have been finalised.

The consideration paid consists of 5,450,000 shares in Euroz Limited fair valued to \$5,450,000 and cash totaling \$2,350,000.

Note 32. Events subsequent to reporting date

The Directors are not aware of any matter or circumstance subsequent to 30 June 2016 that has significantly affected, or may significantly affect:

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

Note 33. Reconciliation of cash flows from operating activities

	2016	2015
	\$	\$
Profit / (Loss) for the period	2,561,018	(7,130,652)
Adjustments for:		
Depreciation and amortisation	165,793	116,253
Share based payments	501,189	391,197
Unrealised loss / (gain) arising from fair value of investment entities	5,813,059	20,111,346
Dividends received from investment entities (investing activity)	(3,992,044)	(5,151,190)
Write-off of fixed assets	4,605	131,977
Write-off of investments	-	15,000
Other non-cash item	(110,023)	-
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	(165,052)	(461,664)
Decrease / (increase) in other current assets	(119,189)	112,833
Decrease / (Increase) in inventories	(244,134)	(2,583,844)
Decrease / (Increase) in deferred tax assets	(3,478,696)	(4,134,688)
Increase / (decrease) in trade and other payables	(321,315)	(333,128)
Increase / (decrease) in current tax liabilities	444,699	(2,542,551)
Increase / (decrease) in deferred tax liabilities	418,288	(2,644,285)
Increase / (decrease) in provisions (excluding dividends)	512,609	126,980
Net cash from / (used in) operating activities	1,990,807	(3,976,416)

Notes to the Financial Statements

Note 34. Earnings per share

	2016	2015
	Cents	Cents
Basic earnings per share	1.61	(4.66)
Diluted earnings per share	1.61	(4.66)
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.	159,130,663	152,973,466
Weighted average number of ordinary shares and potential ordinary shares (including treasury shares) used as the denominator in calculating diluted earnings per share.	159,473,115	153,077,010

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

Note 35. Deed of cross guarantee

The following entities are party to a deed of cross guarantee entered into on 19 June 2015 under which each company guarantees the debts of the others:

Euroz Limited

Blackswan Equities Ltd

By entering into the deed, the wholly-owned entity has been relieved from the requirement to prepare financial statements and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Euroz Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Notes to the Financial Statements

Note 35. Deed of cross guarantee (continued)

CLOSED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016	2015
	\$	\$
Revenue	9,474,137	8,308,822
Unrealised loss on investments	(5,345,571)	(20,872,520)
Employee benefits expense	18,852	(423,276)
Depreciation and amortisation expenses	(1,123)	(2,759)
Regulatory expenses	(74,664)	(165,034)
Consultancy expenses	(129,478)	(151,158)
Conference and seminar expenses	-	(7,391)
Brokerage and underwriting expense	-	(46,196)
Communication expenses	-	(6,470)
Carrying amount of principal trading securities sold	(1,030,813)	(65,800)
Other expenses	(620,012)	(114,993)
Profit / (loss) before income tax expense	2,291,328	(13,546,775)
Income tax benefit	1,236,982	5,994,854
Profit / (loss) after income tax expense for the year	3,528,310	(7,551,921)
<i>Other comprehensive income</i>		
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	3,528,310	(7,551,921)

Notes to the Financial Statements

Note 35. Deed of cross guarantee (continued)

CLOSED GROUP STATEMENT OF FINANCIAL POSITION

	2016	2015
	\$	\$
Current assets		
Cash and cash equivalents	14,447,816	22,819,524
Inventories	2,447,646	2,527,149
Other current assets	69,526	42,288
Total current assets	16,964,988	25,388,961
Non current assets		
Plant and equipment	8,876	9,998
Investments in subsidiaries	32,250,002	32,250,002
Other investments	56,171,351	44,969,307
Financial assets	6,070,694	8,495,488
Deferred tax assets	6,002,396	3,872,562
Total non current assets	100,503,319	89,597,357
Total assets	117,468,307	114,986,318
Current liabilities		
Trade and other payables	171,007	167,561
Current tax liabilities	396,787	-
Short term provisions	3,622,711	5,192,129
Total current liabilities	4,190,505	5,359,690
Non-current liabilities		
Deferred tax liabilities	396,352	-
Total non current assets	396,352	-
Total liabilities	4,586,857	5,359,690
Net assets	112,881,450	109,626,628
Equity		
Issued capital	105,184,245	99,510,043
Reserves	1,144,960	653,657
Retained earnings	6,552,245	9,462,928
Total equity	112,881,450	109,626,628

Notes to the Financial Statements

Note 36. Parent entity disclosures

	2016	2015
	\$	\$
Financial position		
Assets		
Current assets	13,144,250	21,682,004
Non-current assets	103,807,345	92,915,425
Total assets	116,951,595	114,597,429
Liabilities		
Current liabilities	4,027,587	5,218,054
Non-current liabilities	353,774	-
Total liabilities	4,381,361	5,218,054
Equity		
Issued capital	105,184,246	99,324,043
Retained earnings	6,241,028	9,401,675
Reserves		
Share Based Payment Reserve	1,144,960	653,657
Total equity	112,570,234	109,379,375
Financial performance		
Profit / (loss) for the year	3,464,347	(7,609,174)
Other comprehensive income	-	-
Total comprehensive income	3,464,347	(7,609,174)

Note 37. Company details

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

Euroz Limited

Level 18 Alluvion
58 Mounts Bay Road
PERTH WA 6000

Directors' Declaration

The Directors declare that:

1. The financial statements, notes and additional disclosures included in the Directors' Report and designated as audited, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and Corporations Regulations 2001;
 - (b) give a true and fair view of the Company's and consolidated group's financial position as at 30 June 2016 and of their performance for the year ended on that date;
 - (c) the financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
2. The Chief Executive Officer and Chief Financial Officer have declared in accordance with section 295A of the Corporations Act 2001 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 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.
4. At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35.

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



ANDREW MCKENZIE
Executive Chairman



DOUG YOUNG
Director

Date: 25 August 2016

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

EUROZ LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Euroz Limited (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report



Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

- (a) the financial report of Euroz Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Euroz Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads 'PKF MACK'.

PKF MACK

A handwritten signature in blue ink that reads 'Simon Fermanis'.

SIMON FERMANIS
PARTNER

25 AUGUST 2016
WEST PERTH,
WESTERN AUSTRALIA



Shareholder Information

Ordinary shares at 31 August 2016

a) Distribution of shareholders

Ordinary fully paid shares:

Range	Total holders	Units	% of issued capital
1-1,000	310	127,711	0.08
1,001-5,000	459	1,366,491	0.85
5,001-10,000	273	2,178,151	1.35
10,001-100,000	718	24,920,613	15.48
100,001-9,999,999,999	179	132,396,416	82.24
TOTAL Holders	1,939	160,989,382	100.00

b) Top holders

The twenty largest holders of ordinary fully paid shares are listed below:

No	Shareholder	Shares	%
1	ZERO NOMINEES PTY LTD	20,465,090	12.71
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,750,642	4.81
3	MRS CATHERINE PATRICIA MCKENZIE	5,950,000	3.70
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,012,478	2.49
5	ICE COLD INVESTMENTS PTY LTD	4,000,000	2.48
7	MR ANDREW MCKENZIE + MRS CATHERINE MCKENZIE <A W MCKENZIE SUPER FUND A/C>	3,624,392	2.25
6	ICE COLD INVESTMENTS PTY LTD <G & J BROWN SUPER FUND A/C>	3,202,500	1.99
8	MR SIMON DAVID YEO + MRS JENNIFER DALE YEO <THE CAPE INVESTMENT A/C>	3,000,000	1.86
9	MR ROBERT HIRZEL BLACK	2,865,000	1.78
10	ICON HOLDINGS PTY LTD <THE K J PAGANIN FAMILY A/C>	2,480,151	1.54
11	CPU SHARE PLANS PTY LTD <EZL BDS CONTROL A/C>	2,248,406	1.40
12	WESTRADE RESOURCES PTY LTD <SHEPPARD SUPER FUND A/C>	2,157,269	1.34
13	MRS MELANIE JANE CHESSELL	2,070,272	1.29
14	BNM HOLDINGS PTY LTD <BJD BERESFORD FAMILY A/C>	2,020,100	1.25
15	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	2,000,000	1.24
16	MRS CATHERINE ELIZABETH KANE	2,000,000	1.24
17	REEF INVESTMENTS PTY LTD <THE NAIRN FAMILY FUND A/C>	1,920,954	1.19
18	MRS FRANCES ELIZABETH YUKICH <G & F YUKICH FAMILY A/C>	1,869,124	1.16
19	MRS JODI CLAYTON	1,850,000	1.15
20	MR GREGORY CHESSELL + MRS MELANIE CHESSELL <GREG CHESSELL SUPER FUND A/C>	1,777,350	1.10
	Total	77,263,728	47.99
	Remaining holders balance	83,725,654	52.01



Euroz Limited Contact Details

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		eurozsecurities.com	

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		westozfunds.com.au	

OZGROWTH LIMITED

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WESTOZ INVESTMENT COMPANY LIMITED

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		westoz.com.au	

PRODIGY INVESTMENT PARTNERS LIMITED

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		prodigyinvest.com.au	

FLINDERS INVESTMENT PARTNERS PTY LTD

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		flindersinvest.com.au	

DALTON STREET CAPITAL PTY LTD

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		daltonstreetcapital.com	

ENTRUST PRIVATE WEALTH MANAGEMENT PTY LTD

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