

Corporate Governance Statement

The Company has adopted corporate governance practices which are consistent with the ASX Corporate Governance Council best practice principles and recommendation guidelines, except in regard to specific elements of the recommendations as explained in this statement. The Company considers its practices achieve compliance in a manner appropriate for smaller listed entities such as Style Limited.

This statement will continue to be updated from time to time to reflect further changes and enhancements where necessary. A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the period to 30 June 2005.

Directors

The directors' overriding objective is to increase shareholder value within an appropriate framework which protects the rights and enhances the interests of shareholders and ensures the Company and its controlled entities are properly managed. The function of the board of directors is clearly defined and includes responsibility for:

- Approval of corporate strategies, the annual budget and financial plan;
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors.
- Appointment of, and assessment of the performance of the Managers of each business unit – e.g.. marketing and manufacturing;
- Monitoring managerial performance;
- Establishing policies on risk management and ensuring that the significant risks facing the Company and its controlled entities have been identified, and appropriate and adequate control, monitoring and reporting mechanisms are in place; and
- Reporting to shareholders and regulatory authorities.

The directors are committed to the principles underpinning best practice in corporate governance, applied in a manner which is best suited to the Company and to addressing the directors' accountability to shareholders and other stakeholders.

Composition of the board

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

The board currently comprises three directors, at this stage none are considered independent. During the year the board had one independent director. With the financial constraints of the company it was decided that the costs of having independent directors was not appropriate at this time.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- Less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- None of the directors income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity.

The Board has determined that individual Directors may, in appropriate circumstances engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board, which will not be unreasonably withheld.

From time to time, some board members may be called on for special consultancy work. Current procedures stipulate that executives are required to put a proposal to the board for approval prior to using the consultancy services of a director. Before a director's consultancy services can be paid, the board will ensure that the payment is in accordance with the original proposal.

Director selection, appointment and succession

Directors are selected based upon the specific skills, knowledge and experience that they possess. Candidates would be expected to have well established marketing, manufacturing, logistics, financial or business credentials, and suitable experience in distribution gateways would normally be well regarded.

The board has considered the need for a nominations committee and remuneration committee and believes that it is more appropriate for such responsibilities to be met by the full board rather than separate committees. A director appointed mid term by the Company must seek re-election at the next general meeting.

A formal appointment letter setting out the key terms and conditions applicable to that appointment is provided to each new director. Upon commencement, an induction program is conducted involving meetings with other directors and senior management to facilitate the new director's understanding of the affairs of the Company.

Whilst there are no set terms for a director to serve, the Constitution requires that one-third (or the number nearest to but not less than one-third) of the directors must retire from office at each annual general meeting.

A retiring director is eligible for re-election. Prior to the election of any director, candidate information with appropriate detail to support an informed decision is provided to shareholders. Formal appointment letters will also be provided upon re-election.

Director Performance Evaluation

Regular communication between directors is encouraged and an annual formal review of the requirements and performance of all directors will be conducted. The performance of a director is continually monitored by the Managing Director and peers.

- Board performance is reviewed by the full board.
- The performance of the managing director is reviewed by the other directors and the results discussed at an appropriate directors meeting.
- The performance of individual directors is reviewed by the board and the results discussed with the Managing Director.

An annual board self evaluation scorecard has been introduced for the year ended 30 June 2005 and will be supplemented in the 2006 financial year by a director self evaluation scorecard.

The results from the scorecards are collated and developed into a series of recommendations to improve performance. This was presented to the board at which time an action plan was developed to implement the recommendations and set the performance criteria and goals for the next year

Director remuneration

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time. Non-executive directors may also receive superannuation payments in accordance with statutory levels.

Further details of Directors remuneration can be found in the Remuneration Report and the Remuneration and Nomination Policy.

Board operations

In 2005 the board met 11 times. The Company's performance is monitored by monthly analysis of financial statements and critical evaluation of actual results versus expected performance.

In addition, on a regular basis the board reviews the Company's progress against the long term goals set out in the strategic plan.

In addition, directors read and analyse board papers and reports submitted by management and engage in regular informal discussions with management. The views of the directors are canvassed regularly by the Managing Director and the executive management team on a range of strategic and operational issues. Senior executives regularly attend management meetings and report on particular issues.

Where directors are associated with organisations with which the Company might have ongoing commercial relationships, the director involved will withdraw from all deliberations where a potential conflict of interest may arise unless all other directors determine that the director may continue to participate in such deliberations.

Access to information

Any director may seek their own independent legal advice at the Company's expense to assist them in the performance of their duties to the Company and the shareholders.

Each director has access to the Company Secretary. The Company Secretary has accountability to the board, through the Managing Director on all governance matters.

Board committees

The board has established a Finance and Audit (F&A) Committee to assist in the execution by all the board of its duties and to allow detailed consideration of complex financial issues to flow from that committee to the Board.

During the 2005 financial period, the F&A committee was chaired by the non executive director until his resignation, after which the chair was determined on a meeting by meeting basis. It is the view of the board that the size of the Committee and the skills and experience of the members are sufficient to enable the F&A Committee to discharge its responsibilities in accordance with their charter. These arrangements will be continued for the 2006 financial year.

The Company Secretary attends all Committee meetings. The Finance and Audit Committee will meet at least twice a year and will monitor the adequacy of the internal controls, accounting policies, financial reporting, compliance with statutory financial requirements, and selection and appointment of external auditors. The Committee reviews the Company's annual accounts and interim reports prior to their submission of approval by the full board.

The external auditors will attend the Finance and Audit Committee meetings by invitation and meet with that Committee at least twice yearly without any executives in attendance. They are also in attendance at the Company's annual general meeting. The performance of the external auditors is reviewed annually. The current auditors, Rix Levy Fowler,

have a policy to rotate audit engagement partners on listed companies at least every five years in keeping with the Government's intention to legislate for a five year rotation requirement.

The board has adopted a written charter for the F&A Committee setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The charter will be reviewed on an annual basis and will be available on the Company website. All matters determined by the F&A committee are submitted to the full board as recommendations for board decisions.

A summary of the meetings of the F&A Committee and the attendance is provided in the directors' report of the current annual report, under the heading of "Meetings of Directors".

Senior executive appointment and remunerations

Formal letters of appointment are executed between the Company and the executives. These letters detail the term of office, duties, rights and responsibilities and termination entitlements. Details of senior executive remuneration are provided in the directors' report of the current annual report.

Corporate reporting

The Chief Executive Officer and Chief Financial Officer make the following certifications to the board regarding the financial reports:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the Group;
- That the Company's financial reports are presented in accordance with relevant accounting standards; and
- That the above statements are founded on a sound system of internal compliance, control and risk management which implements the policies adopted by the board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Code of conduct

The Company has established a Code of Conduct and all directors and employees are expected to comply with this code. In summary, the Code requires that all Company personnel act with honesty and integrity and in compliance with the letter and the spirit of the law, ASX listing rules and Company policies.

Risk management

The company's business strategies and activities involve risk.

Risk is minimised to the extent it does not inhibit the Company or its controlled entities from pursuing its goals and objectives with a considered and balanced view of risk. A program has been commenced to identify, assess and manage risk in the context of the Company's strategies, as well as regular assessment of the performance of the risk management system. The board is responsible for the oversight of the risk management system and is the recipient of risk reporting from management.

It is also responsible for approving the risk management policy, framework and risk tolerance of the Company. The responsibility for regular review of the risk management system has been delegated to the Finance and Audit Committee, who conduct these reviews at least half yearly.

Senior management is responsible for the establishment and implementation of a risk management system which will identify, assess and manage all material risks in the business. Through the executive, a formal process is being developed to further improve the current system of risk management adopted in the operations of the Company. The annual business plan for the Company considers key risks and the risk management strategies. This plan is prepared by management and approved by the board at the commencement of performance against the plan is submitted by management to the board.

The Company has implemented and documented a range of policies and procedures throughout the operations that provide a sound system of internal control. It also purchases insurance, where appropriate, as a means of risk transfer.

Due to the size and nature of the Company, there is no internal audit function.

Trading in company securities

Directors, employees and contractors are governed by a share trading policy. This policy covers insider trading, share trading black-out periods and the maintenance of confidentiality. The Share Trading Policy is available on the Company website.

Outside the black-out periods, these individuals, and their immediate family members, can purchase or sell Company securities only after referring the matter to the Company Secretary. Black-out periods are called at least 20 trading days prior to the release of the financial results and at any other time when the Company as a whole or individuals might be precluded from making transactions.

Continuous disclosure

The CFO and Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing the co-ordinating information disclosures to the ASX, shareholders, analysts, brokers, the media and the public.

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

Electronic communications

The Company seeks to provide opportunities for shareholders to participate through electronic means. All information disclosed to the ASX is posted on the Company's website www.stylelimited.com as soon as it is disclosed to the ASX. All recent Company announcements, media briefings, details of Company meetings, press releases and financial reports are also available on the Company website. Shareholders are encouraged to register their email details with the Company's share registrar for direct updates of Company matters and have available to them on-line access to facilitate their account maintenance, including viewing of balances, choosing method of delivery of annual report, price-volume charts for up to one year and download of forms to notify of change in particulars.

Corporate governance documents that are available on the Company's website includes:

- Corporate Governance Statement
- Board Charter
- Finance and Audit Committee Charter
- Code of Conduct
- Board Evaluation Policy
- Remuneration and Nomination Policy
- Risk Management Policy
- Continuous Disclosure Policy
- Share Trading Policy.