Annual Report **2011**

30 June 2011

eureka
GROUP HOLDINGS

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Chairman's Review

On behalf of Directors, I present the Annual Report of Eureka Group Holdings Limited (the Group or Company) for the year ended 30 June 2011.

The Group reported EBITDA for FY 2011 of negative $48k (FY 2010: negative $510k) and a net loss after tax for FY 2011 of $1,051k (FY 2010: $1,061k). This is a disappointing result after entering the year on a positive note with the acquisition of Eureka Care Communities Pty Ltd and its management team.

Despite the disappointing result, the Group, in restructuring terms has achieved significant milestones, particularly in the first quarter of FY 2012. Details of these milestones, which are expected to have a positive impact during FY 2012 are as follows:

- For July and August 2011, the Group has positive EBITDA despite incurring restructuring costs. As at the end of September 2011, the majority of restructuring costs have been absorbed by the business. The Group is now virtually in its merged form and is in a management and operational sense performing on a substantially improved basis.

- Various operating divisions of the Group have historically been operated as stand alone businesses. Each had its own accounting system and team. The various systems were not compatible, leading to administrative inefficiency. The trading entities, with the exception of Village Care Pty Ltd have now been merged and have one system and team. Through these changes, the Group is able to apportion more resources towards village manager support and significantly less on administrative staffing and management duplications. The transition has been a complex and time consuming, but excluding costs of redundancies and contract break costs, significant improvements in operating performance are being seen post July 1 and expected throughout FY 2012.

- The Board engaged leading management rights agent Resort Brokers Pty Ltd to review the valuation methodology of the carrying values of various management rights held by the Group. This has provided the Group with a framework to value the management rights it holds. As a result, the Group took a provision for impairment of some of the rights through the profit and loss. The review undertaken by Resort Brokers indicates that on an overall basis the management rights owned by the Group are valued at around $1.7m higher than they are recorded in the consolidated balance sheet. Under AASB 138, the Group is unable to revalue these rights. Accordingly, in our annual report and in the future, we will be providing a note to the accounts setting out our belief of the value of the management rights held. The valuation methodology was also used, albeit on a very conservative basis, to determine the identifiable intangible assets (management rights contracts) from the acquisition of Eureka Care Communities Pty Ltd. The valuation methodology is predicated primarily upon the profitability and remaining term of each contract.

- In the latter part of FY 2011, the Group undertook a review of all management contracts, service contracts, leases and general expenses. The Group also completed (with the exception of one major client) the changeover to villages being managed on an independent contractor basis. It should be noted that occupancy in villages managed on an independent contractor basis currently average approximately 92%, while villages managed on an employees basis currently average approximately 78%. The Group's overall occupancy is approximately 86%.

  Furthermore, a number of service contracts have been terminated and a number of leases terminated / renegotiated where they were unprofitable for the Group. A review of charges to all tenants has been undertaken to ensure no over / under charging. The merger of the divisions into one office has also led to isolation of any extraneous costs that whilst minor individually can in aggregate sum to a material amount throughout the course of a financial year.

  Directors consider the Group to now be very lean, but with more focus on village manager support and significantly less corporate overhead. We feel these changes give the Group the opportunity to return to profitability after a number of false dawns.

- At the upcoming Annual General Meeting, resolutions will be put to shareholders to approve certain terms of the secured and unsecured convertible note issue previously advised to the market. The Group awaits receipt of final subscription monies to complete this transaction.

Other Notable Events

The three month restructure mentioned above has been led by Greg Rekers, Kerry Potter and Sharon Alderwick. The attention to detail, determination and effort put in by the team has enabled the various difficult processes being undertaken in a period of significant change. The efforts of this team to date have been exceptional. To this end, Mr Rekers and Mr Potter, who have been consulting to the Group, have been appointed Executive Director and Director of Operations respectively. Sharon Alderwick has been appointed General Manager. These appointments are effective 1 September 2011 and relate to SCV Manager Pty Ltd – the main operating entity of the Group.

On 10 August 2010, the Company held a general meeting to vote the following:

- to change the name of the Company in September 2010 to Eureka Group Holdings Limited and the Company's ASX code to EGH.

- to refresh the Company's new share issuance cap (per listing rule 7.1).

- to make share-based payments to Andrew Kemp and Pamela Pointon.

- to raise capital in the form of ordinary shares in the Company and convertible notes from sophisticated

Chairman's Review

shareholders for working capital and to repay subordinated loans; and

– to consolidate the ordinary shares of the Company on the basis that each 10 ordinary shares be consolidated into one ordinary share.

Early in the FY 2011, EGH acquired Eureka Care Communities Pty Ltd. This provided a number of quality management contracts to the Group. These contracts remain an important part of the business despite management change and divisional mergers. The contracts have performed in accordance with expectations.

The Group entered into a memorandum of understanding with Bloomer Constructions Qld Pty Ltd (BCQ). This transaction remains on foot with the Group and BCQ awaiting tax advice from third parties in respect of the merger.

National Australia Bank extended the Group's banking facilities to 31 March 2012. During FY 2011, the Group reduced bank debt to $3,999k from $4,429k. Further reductions to this debt are being undertaken through sale of assets held for sale.

Outlook

The board and management believe that the internal merger of the individual divisions will have a significant positive effect on the business on a going forward basis. With new management in place, the Group has received its first three applications for appointment as franchisee / sub licensee. The first of these is working through a 90 day trial period to settle the terms of the individual licenses. Further, of the villages held for sale, one is under contract, and we have received offers for two others on terms acceptable to the board. These asset sales will, along with improved trading, significantly improve the overall position of the company. The strengthening of the village manager network in the Group, along with the significant lowering of corporate overhead is expected to result in successful FY 2012.

Lachlan McIntosh
Chairman

Directors' Report

Directors present their report on Eureka Group Holdings and controlled entities (EGH or the Consolidated Entity) for the year ended 30 June 2011.

1. PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were:

- Provision of specialist property asset management services targeting the management of all asset classes of retirement accommodation;
- Providing accommodation and tailored services to a broad market of retiree residents with discretionary and non-discretionary spend characteristics; and
- Project Management

2. REVIEW OF OPERATIONS AND RESULTS

The year ended 30 June 2011 was a difficult and frustrating one. There were a number of board and management changes during the year, which are reflected in an overall result EBITDA loss of $48k, and net loss after tax of $1,051k.

The Board has now settled on what it believes is the long term management team for the group and feels that the frustration of continuing restructure will now come to an end on successful terms after a number of false starts.

As discussed in the chairman's report, virtually the whole company is now operating from one platform with more focus on the village manager and less on head office costs. As also discussed, the company has (apart from one major client) completed the move to independent contractors from employees managing the village. This change has made the administration of the Group much simpler and provides a more predictable revenue stream than when employees are engaged. The group is now progressing franchising, with 3 potential franchisees doing 90 day trials pre contract, and asset sales are progressing to lower debt.

Overall, the board feels that the changes made will lead to a successful 2012 financial year.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the final months of 2011 and the opening months of 2012, the group merged all of its operations, barring Village Care into the one trading entity. It is expected Village care will be merged by the end of October 2011.

As discussed in the Chairman's report, this merger has cut out significant head office cost and eliminated duplications caused by having similar operating entities trading separately. For financial year 2012, this will lead to the company only having one business segment.

This has been an important step in the restructuring process of the Group

4. DIVIDENDS

No dividends have been paid during the year (2010: $nil). No dividends for FY 2011 have been recommended at the date of this report.

5. CAPITAL STRUCTURE

The number of ordinary shares on issue at 30 June 2011 was 37,857,460.

6. SHARE OPTIONS

During the year there were 1,190,000 options registered to Mike Bosel (875,000), Loretta Byers (65,000) and Mike Hayes (250,000). Of these options 875,000 were cancelled on 16 May 2011. The 65,000 options allocated to Loretta Byers had a strike price on a post-consolidated basis of between $1.15 and $1.30 and expired on 14 July 2011. No further options were issued during this period.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As outlined above, the Company continued a restructure in order to turnaround the business. The restructure has been significantly more difficult that first expected; however, the company remains confident that the restructure will ultimately be successful.

8. SUBSEQUENT EVENTS

- The Company has raised $210k through a convertible note issuance since 30 June 2011.
- The Company has one asset held for sale under contract and offers for two more.
- Other than as disclosed in this report no other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs, in subsequent financial years.

9. ENVIRONMENTAL REGULATION

The consolidated entity's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

10. INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

During or since the end of the financial year the consolidated entity has not given any indemnity or entered into any agreement to indemnify any person who is or has been an officer or an auditor of the Company.

During the financial year the consolidated entity has paid insurance premiums in respect of Directors' and officers' liability for current and former Directors and officers.

Directors' Report

11. NON-AUDIT SERVICES

During the year, the Company's auditor, PKF Chartered Accountants, did not perform any non-audit services.

12. 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 purposes of taking responsibility on behalf if the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

13. DIRECTORS AND MEETINGS ATTENDED

The names of all Directors who held office since the beginning of the year together with the numbers of meetings the Company's Directors held during the year, and the numbers of meetings attended by each Director are:

	Director's Meetings		Audit Committee Meetings	
Name	**Held**	**Attend**	**Held**	**Attend**
Paul Fulloon	12	12	1	1
Andrew Kemp	12	8	1	1
Lachlan McIntosh	12	12	1	1
Jury Wowk*	12	4	1	0
David Rosenblum*	12	1	1	0

*Both Jury Wowk and David Rosenblum attended all meetings that they were able to attend as directors.

14. INFORMATION ON DIRECTORS

The details of each Director's qualifications, experience and special responsibilities for those in office during the year are:

LACHLAN MCINTOSH – NON EXECUTIVE CHAIRMAN

Lachlan McIntosh has a Bachelor of Commerce degree and is a Member of the Institute of Chartered Accountants in Australia. He specialises in corporate finance and mergers and acquisitions. He has had substantial experience in the real estate and retirement accommodation industry along with significant experience in the franchising industries and mining services industries.

Lachlan is also the Managing Director of 22 Capital Pty. Ltd. and Director of ASX listed Industrea Limited (since April 2004).

PAUL FULLOON – NON EXECUTIVE DIRECTOR

Paul Fulloon is an Executive Director of Albion Business Centre Pty Ltd a Brisbane based consultancy specializing in the restructuring of small businesses.

He holds an Advanced Diploma of Business (Accounting) from Victoria University of Technology. He has been the Accountant/Company Secretary and Director a number of public corporations and has been a member of statutory committees.

DAVID ROSENBLUM – NON EXECUTIVE DIRECTOR

David has had over 20 years of corporate advisory experience specialising in corporate development and corporate turnaround. He works in a very hands-on manner with key people in client businesses.

He holds a Bachelor of Commerce degree from the University of Queensland. He has enjoyed substantial experience across most industries including retail, service industries, marine, manufacturing, new technology and franchising.

RETIRED DIRECTORS

JURY WOWK – FORMER NON EXECUTIVE CHAIRMAN

Jury Wowk was appointed Chairman of the board in November 2010 and completed his appointment on 17 May 2011.

Jury was a Partner of and is currently a consultant to HWL Ebsworth Lawyers. From 1987 to 1989, Jury performed the role of Operations Manager at Plaspak Pty Ltd gaining valuable hands on practical experience in the management of the company's operations.

Jury has a Bachelor of Arts Degree and a Bachelor of Laws Degree from the University of Sydney. He is also a Law Society of New South Wales Accredited Specialist in Business Law and an Associate Member of the Australian Institute of Company Directors.

Jury has also held the position of Non-Executive Director at HomeLeisure Ltd.

Jury resigned from EGH on 17 May 2011.

ANDREW KEMP – FORMER NON EXECUTIVE DIRECTOR

Andrew was appointed to the role of Non Executive Director in March 2004. Andrew is an Executive Director of Huntington Group Pty Ltd, a Brisbane based corporate advisory firm.

He holds a Bachelor of Commerce degree from the University of Melbourne and is a Chartered Accountant. After working for KPMG and Littlewoods Chartered Accountants in Melbourne and Sydney, Andrew joined AIFC, the then merchant banking affiliate of the ANZ Banking Group in Sydney in 1978. From 1979 until 1985, Andrew was Queensland Manager of AIFC. He then joined North Queensland based Coutts Group as General Manager early in 1985 and continued with this group until January 1987 when he formed Huntington Group.

Directors' Report

Since 1980, Andrew has structured and implemented the ASX listing of 11 companies in addition to other corporate advisory. He joined the board of SCV Group on March 2004. He has held Directorships of the following listed entities during the last three years: PTB Group Limited since December 2004; Silver Chef Limited since April 2005; Trojan Equity Limited (Chairman) since May 2005; and S8 Limited from February 2004 to January 2007.

Andrew resigned from EGH on 11 February 2011.

15. EXECUTIVE MANAGEMENT

The details of each executive management personnel's qualifications, experience and special responsibilities for those in office during the year are:

MIKE BOSEL – CHIEF EXECUTIVE OFFICER

Mike was appointed CEO in July 2010 and completed his appointment on 16 May 2011.

MIKE HAYES – NATIONAL OPERATIONS MANAGER

Mike was appointed National Operations Manager in July 2010 and completed his appointment on 14 June 2011.

GREG REKERS – EXECUTIVE DIRECTOR (PROPERTY)

Greg leads the company's real estate activities. Greg is also a director of Navigator Property Group (NPG), a consultancy specialising in the areas of property development and project marketing.

Greg worked for PRD Gold Coast, a national and international property marketing company where he was a leading project salesman. Upon departing PRD, Greg continued to be highly successful in providing project marketing services to numerous property developers, which then led to the creation of NPG.

KERRY POTTER – DIRECTOR OF OPERATIONS

Kerry is the company's Chief Operating Officer. Kerry is also a director of Navigator Property Group, a consultancy specialising in the areas of property development and project marketing.

Kerry worked with the Commonwealth public service in 1987 where he had been a director of the Government's real estate arm. Kerry then became the Director of Project Marketing for PRD Gold Coast, a successful national and international organisation. After leaving PRD, Kerry became CEO of Raine and Horne Queensland and Chesterton International. Kerry then became the principal and hands-on director of numerous development residential and commercial projects for various consortia in the period 2000 to 2007.

SHARON ALDERWICK – GENERAL MANAGER

Sharon Alderwick has been involved with Residential Property Management and working with large rent rolls for the past 15 years. For eight of those years she had held positions in Business Development and Management, overseeing staff and running of the rent roll. Her prior experience is in accountancy. Sharon brings to our Company a vast knowledge of Property Management and along with her attention to detail is a valuable asset.

LORETTA BYERS – CEO VILLAGE CARE

Loretta was appointed to the role of CEO of Village Care in February 2000.

Loretta has over 30 years' experience in the aged care and retirement sectors. Her previous roles have included Director of Nursing, nursing home proprietor and Managing Director of 50 villages with 6,000 residents. Loretta joined the Company as part of the Company's acquisition of Village Care.

Loretta retired 11 December 2010.

Directors' Report

16. REMUNERATION REPORT

(a) KEY MANAGEMENT PERSONNEL

The names of persons who were key management personnel of EGH Limited at any time during the financial year are shown in the following table. Key management personnel are defined as those who have a direct impact on the strategic direction of the Company.

Name	**Role**	**Period in role**
Directors		
Paul Fulloon	Non-Executive Director	05/12/08 – ongoing
Andrew Kemp	Non-Executive Director	15/03/04 – 11/02/11
Lachlan McIntosh	Non-Executive Director	20/07/09 – ongoing
Jury Wowk	Non-Executive Chairman	30/11/10 – 17/05/11
David Rosenblum	Non-Executive Director	17/05/11 – ongoing
Executives		
Mike Bosel	Chief Executive Officer	05/07/10 – 16/05/11
Mike Hayes	National Operations Manager	05/07/10 – 14/06/11
Loretta Byers	CEO of Village Care	01/02/00 – 11/12/10
Greg Rekers	Executive Director – Property	17/05/11 – ongoing
Kerry Potter	Director of Operations	17/05/11 – ongoing
Sharon Alderwick	General Manager	17/05/11 – ongoing

(b) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation of key management personnel comprise fees determined having regard to industry practice and the need to obtain appropriately qualified independent persons.

Compensation of key management personnel is determined by the Board. Consideration is given to normal commercial rates of remuneration for similar levels of responsibility and to the Company's financial performance. Emoluments comprise salaries, bonuses, and contributions to superannuation funds, options and shares.

While all executives have detailed job descriptions with identified key performance indicators against which annual reviews are compared, there is no direct relationship between the benefits contained in the employment contracts and the Company's performance in the year under review or the 2011 financial year.

The Board continually reviews management's performance and its own performance having regard to company performance and shareholder wealth.

Directors' Report

(c) REMUNERATION FOR THE YEAR

Remuneration provided by the Company to Directors and executives during the financial year is shown in the following table:

Year ending 30 June 2011					
	Short Term		Post Employment	Share Based*	Total
	Salary & Fees $	Bonus $	Superannuation $	Shares $	$
Directors					
Paul Fulloon	23,534	-	-	-	23,534
Andrew Kemp	11,200	-	-	-	11,200
Lachlan McIntosh	37,255	-	-	-	37,255
David Rosenblum	5,600	-	-	-	5,600
Jury Wowk	25,105	-	-	-	25,105
Total	102,694	-	-	-	102,694
Executives					
Mike Bosel	304,890	-	-	-	304,890
Loretta Byers	238,477*	-	21,463	-	259,940
Pamela Pointon	-	-	-	-	-
Paul Dolan	29,718	-	2,675	-	32,393
Mike Hayes	180,498	10,000	16,245	-	206,743
Greg Rekers	92,015	-	-	-	92,015
Kerry Potter	92,015	-	-	-	92,015
Sharon Alderwick	66,346	-	5,971	-	72,317
Total	1,003,959	10,000	46,354	-	1,060,313

The shares issued in the period were ordinary shares in the Company.

*This figure includes payments for annual and long service leave pursuant to the executives retirement on 11 December 2010

Year ending 30 June 2010					
	Short Term		Post Employment	Share Based	Total
	Salary & Fees $	Bonus $	Superannuation $	Options $	$
Directors					
Paul Fulloon	78,000	-	-	-	78,000
Andrew Kemp	-	-	-	26,400	26,400
Lachlan McIntosh	-	-	-	60,000	60,000
Andrea Slingsby	27,759	-	5,360	-	33,119
Total	105,759	-	5,360	86,400	197,519
Executives					
Loretta Byers	204,595	-	72,913	-	277,508
Pamela Pointon	129,000	-	15,000	50,000	194,000
Paul Dolan	96,537	-	8,688	-	105,225
Cate Please	35,773	-	3,894	-	39,667
Garry Myrtle	15,678	-	1,661	-	17,339
Total	481,583	-	102,156	50,000	633,739

Directors' Report

(d) NUMBER OF SHARES HELD: DIRECTORS AND EXECUTIVES

	Balance 1 July 2010 *	Received as Remuner-ation *	Shares Acquired *	Options Exercised*	Net Change Other *	Balance 30 June 2011*	Held in Escrow
Directors:							
Andrew Kemp	221,347	246,401	61,334	-	307,735	529,082	-
Paul Fulloon	-	-	-	-	-	-	-
Lachlan McIntosh	3,404,167	2,447,607	30,000	-	2,477,607	5,881,774	-
Jury Wowk	375,572	-	-	-	-	375,572	-
David Rosenblum	210,253	-	-	-	-	-	-
Total	4,001,086	2,694,008	91,334	**-**	2,785,342	6,786,428	**-**
Executives:							
Mike Bosel	-	-	-	-	-	-	-
Mike Hayes	-	-	-	-	-	-	-
Loretta Byers	-	-	-	-	-	-	-
Greg Rekers	-	-	-	-	-	-	-
Kerry Potter	-	-	-	-	-	-	-
Sharon Alderwick	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

***** Figures for FY2011 are adjusted for the 1:10 share consolidation

(e) NUMBER OF OPTIONS HELD: DIRECTORS AND EXECUTIVES

	Balance 1 July 2010	Received as Remuner-ation	Options Exercised (1)	Net Change Other	Balance 30 June 2011	Total vested as at 30 June 2011	Held in Escrow
Directors:							
Andrew Kemp	-	-	-	-	-	-	-
Paul Fulloon	-	-	-	-	-	-	-
Lachlan McIntosh	-	-	-	-	-	-	-
Jury Wowk	-	-	-	-	-	-	-
David Rosenblum	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Executives:							
Loretta Byers	65,000*	-	-	-	65,000	65,000	-
Mike Bosel	-	875,000**	-	(875,000)	-	-	-
Mike Hayes	-	250,000	-	-	250,000	250,000	-
Total	65,000	1,125,000	-	(875,000)	315,000	315,000	-

*these options expired on 14 July 2011
**these options were cancelled on 16 May 2011.

17. AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C is included in this report on page 16.

18. DECLARATION

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

Lachlan McIntosh
Chairman
Dated this 30th day of September, 2011

Security Holder Information

Distribution of Securities as at 28 September 2011

Number of Securities	No of Shareholders
1 – 1,000	249
1,001 – 5,000	125
5,001 – 10,000	31
10,001 – 100,000	71
100,001 and over	59
Total Security Holders	535

Marketable Shares

There were 381 holders of less than a marketable parcel of 6,330 shares holding a total of 445,627 shares.

Voting Rights

Ordinary Shares carry voting rights of one vote per share. Options carry no voting rights.

Twenty Largest Ordinary Shareholders at 28 September 2011	No of Ordinary Shares Held	% of Issued Share Capital
22 CAPITAL PTY LTD	4,275,000	11.29%
M R & S J GORDON PTY LTD	3,342,378	8.83%
CO-INVESTOR CAPITAL PARTNERS PTY LTD*	2,452,760	6.48%
BYDAND CAPITAL PTY LIMITED*	2,113,020	5.58%
CO-INVESTOR CAPITAL PARTNERS PTY LIMITED*	1,972,850	5.21%
WAVET FUND NO 2 PTY LTD*	1,840,234	4.86%
KATHLAC PTY LIMITED	1,447,607	3.82%
WAVET FUND NO 2 PTY LTD*	1,145,834	3.03%
ESCOR INVESTMENTS PTY LTD	1,120,160	2.96%
VBS INVESTMENTS PTY LTD	1,107,945	2.93%
CO-INVESTOR CAPITAL PARTNERS (NZ LIMITED)	1,032,912	2.73%
CONTEMPLATOR PTY LTD	800,000	2.11%
ACN 002 938 614 LIMITED	750,000	1.98%
PAMELA ANN POINTON	708,334	1.87%
PPK INVESTMENT HOLDINGS PTY	700,000	1.85%
DSCC HOLDINGS PTY LTD	618,442	1.63%
BYDAND CAPITAL PTY LIMITED*	546,053	1.44%
QFM NOMINEES PTY LTD	500,000	1.32%
MR STEVE WALKER + MRS SUZAN SARAH WALKER	376,000	0.99%
DEAL CITY PTY LIMITED	375,572	0.99%
Total	27,225,101	71.90%

* Separate Holdings

Security Holder Information

Largest Option Holders at 28 September 2011	No of Options Held	% of Issued Options
Mike Hayes	250,000	100%
Total	250,000	100%

Securities in which Directors have a Relevant Interest at 28 September 2011	Ordinary Shares	Options
Lachlan McIntosh	5,851,744	-
Paul Fulloon	-	-
David Rosenblum	-	-
Total	5,851,744	-

Corporate Governance

INTRODUCTION

This statement outlines the key corporate governance practices that are in place for the Group and to which both the Board collectively and the Directors individually are committed. In formulating and adopting its corporate governance principles, the Directors have adopted and complied with ASX Corporate Governance Principles and Recommendations, 2nd edition.

PRINCIPLE 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Functions and Responsibilities of the Board

The Board will at all times fulfill its overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, and in the interests of Shareholders, its employees and those with whom it deals. The Board of Directors is responsible for the review and approval of the strategic direction of EGH and for the oversight and monitoring of its business and affairs. In addition, it is responsible for those matters reserved to it by law and reserves to itself the following matters and all power and authority in relation to those matters:

- Oversight of the Group including its control and accountability systems;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Monitoring Senior Management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- Approving and monitoring financial and other reporting;
- Performance of investment and treasury functions;
- The overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- To assist in the execution of its responsibilities, the Board has the authority to establish Committees (and delegate powers accordingly) to consider such matters as it may consider appropriate.

PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

The composition of the Board is determined according to the following principles:

- The Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business (See Director Profiles);
- There must be at least four Directors and this may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified. As at the date of this report the Company has only three Directors and is in the process of filling the fourth position with an appropriate candidate;
- The Chairman must be a non-executive Director who is also Independent;
- At least half of the Board must be non-executive Directors at least two of whom must also be Independent;

  The composition of the current board is temporarily different to the above principles and is expected to remain so during its restructuring. The board has appointed Lachlan McIntosh as Non-executive Chairman. Lachlan is a non-executive Director but is not independent. The Board has taken into account the fact Lachlan specialises in corporate finance, corporate turnarounds and restructurings and mergers and acquisitions; and
- The Company has a majority of independent Directors, with both David Rosenblum and Paul Fulloon being independent Directors. The blend of experience and skills assembled on the Company's board is considered appropriate for a company of EGH's size and business structure, particularly at this stage of its commercial development. The Board will continue to monitor the independence of Directors as the activities of the Company progress.

  Each Director has the right to seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Committees

The Board may establish Committees to assist it in carrying out its function and for its effective and efficient performance, and will adopt a charter for each Committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements. Best practice recommendations by the ASX recommend the establishment of formal Audit, Remuneration and Nomination Committees; the responsibilities normally delegated to the Remuneration and Nomination committees are included in the charter of the Board.

PRINCIPLE 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical Standards and Values

All Directors and Officers of EGH must act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and, where possible, act in accordance with the interests of Shareholders, staff, clients and all other stakeholders of EGH. The Directors must comply with the Code of Ethics in the exercise of their duties.

Corporate Governance

Dealings in Securities

The Constitution permits Directors to acquire Securities in the Company. Company policy prohibits any dealing in, or procuring the dealing in Securities except in accordance with the Code of Conduct for Transactions in Securities.

PRINCIPLE 4

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Audit Committee is established by the Board to assist it and report to it in relation to the matters with which it is charged with responsibility. The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Audit Committee has responsibility for reviewing the risk management framework and policies within the Group and monitoring their implementation. Details of meetings and members are provided in the annual report.

The Audit Committee currently has three members, Lachlan McIntosh (Chairman), David Rosenblum and Paul Fulloon. The blend of experience and skills assembled on the Committee is considered appropriate for EGH at this stage of its development.

The CEO and CFO must each provide a statement to the Board with any financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Financial Reporting

The external auditors are selected according to criteria set by the Audit Committee which include most significantly:

- The lack of any current or past connection or association with the Group or with any member of Senior Management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Group;
- Their general reputation for independence and probity and professional standing within the business community; and
- Their knowledge of the industry within which the Group operates.

Audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Group.

The Board approves an annual budget prepared by Management and reviewed and commented on by the Audit Committee. Actual results, including profit and loss statement, balance sheet and cashflow statement, are reported on a monthly basis against budget, and revised forecasts for the year are prepared regularly.

Price Sensitive Information, and generally all information reasonably required by an investor to make an informed assessment of the Group's activities and results, are reported to the ASX in accordance with continuous disclosure requirements, which are considered as a standing agenda item at each regular meeting of the Audit Committee as well as of the Board.

Quality and integrity of personnel

The Company's policies are detailed in the Operating Policies and Procedures. Written confirmation of compliance with policies is obtained from all staff members. Formal appraisals are conducted at least annually for all employees.

Investment appraisal

EGH has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal, and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Operating unit controls

Financial controls and procedures, including information systems controls are detailed in the Group Operating Policies and Procedures Manuals.

PRINCIPLE 5

MAKE TIMELY AND BALANCED DISCLOSURE

The Board understands and respects that prompt disclosure of price sensitive information is integral to the efficient operation of the ASX's securities market and complies with guideline of continuous and ongoing disclosure.

PRINCIPLE 6

RESPECT THE RIGHTS OF SHAREHOLDERS

The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders through the distribution of financial reports, announcements through the ASX, shareholder newsletters and a comprehensive website. Shareholders are encouraged to attend the Annual General Meeting at which the Company's auditors are also present to answer shareholders questions. The Company complies with the Guidelines for this principle.

PRINCIPLE 7

RECOGNISE AND MANAGE RISK

The Board and Management are responsible for the identification of significant business risks and review of the major risks affecting each business segment and development of strategies to mitigate these risks. Major business risks arise from such matters as actions by competitors, changes in government policy and use of information systems.

Corporate Governance

The CEO and CFO must each provide a statement to the Board with any financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

PRINCIPLE 8

REMUNERATE FAIRLY AND RESPONSIBLY

EGH's current practices in this area will be regularly reviewed to ensure compliance with the Guidelines. Remuneration of Directors and Executives is fully disclosed in the annual report.

Auditors Independence Declaration

Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Eureka Group Holdings Limited

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

- no contraventions of any applicable code of professional conduct in relation to the audit.

Albert Loots
Partner
PKF Chartered Accountants

Dated this 30th day of September, 2011

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Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia
GPO Box 1078 | Brisbane | Queensland 4001

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 30 June 2011 $	30 June 2010 $
Total Revenue	**3**	**14,099,699**	**11,247,998**
Expenses			
Cost of goods sold		7,739,587	1,715,959
Impairment - Management rights		264,406	-
Impairment - Trade receivables		-	59,799
Employee expenses		2,238,410	1,726,930
Finance costs		759,102	678,037
Community operating expenses		356,144	4,912,142
Marketing expenses		29,074	187,111
Consultancy expenses		277,160	790,947
Depreciation & amortisation expenses	4	243,908	113,028
Lease expenses		330,000	592,005
Amortisation of borrowing costs		667	(239,568)
Other expenses		2,912,632	1,258,339
Total Expenses		**15,151,090**	**11,794,729**
Loss before income tax expense		**(1,051,391)**	**(546,731)**
Income tax expense	5	-	-
Loss from continuing operations		**(1,051,391)**	**(546,731)**
Loss from discontinued operations after income tax	31	-	(515,115)
Loss for the period		**(1,051,391)**	**(1,061,846)**
Other comprehensive income		-	-
Total Comprehensive Income for the period		**(1,051,391)**	**(1,061,846)**
Basic earnings per share (dollars per share)	22	(0.0297)	(0.0556)
Diluted earnings per share (dollars per share)	22	(0.0297)	(0.0556)

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2011

	Note	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Current Assets			
Cash and cash equivalents		368,747	342,694
Trade and other receivables	6	579,334	414,089
Inventories	7	38,371	55,415
Non-current assets held for sale	8	2,530,983	2,935,787
Financial asset	9	-	14,198
Other	10	62,601	106,378
Total Current Assets		**3,580,036**	**3,868,561**
Non Current Assets			
Property, plant and equipment	12	1,158,423	424,867
Intangible assets	13	5,412,780	5,586,279
Total Non Current Assets		**6,571,203**	**6,011,146**
Total Assets		**10,151,239**	**9,879,707**
Current Liabilities			
Trade and other payables	14	2,609,641	2,759,995
Other financial liabilities	17	5,815,872	6,045,922
Provisions	15	138,228	229,683
Total Current Liabilities		**8,563,741**	**9,035,600**
Non Current Liabilities			
Provisions	15	16,488	27,156
Total Non Current Liabilities		16,488	27,156
Total Liabilities		**8,580,229**	**9,062,756**
Net Assets		**1,571,010**	**816,951**
Equity			
Share capital	18	42,300,014	40,494,564
Accumulated losses		(40,729,004)	(39,677,613)
Total Equity		**1,571,010**	**816,951**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	30 June 2011 $	30 June 2010 $
Cash Flows from Operating Activities			
Receipts from customers		14,796,904	13,578,823
Payments to suppliers & employees		(15,560,779)	(13,432,489)
Interest received		1,661	5,126
Finance costs		(535,576)	(532,119)
Net Cash flow used in operating activities	**19(b)**	**(1,297,790)**	**(380,659)**
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(117,355)	(75,395)
Refund from acquisition of Griffith Financial Investment		14,198	(14,198)
Proceeds from sale of management rights and managers unit		380,000	428,989
Payment for subsidiary, net of cash acquired		(201,000)	-
Payments for intangible assets		-	(435,716)
Net cash flow used in investing activities		**75,843**	**(96,320)**
Cash Flows from Financing Activities			
Proceeds/(repayments) from borrowings		433,000	(384,000)
Proceeds from share issues		830,000	815,000
Payments for share issue costs		(15,000)	(39,767)
Net cash flow from financing activities		**1,248,000**	**391,233**
Net increase/ (decrease) in cash and cash equivalents		26,053	(85,746)
Cash and cash equivalents at beginning of financial year		342,694	428,440
Cash and cash equivalents at end of financial year	**19(a)**	**368,747**	**342,694**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated		
	Share Capital	**Accumulated Losses**	**Total**
	$	**$**	**$**
2011			
Balance at 1 July 2010	40,494,564	(39,677,613)	816,951
Total comprehensive loss for the year	-	(1,051,391)	**(1,051,391)**
Debt converted into equity	1,025,047	-	1,025,047
Shares issued during the period	795,000	-	795,000
Capital raising cost	(14,597)	-	(14,597)
Balance at 30 June 2011	42,300,014	(40,729,004)	1,571,010
2010			
Balance at 1 July 2009	39,701,432	(38,615,767)	1,085,665
Total comprehensive loss for the year	-	(1,061,846)	**(1,061,846)**
Debt converted into equity	20,000	-	20,000
Shares issued during the period	1,163,200	-	1,163,200
Share option reserve	(320,301)	-	(320,301)
Capital raising cost	(69,767)	-	(69,767)
Balance at 30 June 2010	40,494,564	(39,677,613)	816,951

The above consolidated statement of changes in equity is to be read in conjunction with the attached notes.

Notes to the Financial Statements

1. INTRODUCTION

EGH Limited (covering the financial statements of EGH Limited and all of its subsidiaries) (EGH or the Group or the Consolidated Entity) for the year ended 30th June 2011 is a company incorporated in Australia.

Operations and principal activities

Operations comprise property management of Senior Independent Living Communities.

Currency

The financial report is presented in Australian dollars and rounded to the nearest dollar.

Registered office

'River Tower', Level 1, 20, Pidgeon Close, West End, Queensland, Australia, 4001.

Authorisation of financial report

The financial report was authorised for issue on 30 September 2011 by the Directors. The Directors have the power to amend the financial report after issue.

2. SUMMARY OF ACCOUNTING POLICIES

a) OVERALL POLICY

The principal accounting policies adopted by EGH Limited comprising the parent entity EGH Limited and its subsidiaries are stated in order to assist in the general understanding of the financial report.

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

Compliance with IFRS ensures the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

b) CONSOLIDATION POLICY

This financial report covers both EGH Limited as an individual entity (Company) and the consolidated entity consisting of EGH Limited and its controlled entities. EGH Limited is the ultimate parent entity.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by EGH Limited as at 30 June 2011 and the results of all controlled entities for the year then ended wherein the effects of all transactions between entities in the consolidated entity are eliminated in full. EGH Limited and its controlled entities together are referred to in this financial report as the consolidated entity.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

c) REVENUE RECOGNITION

MANAGEMENT FEES AND CATERING REVENUE

The consolidated entity is entitled to receive a fee from unit owners for managing the units under management services agreements. The consolidated entity also receives a fee from the tenants of the units for the provision of catering services. Revenue is recognised when the services are provided.

SALE OF GOODS

Revenue from the sale of land and other units that have been acquired is recognised when the relevant contract of sale becomes unconditional.

Revenue from the licensing of intellectual property is recognised when the licensing agreement becomes unconditional.

RENTAL INCOME

Rental income is brought to account on a straight line basis in accordance with the terms of the underlying agreement.

d) REVENUE RECOGNITION

INTEREST REVENUE

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

e) INCOME TAX

Income tax in the statement of comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

f) CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash includes cash at bank and on hand as well as highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

g) TRADE AND OTHER RECEIVABLES

Trade debtors are recognised at the amounts due and collectable in the time frame set out in the sales contract.

Other receivables are recognised at the amount due and are also generally due within 30 days.

Recoverability is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when significant doubt as to collection exists.

h) PROPERTY PLANT & EQUIPMENT

Fixed Assets are recognised at cost. Depreciation and amortisation is calculated on the straight line (SL) or diminishing value (DV) basis so as to write off the net cost of each item of property, plant and equipment over its expected useful life to the consolidated entity. Rates used for each class of asset are:

Class	Rate	Method
Plant and equipment	25-50%	SL/DV
Manager units	2.5%	SL
Leasehold improvements	20%	SL
Plans, patent and trademarks	20%	SL

i) IMPAIRMENT OF ASSETS

At each reporting period the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit will be the smallest identifiable group of assets that generate cash flows largely independent of the cash inflows of other assets or group of assets.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses will be recognised in the statement of comprehensive income unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease to the extent of revaluation increment exists.

j) PROVISIONS

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

k) INVENTORIES

Inventories comprise catering stock only.

Catering stock is valued at the lower of cost and net realisable value.

l) INTANGIBLES

Only intangibles that have been purchased or paid for by the consolidated entity are recognised in the accounts. Internally generated intangibles such as management rights on Communities that the consolidated entity has constructed are not recognised in the accounts.

Plans and trademarks are amortised using the straight-line method over 5 years being the estimated useful life. Management rights and letting rights are carried at the lower of cost or recoverable amount. The management rights and letting rights are amortised using the straight line method over 40 years being the estimated useful life.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

m) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid at that date. The amounts are unsecured and are generally settled within 30-60 days.

n) FINANCIAL ASSETS AND LIABILITIES

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the

Consolidated Entity's contractual rights to the cash flows from the financial asset expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date i.e. the date that the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligation specified in the contract expire or are discharged or cancelled.

o) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

An instrument is classified as at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes are recognised in profit or loss.

p) AVAILABLE FOR SALE ASSETS

Available-for-sale assets are non derivative financial assets that are either not suitable to be classified into other categories of financial assets due to there nature, or they are designated as such by management. The comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

q) OTHER NON-DERIVATIVE FINANCIAL INSTRUMENTS

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses. These comprise all trade payables.

r) EMPLOYEE BENEFITS

WAGES AND SALARIES AND ANNUAL LEAVE – SHORT TERM

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amounts expected to be paid when the liabilities are settled inclusive of on-costs. Sick leave is non-vesting and is expensed as paid.

s) LONG SERVICE LEAVE – LONG TERM

A liability for long service leave expected to be settled within 12 months of the reporting date is recognised and is measured as the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given for expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields as at the reporting date on national government bonds with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

t) FINANCE COSTS

Finance costs incurred whilst seniors' Communities are under construction are capitalised in the period in which they are incurred. Once each project is completed and ready for sale, subsequent finance costs are expensed when incurred. All other finance costs are expensed when incurred. Finance costs include interest on short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs in connection with the arrangement of borrowings and finance lease charges.

u) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

v) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

w) SHARE BASED PAYMENTS

The entity has allocated to its employees and Directors, shares and share options as part of their remuneration packages. AASB 2 "Share Based Payments" require that these payments and also payments made to other counterparties in return for goods and services be measured at the more readily determinable fair value of the good/service or the fair values of the equity instrument. This amount is expensed in the statement of comprehensive income.

Where the grant date and the vesting date are different the total expenditure calculated is allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

x) LEASES

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Notes to the Financial Statements

y) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated entity but are not yet effective. They have not been adopted in the preparation of the financial statements at the reporting date. A discussion of those requirements and their impact on the Group follows:

Revised AASB 9: 'Financial Instruments' – revised and consequential amendments to other accounting standards resulting from its issue.

AASB 9 – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the statement of comprehensive income. Changes in the fair value of all other financial assets carried at fair value are reported in the statement of comprehensive income.

AASB13: 'Fair Value Measurement'. This standard establishes a single course of guidance for determining the fair value of assets and liabilities. The consolidated entity has yet to determine to potential effect of this standard.

AASB 10: 'Consolidated Financial Statements'. This standard replaces the part of AASB 27: 'Consolidated and Separated Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Group resulting in more assets and liabilities on the books.

AASB 2010-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

AASB 2010-5 – These amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect of the Group's financial statements.

z) ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

The Consolidated Entity adopted the following new Accounting Standard and Interpretations during the period:

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.'

AASB 2009-8 'Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions'.

AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.

There were no material impacts on the financial statements or performance of the Consolidated Entity.

aa) TAX CONSOLIDATION

The Company and its wholly-owned Australian resident entities have formed a tax-consolidation group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation group is EGH Limited.

Current tax expense/income, deferred tax liabilities and deferred assets arising from temporary differences of the members of the tax-consolidation group are recognised in the separate financial statements of the members of the tax-consolidation group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidation group and are recognised by the Company as amounts payable (receivable) to /(from) other entities in the tax-consolidation group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognised deferred tax assets arising from unused tax losses of the tax-consolidation group to the extent that it is probable that future taxable profits of the tax-consolidation group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity in conjunction with other members of the tax-consolidation group has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to/ from the head entity to the current tax liability/ (asset) assumed to be the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability/ (asset) assumed. The inter-entity receivables/ (payables) are at call.

Notes to the Financial Statements

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

ab) USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 - Trade and other receivables
- Note 7 - Inventories
- Note 8 – Non-current assets held for sale
- Note 13 – Intangible assets
- Note 15 - Provisions

The carrying amount of these items is disclosed in the abovementioned notes.

ac) CAPITAL MANAGEMENT

The Consolidated Entity considers its share capital and retained earnings as capital.

When managing capital, the objective is to ensure the Consolidated Entity continues as a going concern, as well as to maintain optimum returns to shareholders and benefits for other stakeholders. The Consolidated Entity also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Consolidated Entity does not have any specific capital targets and nor is it subject to any external capital restrictions. The board and senior management meet monthly and review in detail the current cash position and cashflow forecasts having regard to planned expansions and takes the necessary action to ensure sufficient funds are available.

ad) GOING CONCERN

The financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

The Company incurred a net loss of $1,051k for the year ended 30 June 2011. In addition:

- the Company's current liabilities exceeded its current assets by $4,984k.
- the Company is forecasting an operational cash flow surplus of $257k for the 12 months (September 2011 to August 2012) excluding realisation of assets held for sale.
- the Company, based on the above, appears to have a working capital deficiency of $4,727k for the next twelve months.

These conditions give rise to a material uncertainty that may cast significant doubt as to whether the Company can continue as a going concern.

The following steps have been taken to address the going concern uncertainty:

- the Company believes it retains the support of the NAB and is confident that its facilities will be extended to 31 December 2012, thereby reducing the working capital deficiency by $3,999k.
- the Company believes it retains the support of the major shareholder loan providers and is confident that facilities will be extended as required thereby reducing the working capital deficiency by up to $1,816k.
- the Company is final stages of transferring approximately $750k in short-term loans into non-current convertible notes.
- the Company expects to realise its remaining assets held for sale prior to end of June 2012. As noted earlier in the report, one village is under contract for $480k and offers totaling $750k have been received for two other villages. Each of these offers is in line or above book value.

The Directors are confident of ongoing support from the existing shareholders, shareholder loan providers and the NAB.

The above actions would change the $4,727k working capital deficiency into a positive working capital position.

As a result the Directors believe that the going concern basis of preparation is appropriate, and accordingly have prepared the financial report on this basis.

The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

Notes to the Financial Statements

	Consolidated	
Note 3: Revenue	**30 June 2011 $**	**30 June 2010 $**
Sale of goods (units in Seniors communities)	-	57,944
Catering	1,443,640	2,043,216
Gain on sale of managers units	-	12,513
Other operating revenue	3,151,950	318,441
Total Operating Revenue	**4,595,590**	**2,432,114**
Rendering Services		
Rent	4,537,126	4,268,343
Management	4,558,982	4,246,668
Total Service Revenue	**9,096,108**	**8,515,011**
Non Operating revenue		
Interest Revenue	1,661	5,126
Reversal Impairment of Management Rights	-	215,430
Sale of management rights and managers unit	109,924	80,317
Gain on bargain purchase through business combination	296,416	-
Total Non Operating Revenue	**408,001**	**300,873**
Total Revenue	**14,099,699**	**11,247,998**

	Consolidated	
Note 4: Items included in profit/(loss)	**30 June 2011 $**	**30 June 2010 $**
Profit from ordinary activities before income tax		
expense includes the following specific items:		
Payments under operating leases	330,000	522,240
Interest Expense		
- Director related entities	9,523	12,751
- Other	462,964	408,891
Total Interest Expense	**472,487**	**421,642**
Amortisation		
- Management rights	97,251	42,570
Total Amortisation	**97,251**	**42,570**
Depreciation		
- Plant & equipment	91,719	55,458
- Manager units	54,938	15,000
Total Depreciation	**146,657**	**70,458**
Gain on sale of managers units	109,924	12,513
Gain on disposal of equipment	(7,678)	(26,475)

Notes to the Financial Statements

	Consolidated	
Note 5: Income Tax	**30 June 2011 $**	**30 June 2010 $**
The components of tax expense comprise:		
Current Tax	-	-
Deferred tax expense not previously brought to account	-	-
Deferred tax expense on temporary differences current year	-	-
De-recognition of deferred tax balances	-	-
Under/(over) provision for tax	-	-
	-	**-**
Loss from ordinary Activities before income tax expense	(1,051,391)	(546,731)
Income Tax calculated at 30%	(315,417)	(164,019)
Tax effect on permanent differences		
- Entertainment	74	-
- Options Expense	-	-
- Amortisation of intangibles	108,497	12,771
-Gain on re-measurement of equity investment due to business combination	(88,925)	-
Under provision for income tax in prior year	-	-
Deferred tax asset not previously brought to account	-	-
Tax losses not recognised	295,771	151,248
De-recognition of deferred tax balances	-	-
Income Tax Expense	-	-

Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	34,960,020	33,845,444
Potential tax benefit at 30%	**10,488,006**	**10,153,633**

Notes to the Financial Statements

Note 6: Receivables	Consolidated 30 June 2011 $	30 June 2010 $
Trade & other debtors	641,327	920,870
Provision for doubtful debts	(61,993)	(506,781)
Total Receivables	**579,334**	**414,089**

*The provision in allowance for doubtful debt is presented in Note 20a.

Note 7: Inventories	Consolidated 30 June 2011 $	30 June 2010 $
Catering inventory	38,371	55,415
Total Inventory	**38,371**	**55,415**

Note 8: Non-current Assets Held for Sale	Consolidated 30 June 2011 $	30 June 2010 $
Managers units	1,453,723	2,414,149
Management rights	1,041,451	460,846
Property, plant & equipment	35,809	60,792
Total Non-current Assets Held for Sale	**2,530,983**	**2,935,787**

The Directors have considered the capital adequacy requirements of EGH, including cash flows pertaining to operations and capital transactions. The Directors will continue in an orderly manner to divest the non-core assets which includes real estate and low contribution management rights. This is anticipated to reduce existing debt levels over the next 6 - 12 months. EGH is the entity owner of the managers units and the property plant & equipment. The management rights are split between various entities within the Group.

Non-current Assets held for sale will be disposed of through traditional real estate markets. The above assets relate to the strata segment of the business

Note 9: Financial Asset	Consolidated 30 June 2011 $	30 June 2010 $
Griffith Village short term loan	-	4,198
Griffith Village Investment	-	10,000
Total Financial Asset	**-**	**14,198**

Note 10: Other Current Assets	Consolidated 30 June 2011 $	30 June 2010 $
Prepayments	62,601	106,378
Total Other Current Assets	**62,601**	**106,378**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Note 11: Investment in Subsidiaries

Name of Entity	Country of Formation or Incorporation	Equity Holding 30 June 2011 %	Equity Holding 30 June 2010 %	Cost of Parent Entity's Investment 30 June 2011 $	Cost of Parent Entity's Investment 30 June 2010 $
SunnyCove Forest Lake Pty Limited	Australia	100%	100%	-	-
SCV Group Limited ATF SunnyCove Cairns Unit Trust (acquired 18 December 2003)	Australia	100%	100%	10	10
SCV Group Limited ATF SunnyCove Townsville Unit Trust (acquired 21 April 2004)	Australia	100%	100%	10	10
SCV Group Limited ATF SunnyCove Mackay Unit Trust (acquired 23 August 2004)	Australia	100%	100%	100	100
SCV No. 1 Pty Ltd	Australia	100%	100%	1	1
SCV No. 2 Pty Ltd	Australia	100%	100%	1	1
SCV No. 3 Pty Ltd	Australia	100%	100%	1	1
SCV Services Pty Ltd	Australia	100%	100%	1	-
SCV Manager Pty Ltd	Australia	100%	100%	1	-
SCV Group Limited ATF SunnyCove Kelvin Grove Unit Trust (acquired 22 November 2004)	Australia	100%	100%	100	100
Compton's Villages Australia Unit Trust (acquired 16 February 2006)	Australia	100%	100%	1	1
Compton's Caboolture Pty Ltd (acquired 16 February 2006)	Australia	100%	100%	3,122,643	3,122,643
Village Care Pty Ltd (acquired 30 June 2008)	Australia	100%	100%	1	1
Village Life Management Limited (acquired 24th October 2008)*	Australia	-	100%	-	106,387
Eureka Care Communities Pty Ltd ATF Eureka Care Communities Unit Trust (acquired 1 July 2010)	Australia	100%	-	313,206	-
				3,436,076	**3,229,255**

*Village Life Management Limited was deregistered on 15 June 2011.

Note 12: Property Plant & Equipment	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Managers Units at Cost	840,580	-
Accumulated Depreciation	(103,504)	-
	737,076	**-**
Plant & Equipment at Cost	1,097,752	533,886
Accumulated Depreciation	(676,405)	(109,019)
	421,347	**424,867**
Total Property, Plant & Equipment	**1,158,423**	**424,867**

Notes to the Financial Statements

Movements during the year ending 30 June 2011

	Manager's Units	Plant & Equipment	Leasehold Improvements	Total
Consolidated				
Opening Written Down Value	-	424,867	-	424,867
Additions at cost	-	82,675	-	82,675
Additions through business acquisition	-	13,346	-	13,346
Disposals	-	(15,827)	-	(15,827)
Transfer from Non-current Assets Held for Sale	792,014	8,005	-	800,019
Depreciation/Amortisation Expense	(54,938)	(91,719)	-	(146,657)
Closing Written Down Value	**737,076**	**421,347**	**-**	**1,158,423**

Movements during the year ending 30 June 2010

	Manager's Units	Plant & Equipment	Leasehold Improvements	Total
Consolidated				
Opening Written Down Value	549,534	357,521	-	907,055
Additions at cost	-	75,395	-	75,395
Disposals	-	(28,795)	-	(28,795)
Transfer (to)/from Non-current Assets Held for Sale	(534,534)	76,204	-	(458,330)
Depreciation/Amortisation Expense	(15,000)	(55,458)	-	(70,458)
Closing Written Down Value	**-**	**424,867**	**-**	**424,867**

	Consolidated	
Note 13: Intangible Assets	**30 June 2011 $**	**30 June 2010 $**
Intellectual property - at cost	1	1
Management rights - at cost	3,019,134	3,823,600
Impairment of Management Rights*	(264,406)	-
Adjustment for impairment of management rights held for sale	84,624	
Less accumulated amortisation	(123,192)	(194,281)
	2,716,161	**3,629,320**
Plans & trademarks - at cost	27,749	27,827
Less Accumulated amortisation	(26,411)	(26,383)
	1,338	**1,444**
Sale Rolls	138,572	-
Franchise Costs	601,194	-
Goodwill	1,955,515	1,955,515
Total Intangible Assets	**5,412,780**	**5,586,279**

Goodwill relates to the Company's acquisition of Village Care. Pursuant to AASB 136, the Company tested the carrying value of goodwill through a value-in-use calculation. The key assumptions in the value-in-use calculation are: (1) cash flows for Village Care were forecast for a 5-year period based on FY 2011 cash flows and grown at 3% per year; (2) a continuation value was estimated based on forecast year 5 cash flow, a 3% continuation growth rate and a 25% discount rate; and (3) each of the cash flows were discounted to their present value by a 25% discount rate and the mid-year discounting convention.

Notes to the Financial Statements

Movements during the year ending 30 June 2011

Consolidated	Intellectual Property $	Management Rights $	Plans & Trademarks $	Sale Rolls $	Franchise Costs $	Goodwill $	Total $
Opening Written Down Value	1	3,629,319	1,444	-	-	1,955,515	5,586,279
Reclassification of Franchise Costs	-	(561,194)			561,194	-	-
Additions/(Sales) at cost	-	(102,960)	-	138,572	40,000	-	75,612
Additions via business combination	-	692,613	-	-	-	-	692,613
Impairment of management rights	-	(179,782)	-	-	-	-	(179,782)
Transfer to Non-current Assets Held for Sale	-	(678,518)	-	-	-	-	(678,518)
Depreciation/ Amortisation Expense	-	(83,318)	(106)	-	-	-	(83,424)
Closing Written Down Value	**1**	**2,716,160**	**1,338**	**138,572**	**601,194**	**1,955,515**	**5,412,780**

Movements during the year ending 30 June 2010

Consolidated	Intellectual Property $	Management Rights $	Plans & Trademarks $	Sale Rolls $	Franchise Costs $	Goodwill $	Total $
Opening Written Down Value	1	1,790,025	1,617	-	-	1,955,515	3,747,158
Additions/Sales at cost	-	(93,859)	-	-	-	-	(93,859)
Franchise Asset	-	644,558	-	-	-	-	644,558
Reverse Impairment of Management Rights	-	215,430	-	-	-	-	215,430
Transfer from Non-current Assets Held for Sale	-	1,115,562	-	-	-	-	1,115,562
Depreciation/ Amortisation Expense	-	(42,397)	(173)	-	-	-	(42,570)
Closing Written Down Value	**1**	**3,629,319**	**1,444**	**-**	**-**	**1,955,515**	**5,586,279**

*As mentioned in the Chairman's Review, pursuant to AASB 138, the Group is unable to revalue its management rights to their fair value; however, based on the valuation methodology used by Resort Brokers, which takes into consideration the profitability and time remaining on each management rights contract, the fair value of the Group's management rights is approximately $5.7m which is approximately $1.7m greater than the carrying value of the Group's management right (as partly recorded in non-current assets held for sale – note 8 and partly in this note 13). The Company has also applied this valuation methodology to determine the quantum of provisions for impairment of management rights across each cash generating unit.

	Consolidated	
Note 14: Trade & Other Payables	**30 June 2011 $**	**30 June 2010 $**
Trade creditors and accruals	2,609,641	2,759,995
Total Trade & Other Payables	**2,609,641**	**2,759,995**
Included in the above are aggregate amounts payable to Director related entities.	131,761	164,400

	Consolidated	
Note 15: Provisions	**30 June 2011 $**	**30 June 2010 $**
Current		
Annual Leave Entitlements	138,228	229,683
Non-Current		
Long Service Leave Entitlements	16,488	27,156
Total Provisions	**154,716**	**256,839**

Note 16: Dividends

No dividends were paid or proposed during FY 2011 (FY 2010 - nil).
The balance of the franking account at 30 June 2011 was $nil (FY 2010 - $nil).

	Consolidated	
Note 17: Financial Liabilities	**30 June 2011 $**	**30 June 2010 $**
Current Liabilities		
Commercial bills - secured	3,999,000	4,429,000
Shareholder Loans	1,816,872	1,616,922
Total Current Financial Liabilities	**5,815,872**	**6,045,922**
Total Financial Liabilities	**5,815,872**	**6,045,922**

NAB FACILITY – COMMERCIAL BILLS AND ADVANCES

TERMS AND CONDITIONS

As at 30 June 2011, The Company had drawn commercial advances and commercial bill facilities ($3.999 million limit) from the National Australia Bank ("NAB") secured by:

- Registered mortgages over managers' units and other real estate at its Communities
- Deed of charge over the related management rights.
- Guarantee and indemnity given the EGH and its entities including (SCV Manager Pty Ltd, SCV No. 2 Pty Ltd, SCV No. 3 Pty Ltd, SCV No. 4 Pty Ltd, Village Care Pty Ltd and Compton's Caboolture Pty Ltd)
- Fixed and floating charges over the assets of Comptons Caboolture Pty Ltd, EGH Limited, SCV Manager Pty Ltd, SCV No. 2, SCV No. 3, Village Care Pty Ltd and SCV Services Pty Ltd.

As at 30 June 2011, the Company had the following banking covenants:

1. Interest Coverage Ratio of 3.0 times after 1 July 2011.
2. Minimum Operating Leverage Ratio of 3.50 times at 30 June 2011, 3.50 times for quarter ending September 2010, and 3.0 times for quarter ending December 2011.

Further, the Company had to meet the following milestones:

1. By 30 April 2011, reduce the balance of the bill facility by a minimum of $130,000 (achieved);
2. By 30 June 2011, reduce the balance of the bill facility by a minimum of $280,000 ($250k achieved);
3. By 31 August 2011, reduce the balance of the bill facility by a minimum of $500,000 (not yet achieved);
4. By 31 October 2011, reduce the balance of the bill facility by a minimum of $750,000; and
5. By 31 December 2011, reduce the balance of the bill facility by a minimum of $1,729,000.

Based on contracts and offers on hand for the assets held for sale, the Company is confident of meeting the balance of the above milestones.

This facility expires on 31 March 2012. It is the directors expectation that upon completion of the asset sale program currently being undertaken, a long term facility on commercial terms be entered into with the NAB.

The above covenants were breached during the year however the company believes that it retains the support of the NAB.

	30 June 2011		**30 June 2010**	
USED/UNUSED FACILITIES	Used	Unused	Used	Unused
Commercial bills - secured	3,999,000	-	4,429,000	-
Total NAB facilities	**3,999,000**	**-**	**4,429,000**	**-**

Notes to the Financial Statements

Note 18: Share Capital	30 June 2011 Number	30 June 2010 Number	30 June 2011 $	30 June 2010 $
Fully paid Ordinary shares (number of shares)	**37,857,460**	**239,611,742**	**42,300,014**	**40,494,564**
Opening Balance	239,611,742	141,011,744	40,494,564	39,701,432
Shares issued during the year:				
Share option reserve	-	-	-	(320,301)
Shares issued at $0.012	-	37,083,332	-	445,000
Shares issued at $0.012	-	6,250,000	-	75,000
Shares issued at $0.012	-	29,016,666	-	348,200
Shares issued at $0.012	-	6,250,000	-	75,000
Shares issued at $0.012	-	20,000,000	-	240,000
Shares issued on 12/08/2010	123,514,793	-	1,645,222	-
Consolidation	(326,813,748)	-	-	-
Shares issued for conversion of redeemable convertible notes	732,173	-	109,825	-
Shares issued at $0.080	312,500	-	25,000	-
Shares issued at $0.080	250,000	-	20,000	-
Shares issued at $0.080	250,000	-	20,000	-
Less: Share issue costs	-	-	(14,597)	(69,767)
Shares on issue at end of year	**37,857,460**	**239,611,742**	**42,300,014**	**40,494,564**

	30 June 2011	30 June 2010
	Number of Options	
Options on issue at beginning of year	955,000*	9,550,000
Options cancelled	(890,000)	-
Options exercisable at $0.20 vesting after 36 months continuous employment and expiring three years from date of issue	250,000	-
Options exercisable at $0.25 vesting after 36 months continuous employment and expiring three years from date of issue	650,000	-
Options exercisable at $0.25 vesting after 36 months continuous employment and expiring three years from date of issue	250,000	-
Options cancelled upon resignation; this relates to the $0.20 vesting after 36 months	(250,000)	-
Options cancelled upon resignation; this relates to the $0.25 vesting after 36 months	(650,000)	-
Options exercised	-	-
Total options on issue	**315,000**	**9,550,000**

* Figures for FY2011 are adjusted for the 1:10 share consolidation

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll, each share is entitled to one vote.

Notes to the Financial Statements

Options

In FY 2010, EGH Limited issued 955,000 (or 9,550,000 pre-consolidation) options for nil consideration to executives. Of these, 890,000 (or 8,900,000 pre-consolidation) were cancelled on 26 August 2010 due to the departure of the executives to whom the options were granted. The remaining 65,000 (or 650,000 pre-consolidation) expired on 14 July 2011.

In August 2010, the Company issued options to two executives Michael Bosel and Michael Hayes. Michael Bosel was issued with 250,000 (or 2,500,000 pre-consolidation) options expiring on 2 July 2013, exercisable into ordinary shares in the Company at 20 cents (or 2.0 cents pre-consolidation) and 625,000 options expiring on 2 July 2013, exercisable into ordinary shares in the Company at 25 cents (or 2.5 cents pre-consolidation). These options were cancelled on 16 May 2011 upon the resignation of Mike Bosel. Michael Hayes was issued with 250,000 options expiring on 2 July 2013 and exercisable into ordinary shares in the Company at 25 cents (or 2.5 cents pre-consolidation). Below is a table showing the key terms of the options issued during FY 2011

Option Holder	# of Options (pre consol)	# of Options (post consol)	Issue Date	Expiry Date	Term	Risk-free Rate	Share Price on Issue Date	Strike Price	Volatility	Price Per Option
Mike Bosel	2,500,000	250,000	2-Jul-10	2-Jul-13	3.0	4.46%	0.130	0.200	138.0%	0.00951
Mike Bosel	6,250,000	625,000	2-Jul-10	2-Jul-13	3.0	4.46%	0.130	0.250	138.0%	0.00914
Mike Hayes	2,500,000	250,000	2-Jul-10	2-Jul-13	3.0	4.46%	0.130	0.250	138.0%	0.00914

Notes to the Financial Statements

	Consolidated	
Note 19: Cash Flow Information	**30 June 2011 $**	**30 June 2010 $**
(a) Reconciliation of cash		
Cash at Bank and on hand	368,747	342,694
(b) Reconciliation of profit/(loss) for the period to net cash flow from operating activities		
Loss for the period	(1,051,391)	(1,061,846)
Depreciation and amortisation	243,908	113,028
Impairment - Management rights	167,507	-
Impairment - Goodwill	96,899	-
Gain on bargain purchase	(296,416)	-
Reversal Impairment	-	(215,430)
Borrowing costs amortised	667	(239,568)
Movement in provision in Doubtful Debts	(444,787)	90,690
Interest accrual on Loans	472,487	145,918
Loss on sale of plant and equipment	-	26,475
Gain on sale of Managers unit	-	(12,508)
Gain on sale of Management rights	(109,924)	(80,317)
(Increase)/decrease in:		
- trade and other receivables	(165,245)	(71,905)
- inventories	17,044	20,968
- other current assets	43,778	(29,539)
Increase/(decrease) in:		
- payables	(170,193)	941,565
- provision for employee benefits	(102,124)	(8,190)
Net cash flow from operating activities	(1,297,790)	(380,659)
(c) Businesses Acquired		
Aggregate purchase consideration:		
Cash and cash equivalents	313,206	-
Total Aggregate Purchase Consideration	313,206	-
Aggregate fair value of assets and liabilities acquired:		
Cash	111,919	-
Other Identifiable Assets Acquired	497,703	-
Total Aggregate Fair Value of Assets and Liabilities Acquired	609,622	-
Goodwill on acquisition	296,416	-
Outflow of cash	201,287	-

Note 20: Financial Instruments

Overall Policy

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors are responsible for developing and monitoring risk management policy. Risk management policy is to identify and analyse the risks faced by the entity, to set limits and controls, and to monitor risks and adherence to limits. Risk management policy and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes to the Financial Statements

a) Credit risk

Credit risk arises principally from the Consolidated Entity's receivables and cash and cash equivalents.

	Consolidated	
	30 June 2011 $	**30 June 2010 $**
Maximum exposure to credit risk		
Cash and cash equivalents	368,747	342,694
Trade and other receivables	579,334	414,089
	948,081	**756,783**

The Consolidated Entity monitors and follows-up its accounts receivable to ensure collections are being made promptly in accordance with contractual terms and conditions and actively pursues amounts past due.

Where applicable, an allowance for impairment has been made, that represents the estimate of impairment losses in respect to trade and other receivables. The Consolidated Entity has no concentrations of credit risk that have not been provided for. The Consolidated Entity has not provided for the remaining amounts past due as management believes these amounts will be recoverable.

The ageing of trade receivables at the reporting date was:

	Consolidated			
	30 June 2011		**30 June 2010**	
	Gross	**Allowance**	**Gross**	**Allowance**
Due 0-30 Days	135,821	-	201,082	-
Past Due 30-60 Days	19,443	-	17,296	-
Past Due 60-90 Days	16,537	-	31,006	-
Past due 90 + Days	469,526	(61,993)	671,486	(506,781)
Total	**641,327**	**(61,993)**	**920,870**	**(506,781)**

	Consolidated	
	30 June 2011 $	**30 June 2010 $**
Movement in allowance for doubtful debts		
Opening allowance	506,781	416,091
Impairment provision written off	(482,231)	(59,799)
Increase to doubtful debts	37,443	150,489
Closing allowance	61,993	506,781

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. This process involves the review and updating of cash flow forecasts and, when necessary, the obtaining of credit standby arrangements and loan facilities.

Contractual maturity analysis for financial instrument liabilities:

2011

CONSOLIDATED	**Contractual Repayment Amount**	**1 - 3 months**	**3 - 6 months**	**6 – 12+ months**
Trade payables	1,055,449	1,055,449	-	-
Sundry creditors & accruals	1,554,192	1,554,192	-	-
Commercial bills	3,999,000	500,000	1,099,000	2,400,000
Shareholder Loans	1,816,872	-	-	1,816,872
Total	**8,425,513**	**3,109,641**	**1,099,000**	**4,216,872**

2010

CONSOLIDATED	Contractual Repayment Amount	1 - 3 months	3 - 6 months	6 – 12+ months
Trade payables	2,410,182	1,801,520	608,662	-
Sundry creditors & accruals	349,813	349,813	-	-
Commercial bills	4,429,000	4,429,000	-	-
Shareholder Loans	1,616,922	-	-	1,616,922
Total	**8,805,917**	**6,580,333**	**608,662**	**1,616,922**

c) Market Risk

Market risk is the risk that changes in market prices such as interest rates will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

d) Interest Rate Risk

The Consolidated Entity's exposure to market interest rates relates primarily to the Group's current debt obligations. No interest rate swaps had been entered into during the term of the facility.

The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternate hedging positions and the mix of fixed and variable interest rates.
Sensitivity analysis for movement in interest rates:

Variable rate instruments	Consolidated	
	30 June 2011 $	30 June 2010 $
1% increase in interest rates – effect on profit after tax & equity*	(36,303)	(37,759)
1% decrease in interest rates – effect on profit after tax & equity*	36,303	37,759

*Assuming a 30% tax rate

e) Fair Value

The carrying amount of the Consolidated Entity's financial assets and financial liabilities approximate their fair value.

Note 21: Commitments for Expenditure

a) Operating Leases

Minimum lease payments under non-cancellable operating leases for the provision of office space, equipment, linen services and community leases are estimated to be:

	Consolidated	
	30 June 2011 $	30 June 2010 $
Within 1 year	327,074	386,549
Greater than 1 year but not longer than 5 years	1,308,294	1,315,175
Greater than 5 years	2,634,488	2,961,561
Total	**4,269,856**	**4,663,285**

The amount disclosed for the lease of office space does not include any adjustments for CPI or market rental reviews

Notes to the Financial Statements

	Consolidated	
Note 22: Earnings Per Share	**30 June 2011 $**	**30 June 2010 $**
Net loss used in calculating basic earnings per share	(1,051,391)	(1,061,848)
Net loss used in calculating diluted earnings per share	(1,051,391)	(1,061,848)
Weighted average number of ordinary shares used in calculating basic earnings per share adjusted for consolidation	35,396,851	19,085,941
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	35,396,851	19,085,941
Basic earnings per share (dollars per share)	(0.0297) Cents	(0.0556) Cents
Diluted earnings per share (dollars per share)	**(0.0297) Cents**	**(0.0556) Cents**

Note 23: Related Parties

Number of Shares Held: Directors and Executives

	Balance 1 July 2010 *	Received as Remuner-ation *	Shares Acquired *	Options Exercised*	Net Change Other *	Balance 30 June 2011*	Held in Escrow
Specified Directors:							
Andrew Kemp	221,347	246,401	61,334	-	307,735	529,082	-
Paul Fulloon	-	-	-	-	-	-	-
Lachlan McIntosh	3,404,167	2,447,607	30,000	-	2,477,607	5,881,774	-
Jury Wowk	375,572	-	-	-	-	375,572	-
David Rosenblum	-	-	-	-	-	-	-
Total	4,001,086	2,694,008	91,334	**-**	2,785,342	6,786,428	**-**
Executives:							
Mike Bosel	-	-	-	-	-	-	-
Mike Hayes	-	-	-	-	-	-	-
Loretta Byers	-	-	-	-	-	-	-
Greg Rekers	-	-	-	-	-	-	-
Kerry Potter	-	-	-	-	-	-	-
Sharon Alderwick	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

***** Figures for FY2011 are adjusted for the 1:10 share consolidation

Number of Options Held: Directors and Executives

	Balance 1 July 2010	Received as Remuner-ation	Options Exercised (1)	Net Change Other	Balance 30 June 2011	Total vested as at 30 June 2011	Held in Escrow
Specified Directors:							
Andrew Kemp	-	-	-	-	-	-	-
Paul Fulloon	-	-	-	-	-	-	-
Lachlan McIntosh	-	-	-	-	-	-	-
Jury Wowk	-	-	-	-	-	-	-
David Rosenblum	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Executives:							
Loretta Byers	65,000*	-	-	-	65,000	65,000	-
Mike Bosel	-	875,000**	-	(875,000)	-	-	-
Mike Hayes	-	250,000	-	-	250,000	250,000	-
Total	65,000	1,125,000	-	(875,000)	315,000	315,000	-

*these options expired on 14 July 2011
**these options were cancelled on 16 May 2011.

For further detail of the options, please refer to note 18.

Related Party Transactions

During the financial year Kathlac, an entity associated with Lachlan McIntosh, has loaned the company $208,105.74 on interest-free terms.

During the financial year Sothertons, (of which Lachlan McIntosh is a shareholder) received tax advice related fees of $19,708.50 on commercial terms.

Gladstone, Griffith and Elizabeth Vale, managed by Eureka on commercial terms are part-owned by Lachlan McIntosh.

Former Chairman Jury Wowk made loans to the company totalling $65,000 as at 30 June 2011. Including interest, as at 30 June 2011, Mr. Wowk was owed $69,583.90 in respect of these loans.

Note 24: Ultimate Parent Entity

The parent entity within the group is EGH Limited, which is the ultimate parent entity within Australia.

Note 25: Share Based Payments

In August 2010 the Company paid the following Share based payments as voted on in the Company's EGM on 10 August 2010:

Recipient	Amount of Payment	Share Price ($)	Share Price at Announcement ($)
22 Capital Pty Ltd	150,000	0.15	0.13
Pamela Pointon	50,000	0.15	0.13
Andrew Kemp	36,960	0.15	0.13

Note 26: Contingent Liability

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

A contingent liability of $40,000 exists due to current bank guarantee facilities in place secured by the Company.

Notes to the Financial Statements

	Consolidated	
Note 27: Auditors' Remuneration	**30 June 2011 $**	**30 June 2010 $**
Audit and review services	56,500	53,205
Total	**56,500**	**53,205**

Note 28: Subsequent Events

The company has raised $210k through a convertible note issuance.

The Company has one non-current asset held for sale under contract and offers for two more.

Other than as disclosed in this report no other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs, in subsequent financial years.

Note 29: Parent Entity Disclosures

Information relating to EGH Limited (parent entity),

	Consolidated	
	30 June 2011 $	**30 June 2010 $**
Results of the parent entity		
Loss for the period	(1,730,649)	(2,049,714)
Other comprehensive income	-	-
Total comprehensive income for the period	**(1,730,649)**	**(2,049,714)**
Financial position of parent entity at year end		
Current assets	(1,503,083)	6,270,015
Total assets	6,014,188	11,318,449
Current liabilities	1,127,055	12,042,545
Total liabilities	6,967,926	12,042,545
Total equity of the parent entity comprising of:		
Share capital	42,235,014	40,494,563
Revaluation reserve	-	-
Retained earnings	(43,188,753)	(41,218,856)
Total equity	**(953,739)**	**(724,096)**

In the process of finalising the annual report it was discovered that the incorrect comparatives were used in the 4E lodged on 31 August 2011. The incorrect comparative figures were only reported at note 19 in Appendix 4E 2011.

Notes to the Financial Statements

Note 30: Segment Information

The consolidated entity operates within three business segments all of which involve the management of Seniors' Communities. The consolidated entity operates only in Australia and is divided into the portfolios of various types of management agreements which management regularly reviews, as follows:

- Strata / Leasehold – individual investors where income is derived from letting fees, caretaking fees & catering services.
- Retail / Wholesale – the wholesale segment derives management fees based on occupancy rates, whereas the retail segment operates under a managed investment scheme. Please note the Retail segment has now been re-classified as Discontinued Operations due to the breakdown of the Managed Investment Schemes.
- Village Care Ltd – the Village care model works under the Deferred Management Fee (DMF) structure
- Management Lease – typically lease type arrangements whereby EGH derives a management fee based on revenue / profitability of the portfolio. The agreements are typically with larger operators (YVE) and individual owners.

	Strata/Leasehold		Retail/Wholesale		Management Lease		Village Care		Discontinued Operations		Total	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
Revenue												
External	5,398,937	3,241,123	1,840,777	726,297	5,420,713	5,510,941	1,331,271	1,384,667	-	2,727,167	13,991,698	13,590,195
Total	**5,398,937**	**3,241,123**	**1,840,777**	**726,297**	**5,420,713**	**5,510,941**	**1,331,271**	**1,384,667**	**-**	**2,727,167**	**13,991,698**	**13,590,195**
Unallocated revenue											106,340	379,843
- Interest											1,661	5,126
Total Revenue											**14,099,699**	**13,975,164**
Segment Result												
Profit/(Loss)	26,317	(25,522)	28,146	(113,587)	(287,079)	(92,953)	263,191	(76,628)	-	(515,115)	30,575	(823,805)
Unallocated corporate items											(609,479)	438,770
- Interest expense											(472,487)	(678,035)
Profit from ordinary activities before income tax											(1,051,391)	(1,061,846)
Net Profit/(Loss)											**(1,051,391)**	**(1,061,846)**
Assets												
Segment assets	6,723,990	4,095,779	256,505	117,278	233,319	-	2,133,468	2,134,323	-	-	9,347,282	6,347,380
Unallocated corporate assets											803,957	3,532,327
Total Assets											**10,151,239**	**9,879,707**
Liabilities												
Segment Liabilities	639,009	-	309,096	-	220,534	-	372,848	2,742,644	-	-	1,541,487	2,742,644
Unallocated corporate liabilities											7,038,742	6,320,112
Total Liabilities											**8,580,229**	**9,062,756**
Other information												
Depreciation	120,953	-	-	-	-	-	25,247	-		-	146,200	-
Amortisation	97,251	-	-	6,523	-	-	-	-		-	97,251	6,523
Impairment - Debtors	-	(482,231)	-	-	-	-	-	-		-	-	(482,231)
Impairment - Inventories	-	-	-	-	-	-	-	-		-	-	-
Impairment - Intangibles	264,406	-	-	-	-	209,479	-	-		-	264,406	209,479
Fixed Assets Additions	96,020	-	-	-	-	-	-	-		-	96,020	-

Notes to the Financial Statements

	Consolidated	
Note 31: Discontinued Operations	**30 June 2011 $**	**30 June 2010 $**
Results of discontinued operation		
Revenue	-	2,727,167
Expenses	-	(3,242,282)
Results from operating activities	-	(515,115)
Income tax expense	-	-
Results from operating activities, net of income tax	-	(515,115)
Loss for the period	-	(515,115)
Basic earnings (loss) per share (cents)	-	(0.22)
Diluted earnings (loss) per share (cents)	-	(0.22)
Cash flows from discontinued operation		
Net cash from operating activities	-	(525,825)
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash from (used in) discontinued operation	-	(525,825)

Notes to the Financial Statements

Note 32: Business Combination

On 1 July 2011, the Company acquired 100% of the units of Eureka Care Communities Pty Ltd as trustee of the Eureka Care Communities Unit Trust (Eureka). Eureka holds the management rights for 11 profitable wholesale villages. The acquired business provided a number of quality management contracts to the Company.

The acquired business has contributed the following the Company from 1 July 2010 to 30 June 2011:

Revenue	$ 3,090,171
Profit	$ 169,883
Reserves	$ nil

Details of the net assets acquired and goodwill are as follows:

	$
Purchase consideration	313,206
Fair value of new identifiable assets acquired (refer below)	609,622
Gain on re-measurement of equity investment due to business combination	**296,416**

The Company was able to negotiate a favourable purchase price for Eureka. An independent valuation of the management rights held by the acquired entity was subsequently carried out. The valuation was found to be higher than the purchase consideration. The resulting gain has been recognised in the Statements of Comprehensive Income.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Amount	Fair Value
	$	$
Cash	111,919	111,919
Trade receivables	1,041	1,041
Other assets	4,393	4,393
Plant & equipment	11,600	11,600
Management rights	-	692,610*
Trade payables	(28,355)	(28,355)
Other liabilities	(183,586)	(183,586)
Net liabilities acquired	**(82,988)**	**609,622**

*The quantum of identifiable intangible assets to bring to account, for the management rights acquired in ECC, was determined by estimating the fair value of the management rights under advice of Resort Brokers Australia Pty Ltd who assisted with the valuation of each management rights contract in accordance with generally used market metrics. The generally-used market metrics for valuation of management rights are: (1) determining the net operating cash flow of the management rights on an owner-operator basis; and (2) determining an appropriate discount rate to apply to the owner-operator cash flows.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2011

In the directors' opinion:

a) the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

b) the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;

d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The Directors have been given a declaration by the Managing Director and Financial Controller of the consolidated entity required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

Lachlan McIntosh
Director

Dated this 30th day of September, 2011

Independent Auditor's Report

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT TO MEMBERS OF EUREKA GROUP HOLDINGS LIMITED

To the members of Eureka Group Holdings Limited

We have audited the accompanying financial report of Eureka Group Holdings Limited ("EGH Limited") which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of EGH Limited (the company) and the consolidated entity. 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 is free from material misstatement, whether due to fraud or error. In Note 2, 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 entity's preparation and fair presentation of the financial report 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 entity'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.

Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of EGH Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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Level 6, 10 Eagle Street | Brisbane | Queensland 4000 | Australia
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Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2011

PKF
Chartered Accountants
& Business Advisers

Auditor's Opinion

In our opinion:

(a) the financial report of EGH Limited and the consolidated entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2011and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2011. 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 EGH Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (ad) in the financial report which indicates that the consolidated entity incurred a net loss of $1,051,391 during the year ended 30 June 2011 and, as of that date, has a net current asset deficiency of $4,983,705 and was in breach of its banking covenants as disclosed in note 17. These conditions, along with other matters as set forth in Note 2 (ad), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

PKF

PKF
Chartered Accountants

Albert Loots
Partner

Dated at Brisbane this 30th day of September 2011

Corporate Directory

FOR THE YEAR ENDED 30 JUNE 2010

Postal Address
PO BOX 5538, West End Qld 4104

Board of Directors
Lachlan McIntosh (Non - Executive Chairman)
David Rosenblum
Paul Fulloon

Company Secretary
James Fay

Solicitors
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Tel: 07 3002-6790
Fax: 1300 368 717

Auditors
PKF Chartered Accountants
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Tel: 07 3226-3555
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Share Registry
Link Market Services – Brisbane
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Call Centre 02 8280-7454
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Listing Details
ASX Limited Brisbane
Code: Shares - EGH